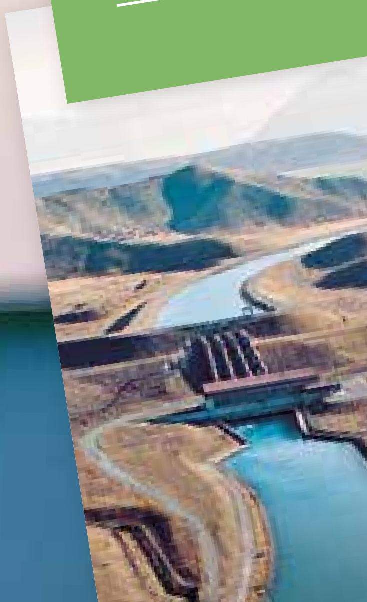
Better energy

MERIDIAN ENERGY LIMITED
ANNUAL REPORT 2014

for the year ended 30 June 2014

meridian



6.7%

EBITDAF[1] ahead of prospectus

13.01 CENTS PER SHARE

Total dividend in FY2014

24.3% higher than forecast in the prospectus, including a 2.00cps special dividend.

$3.5M

Invested in communities and environmental projects

2

New wind farms generating electricity

Delivering on our commitment to shareholders

In our first full-year results after partially listing on the New Zealand and Australian stock exchanges in October 2013, we have achieved solid results for shareholders. EBITDAF[1], a key indicator of profitability, has exceeded the prospectus forecast by $36.9 million (6.7%). We have also delivered a higher-than-forecast full-year cash dividend for our shareholders, resulting in a 21.8% total shareholder return[2] to 30 June 2014.

2014 highlights

FRONT COVER *Jeremy Takao, Russell School, Porirua, helping to celebrate first power at Meridian's new Mill Creek wind farm near Wellington in May 2014.*

IN THIS REPORT

35.3%

Average NZ generation market share

1.7%

Growth in NZ customers

Sustainable outcomes for the environment

This year we have committed $2.1 million to support important environmental projects, including protecting the eel population in our river catchments with Ngāi Tahu and river restoration with the Department of Conservation. Our overall approach has seen us recognised by Kiwis as the country's leading company in sustainability for the third year in a row[3].

Caring for our communities

From helping to fund a new medical centre in Twizel to sponsoring South Island Rowing, we have granted $1.4 million this year to community projects and sponsorship partners. Our partnership with KidsCan, for example, has helped the charity to distribute 30,000 raincoats, 20,000 pairs of shoes and 40,000 pairs of socks to Kiwi kids this year.

Building a better energy future

Following months of construction, we have now completed two new wind farms – Mill Creek near Wellington and Mt Mercer in Victoria, Australia. This year we have achieved first power at both wind farms, and to date both projects have been delivered safely and on budget. Meridian has also increased electricity generation by 8.9% year-on-year despite variable market and weather conditions.

Customer growth here and abroad

In what are considered two of the most competitive electricity retail markets in the world[4], we have achieved growth both here and in Australia. We have grown our New Zealand customer numbers[5] by 1.7% across both our Powershop and Meridian brands. We have also launched Powershop in Victoria, Australia and welcomed 13,400 customers by June 2014.

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

2 Based on Meridian's final initial public offering (IPO) share price and cash dividends declared for FY2014.

3 Colmar Brunton Better Business Better World report 2013.

4 The VaasaETT World Energy Retail Market Rankings 2013 found that the New Zealand retail electricity market is the most competitive in the world in terms of switching, with the state of Victoria, Australia as the second most competitive.

5 Customers are defined by Installation Control Points (ICPs). ICPs are points of connection on a local network or an embedded network that the distributor nominates as the point at which a retailer is deemed to supply electricity to a consumer.

Company overview

Meridian Energy is New Zealand's largest electricity generator and is committed to generating electricity from 100% renewable sources – wind and water.

Meridian was listed on the New Zealand (NZX) and Australian (ASX) stock exchanges on 29 October 2013 and is now a mixed ownership model company, 51% owned by the New Zealand Government.

Meridian generates approximately 30% of New Zealand's electricity from its integrated chain of dams and power stations on the Waitaki River and Manapōuri power station in Southland, the largest hydro power station in New Zealand, and from five wind farms around the country.

Through the Meridian and Powershop brands, Meridian retails electricity to more than 276,000 customer connections, including homes, farms and businesses nationally. Powershop has 13,400 residential and commercial customer connections in Victoria, Australia. Our focus is on continuing to achieve high levels of service and delivering value to our customers.

Meridian owns and operates Mt Millar wind farm in South Australia and has recently completed the construction of Mt Mercer wind farm in Victoria.

Meridian supports a number of environmental programmes, operates Community Funds associated with each of its assets and runs a national sponsorship programme that supports organisations that make a big difference to Kiwis, such as KidsCan, Living Legends and South Island Rowing.

The Meridian Group employs approximately 800 full-time-equivalent employees and has offices across New Zealand, including the company's head office in Wellington and an office in Melbourne.

Retail

Total New Zealand

276,708 ICPs

New Zealand market share[6]

13.9%

6 Electricity Authority, 30 June 2014.

7 Megawatts. One MW is enough to light 10,000 x 100-watt light bulbs.

Hydro

Total installed capacity

2,338 MW[7]

Total generation

11,903 GWh[8]

8 Gigawatt hours. One GWh is equivalent to enough electricity for 125 average New Zealand homes for one year.

Wind

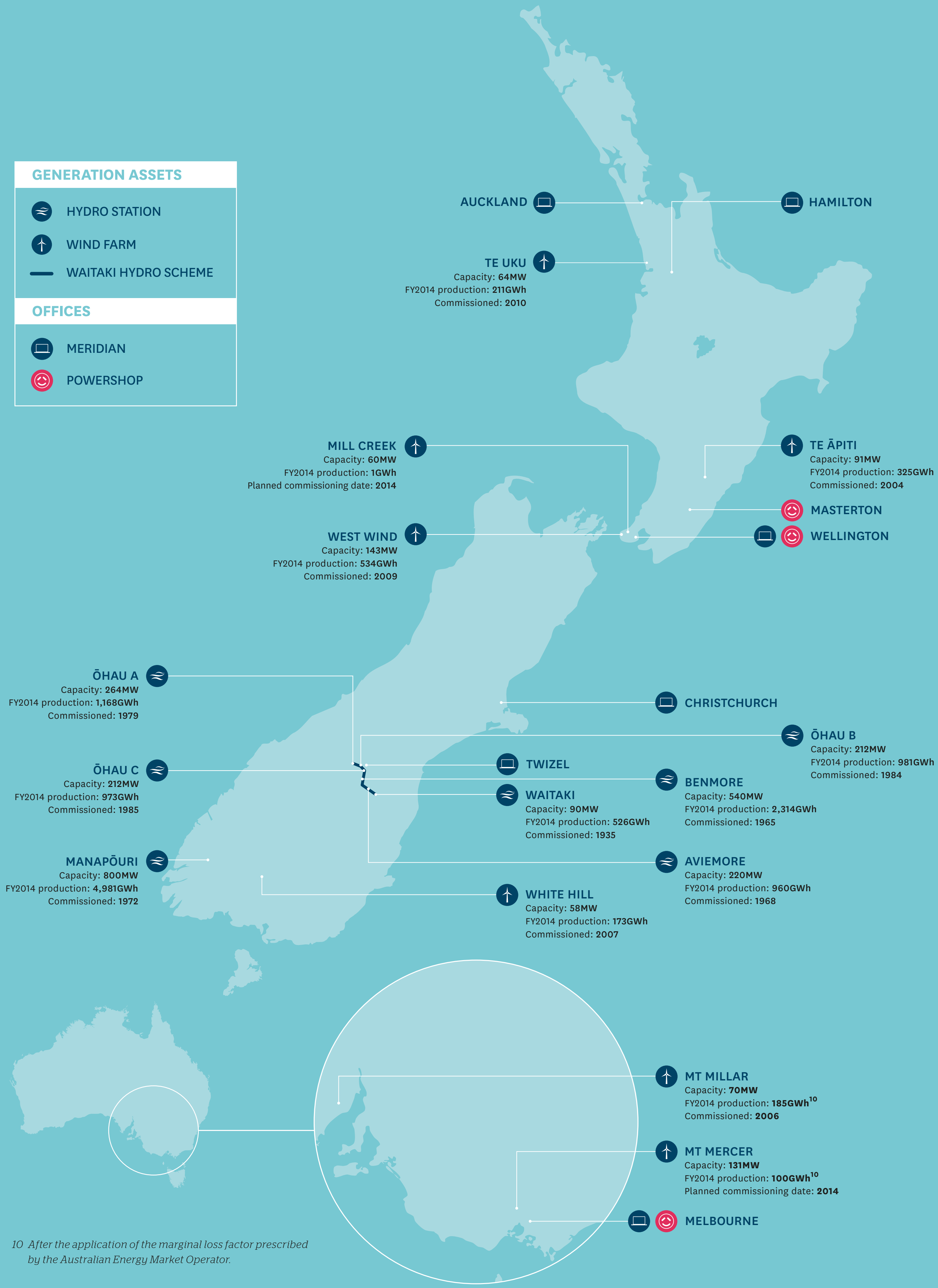
Total installed capacity

617 MW[7,9]

Total generation

1,529 GWh[8,9]

9 Including Mt Mercer and Mill Creek wind farms.



10 *After the application of the marginal loss factor prescribed by the Australian Energy Market Operator.*

Report

From our Chair and Chief Executive

"Total distributions to shareholders for the financial year amounted to 13.01 cents per share, which was 24.3% ahead of the distribution level of 10.5 cents per share anticipated in the prospectus."

This has been an exceptionally challenging, but very satisfying year with the transition from a State-Owned Enterprise to a publicly listed company.

The partial listing of Meridian consumed a significant amount of Board, management and staff time and was completed against a backdrop of significant public interest. The level of commitment, planning and energy applied by all involved, particularly our own people, ensured that the whole project went exceptionally smoothly. It is also very gratifying that total shareholder return in the eight months since listing to the year end was 21.8%[11] and that we exceeded the forecast provided in the prospectus for the year ended 30 June 2014 at the EBITDAF level by 6.7%. It was also pleasing to announce a final ordinary dividend of 6.82 cents per share (cps). Together with the interim dividend we declared in February 2014, this brought the total ordinary dividend for the year to 11.01cps. In addition, Meridian will pay a special dividend of 2.00cps funded from the sale of excess land and other assets.

The other major issue for the year, and a precursor to the public offering, was the re-negotiation of the Tiwai Point aluminium smelter contract. Tiwai Point accounts for approximately 40% of the power generated by Meridian and 14% of New Zealand's total power usage. This relationship is therefore of relevance to the company and the entire New Zealand electricity industry. The contract was varied in August 2013, and while the price was reduced, the benefits negotiated in terms of the smelter's continued operation through to at least 31 December 2016, and a range of changes to operating parameters, offset the change in pricing.

In addition to these significant events, Meridian reached a number of key milestones during the year, including first power at Mt Mercer wind farm in Victoria, Australia, and Mill Creek wind farm near Wellington. In Australia we also launched Powershop in the state of Victoria, where we welcomed more than 13,400 customers, surpassing the prospectus forecast.

Financial results

Operating earnings for the year as measured by EBITDAF were $585.3 million, compared with the prospectus forecast of $548.4 million and $584.8 million in the prior year. The out-performance against the prospectus forecast was mainly due to lower operating and transmission costs but also a higher energy margin. The increased energy margin was principally due to the stronger-than-budgeted earnings in the December to February period, when increased inflows into our southern catchments allowed us to generate electricity at levels well in excess of our contracted sales position. At times during this period we supplied between 40% and 45% of the generation market. While operating earnings were down against last year, that period benefited from six months of earnings from the Tiwai Point contract at the higher pre-August 2013 contract variation price and from revenue from the Macarthur wind farm, which was sold late in the 2013 financial year.

Underlying Net Profit after Tax (NPAT)[12] at $194.6 million was also significantly ahead (20.5%) of the prospectus forecast of $161.5 million and last year's $162.7 million. We believe Underlying NPAT more fairly represents the performance of the business as it removes non-cash fair value movements and other one-off items.

It was particularly pleasing to see our continued focus on running the business as efficiently as possible, and divesting non-core and excess assets, which together with stronger earnings resulted in very strong cash generation. Net cash flow from operating activities at $432.8 million was $94.3 million ahead of the prospectus forecast.

Dividend and capital management

Total distributions to shareholders for the financial year amounted to 13.01cps which was 24.3% ahead of the distribution level of 10.50cps anticipated in the prospectus. The Board is aware that the gearing of the company is now at a conservative level and it is appropriate that it review possible mechanisms to ensure an optimal capital structure. However, given that the industry faces the possibility of structural change following the general election and a decision by New Zealand Aluminium Smelters (NZAS) regarding the Tiwai Point smelter's future, it would not be appropriate to make any decision on this matter at this time. However, the Board will reflect on alternatives, together with ongoing market conditions, with a view to outlining what, if anything, it proposes to do regarding this matter at the time of the interim results' announcement in February 2015.

Health and safety

Our number one commitment to employees is to ensure that they, and others who work at or visit our sites, go home safely every night. With that in mind, it was disappointing to have a Lost-Time Injury (LTI) this year, after 31 months without an incident. Fortunately the incident was a low severity LTI at West Wind farm, causing a lower back muscle strain.

11 Based on Meridian's final IPO share price and cash dividends declared for FY2014.

12 NPAT after adjusting for the effects of one off and/or infrequently occurring events, impairments and changes in fair value of financial instruments.

The defining health and safety event this year was the completion of an independent external audit of our safety systems and processes. This audit provided a very satisfying view of our employee attitudes and our systems but also highlighted some areas for improvement, which we will focus on. We believe that having an open culture to discuss safety issues is imperative to ensuring that we continue to improve our safety culture.

Sustainability

Meridian is committed to 100% renewable generation and creating a better energy future. Generating electricity from renewable resources is our biggest commitment to being a sustainable business. We are the most significant contributor to the Government's target of 90% renewable generation by 2025, which stood at 79% in March of this year[13].

Our strong sustainability credentials are fundamental to our success and are particularly important in resource consenting, customer acquisition and retention, brand activities and new business development. We also use internationally agreed standards and reporting mechanisms[14] to provide assurance to ourselves and others that we seek and achieve good sustainability practice standards.

Our business strategy is influenced by a range of external sustainability factors, including shareholder expectations, iwi and community interests in water rights and allocation, and our customers' energy needs. To ensure that our sustainability focus remains strong, we work to a framework[15] that helps us monitor the performance of our business across a range of economic, environmental and social goals. These results are illustrated throughout this report. For the third year in a row, Meridian was recognised by Kiwis as New Zealand's leader in sustainability, as published in the Better Business Better World report, by Colmar Brunton[16].

While we recognise that price and service remain key issues for our customers, we believe that our commitment to 100% renewable generation is a key differentiator for us.

New Zealand

While the aggregate demand for electricity remains relatively flat, there are mixed views on which segments of the economy could drive future demand growth and when. While manufacturing demand remains under pressure, the positive level of migration (with an expected annual net gain of around 40,000 this year) bodes well for growing household demand and GDP growth rates will also, we hope, have a positive impact on electricity usage. Despite this, Meridian remains cautious regarding future electricity demand given the drive for greater energy efficiency on a number of fronts. Accordingly, we are planning on the basis of a relatively flat demand scenario for the medium term, while holding valuable development opportunities should an increase in demand materialise sooner than anticipated. The other matter that could affect the level of demand in the medium term is any decision by NZAS as to the future of the Tiwai Point smelter.

From a regulatory perspective, the electricity sector faces the possibility of quite significant change, with all main political parties signalling a desire to improve outcomes for consumers.

Our view is that the New Zealand electricity market compares well with overseas markets and it is generally viewed positively by independent experts. Furthermore, the Ministry of Business, Innovation and Employment (MBIE) recently published data that demonstrates that the competitive part of the electricity market has been performing well and has capped energy price rises well below the rate of inflation in the past three years. With changes to the wholesale market improving competition and liquidity for new entrant retailers, the focus should be on making it more transparent and easier for customers to find the best offers that suit their needs. Meridian is committed to supporting regulatory changes that improve its offerings to customers to achieve this end through both the Meridian and Powershop brands.

We continue to work with the Electricity Authority (EA) on its transmission pricing review. We believe that the current system of charging for transmission assets, where High Voltage Direct Current (HVDC) charges are paid only by South Island generators, is a disincentive for generation and investment in the South Island. The EA is continuing to investigate how a beneficiaries-pay principle could be applied to transmission pricing. We believe such an approach would result in a more efficient and equitable allocation of costs among all users of the transmission network. A second issues paper on this subject is expected to be released by the EA in mid-2015.

Iwi

With our hydro generation assets within the Ngāi Tahu takiwā, maintaining a positive and proactive relationship with iwi is vital. During the year both Ngāi Tahu and Meridian invested considerable time and effort in understanding each other's views and long-term aspirations, to ensure that we work together to find mutually acceptable solutions to the challenges ahead. At this point, proposed changes to the Waitaki Allocation Plan are particularly pertinent, and significant effort is being made to find ways in which mutual interests can be satisfied.

Other stakeholders in water

Other interest groups exist within the communities where we operate and at times we have differing interests in relation to water. Meridian appreciates there will always be disparate interests; however, we are committed to listening to others and trying to find mutually acceptable solutions where possible. It was pleasing to see that the Hunter Downs irrigation project has, after considerable effort, reached the point where funds have been raised among the farming community, the Government and Meridian to allow the project to proceed to full design and feasibility. If the project proceeds (which ultimately depends on the farming community's support), it will be a clear example of a positive outcome for both agriculture and hydro generation, as the intake for the scheme will be below Meridian's lowest dam on the Waitaki River.

Mill Creek wind farm

During the year we added to the country's renewable generation with the construction of Mill Creek wind farm (60MW), which achieved first power in May. Once completed at the end of this year, it will produce enough electricity to power the equivalent of around 30,000 average New Zealand homes each year. From a strategic point of view, its proximity to the HVDC transmission line will assist the transfer of more electricity from the North Island to the South Island when inflows in our hydro catchments are low.

Communities

During the year we continued to support the communities in which we operate, with $1.4 million allocated to sponsorship partners and community projects. The largest of the Community Fund grants was $100,000 pledged to support the construction of the new Twizel Medical Centre as part of the Waitaki Community Fund.

Our partnership with KidsCan, which is our biggest national sponsorship, helped this important charity to continue with distributing raincoats, shoes, socks and food to children in need around the country. It was particularly pleasing to see how engaged Meridian staff were in supporting the charity with fundraising efforts, volunteer work and visits to KidsCan partner schools.

Customers

Electricity is an essential service and that means that the price consumers pay for power and transparency around pricing will always be important topics. With a lack of clarity on how power pricing is calculated and conflicting information and opinions on the issue, it can be difficult to form a view

13 Quarterly Electricity Generation and Consumption Data Updates. MBIE, March 2014.

14 Global Reporting Initiative and the International Organization for Standardisation ISO 14064-1.

15 The sustainability framework and our performance for this year can be found on page 130.

16 Colmar Brunton Better Business Better World report 2013.

on recent price increases. That is why we continue to 'unbundle' bills so that customers have more information about what they are being charged for.

As of 1 April 2014 we increased our network charges for residential customers based on the increases we incurred in distribution and transmission costs. At the same time we moved some of our customers, who were on incorrect and historical pricing plans and tariffs, to current plans.

Considerable effort is going into improving the customer experience as winning and retaining our customers relies not only on competitive pricing but on high levels of service. We are part-way through reviewing all our customer processes to identify how we can make it easier for customers to interact with us. While there will always be customer churn, we know that customer retention rates can be improved.

During the year the number of customers that Meridian and our subsidiary, Powershop, have in New Zealand increased marginally by 1.7% to 276,708.

Meridian's most recent MBIE survey data showed a 0.3% annual decrease in residential customers' sales-based electricity charges. This was despite a 1.7% increase in lines costs, which was more than offset by decreases in Meridian's energy charges.

New Zealand Aluminium Smelters

During the next year the owner of the Tiwai Point smelter will be considering its position with respect to its option to terminate its contract with Meridian. The first date for the delivery of a termination notice is 1 July 2015 and this would see Meridian's contract with the smelter end on 31 December 2016.

We are not privy to NZAS's detailed thinking on this issue, but it is clear that key factors in its decision will relate to the world aluminium price, the NZ dollar/US dollar exchange rate, the competitiveness of long-term electricity prices in New Zealand and the relative strategic, or operational, importance of Tiwai Point in the overall aluminium portfolio of Rio Tinto, the principal shareholder of NZAS.

Our relationship with NZAS remains positive and we are hopeful that it will remain committed to Tiwai Point. However, we cannot assume a positive outcome and we continue to explore alternative strategies should the smelter close at the end of 2016. Manapōuri power station, which is the closest significant plant to Tiwai Point, is the most efficient power station in New Zealand. With the upgrade of the Cook Strait cable in November 2013, there will be fewer constraints to this capacity flowing to the North Island. This outcome could see market dynamics in the generation market change significantly.

It should be noted that although NZAS's decision around its options as at 1 July 2015 will be keenly awaited, NZAS will have ongoing rights to terminate the contract, even if it makes the decision not to exercise its termination option in July. This level of uncertainty is something that the market has to accept and factor into any future decisions around capacity.

Australia

Australia is currently an uncertain market for renewable energy operators. The recently issued Warburton Report on Australia's Renewable Energy Target (RET) recommended two options to the Government for consideration. Materially downgrading the RET would result in little, if any, investment in renewable projects in Australia for some considerable time. Australia is also experiencing a decrease in electricity demand as a result of a decline in its manufacturing base and the continued growth of solar panels in the residential sector. Some 2,300GWh of solar-generated energy has been added in the past two years and although the level of subsidy has been reduced, subsidies still apply and most market commentators are suggesting that solar will continue to increase in the residential and commercial segments.

Along with all the other participants in the renewable energy industry, we are concerned with the possible effects of a repeal of or material alteration to the terms of the current RET, which might make renewable projects uneconomical. This legislation underpins the renewable industry in Australia, which in the past 12 years has provided over 7,000MW of new capacity to the Australian economy and allowed Australia to reduce significantly its reliance on coal power generation, with material benefits in terms of carbon emissions. The Australian Government's final decision may materially affect our view on further generation opportunities in Australia. In the interim, we will look for potential long-term projects that can be positioned at little cost but provide options for the future.

Mt Mercer wind farm

The 64-turbine Mt Mercer wind farm completed commissioning of all turbines in June this year. Due for final handover by the end of this calendar year, Mt Mercer is our fourth wind farm development in Australia. Mt Mercer will have a capacity of 131MW and it will bring Meridian's Australian portfolio to 201MW once completed.

Powershop Australia

After launching in the state of Victoria, the Powershop retail business ended the financial year with 13,400 customers, which was ahead of the original business case projections. While providing a very competitive price, the value proposition in Australia is focused on providing consumers with a far higher level of service than they can obtain from incumbent suppliers and more control when it comes to managing their power bills.

International

During the reporting period we completed the sale of our United States-based solar plant CalRENEW-1 for $US14.25 million. The solar plant was sold to SunEdison, a California-based developer, manufacturer and retailer of photovoltaic energy products. The sale of the plant was the last step in our exit from the US energy market. This exit will allow Meridian to focus on operations in New Zealand and Australia.

Outlook

The landscapes in New Zealand and Australia pose some political and market risks in the short to medium term that have already been noted. Any changes to market structures as a result of political change in both New Zealand and Australia, should they occur, will be fully reviewed at the point that firm decisions are made and more detail is known. Meanwhile, we remain focused on delivering returns to shareholders that were outlined in the prospectus at the time of the initial public offering (IPO).

Delivering on our prospectus forecast and ensuring that we are in the best position to continue delivering acceptable returns in the medium term are reliant on management continuing to improve the operating efficiency of the business. In this regard, we announced our intention in August to sell our metering business, Arc Innovations, to Vector's subsidiary AMS Limited and to deploy smart meters to the remaining Meridian retail sites that have legacy meters. In addition to releasing capital from a sub-scale business, this will allow Meridian to roll out better products to customers in a more cost-effective manner.

While NZAS's decision on the future of Tiwai Point will influence the market's thinking on capacity issues, we will continue to hold a limited number of quality development opportunities for future growth.

Management and the Board remain open to growth opportunities but until the political backdrop in both New Zealand and Australia becomes more certain and demand improves, it is challenging to see any immediate generation development opportunities that could produce acceptable risk-weighted returns. A lot has been written about the penetration of solar in Australia and the threats and opportunities it presents. Having built two grid-scale solar plants now (Tonga and California) we are conversant with the opportunities and the economics of solar, which are still limited in an unsubsidised environment such as New Zealand's. However, it is an area that we continue to monitor closely in terms of both the challenges and opportunities that may arise.

While the electricity industry worldwide is facing significant change as the penetration of renewable creates challenges to traditional business models, we feel confident that Meridian is well positioned to cope with the challenges ahead in this part of the world.

We would like to take this opportunity to thank all of our shareholders for their support during Meridian's first year as a listed company.

Our Board

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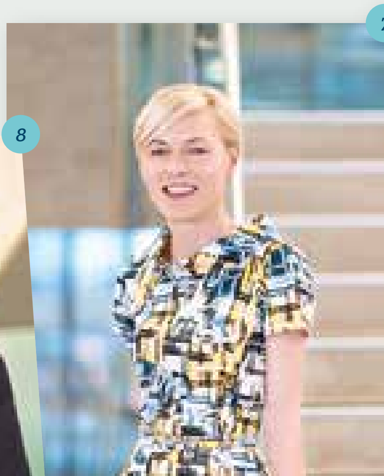

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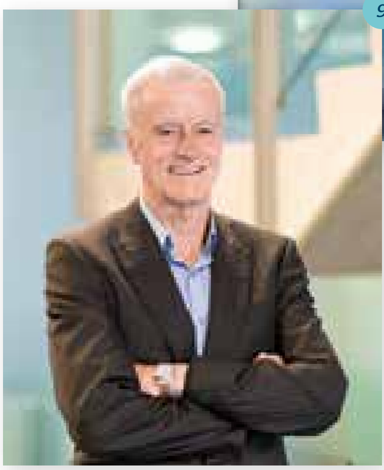


1. Chris Moller

CHAIR

BCA, DIPLOMA OF ACCOUNTING, FACA (NZICA)

Chris Moller is an independent director and joined the Meridian Board in May 2009 and was appointed Chair in January 2011. Chris also serves on the Audit and Risk Committee. Chris has extensive experience in New Zealand and international business at both director and executive levels. He is the former Chief Executive Officer of the New Zealand Rugby Union and co-led New Zealand's successful bid to host the Rugby World Cup 2011. His 15-year career in the dairy industry included roles as Deputy Chief Executive of Fonterra and Chief Financial Officer of the New Zealand Dairy Board. Chris is currently Chair of the NZ Transport Agency and SKYCITY Entertainment Group Limited. He is also a director of Westpac New Zealand Limited. Previously, he was a director of NZX Limited, Synlait Limited, the International Cricket Council, Cricket World Cup 2015 Limited, The International Rugby Board, Rugby New Zealand 2011 Limited (which entered into voluntary liquidation following the conclusion of Rugby World Cup 2011) and National Foods (Pty) Limited.

2. Peter Wilson

DEPUTY CHAIR

CA (NZICA)

Peter Wilson is an independent director and joined the Meridian Board in May 2011. Peter is a Chartered Accountant and business consultant, and was formerly a partner of Ernst & Young. He has extensive experience in banking, business establishment, problem resolution, asset sales and management of change functions. Peter has been involved in companies undertaking capital-raising activities and has wide-ranging governance experience in the public market, in the private sector and with Crown-owned entities. Peter serves on the Audit and Risk Committee and is currently Chairman of Westpac New Zealand Limited and Augusta Capital Limited. Peter is also a director of PF Olsen Limited and Farmlands Co-operative Society Limited. Past directorships include The Colonial Motor Company Limited, Westpac Banking Corporation and NZ Farming Systems Uruguay Limited.

3. John Bongard

INDEPENDENT DIRECTOR

BCOM, ONZM

John Bongard has been a director of Meridian since May 2011 and currently serves on the Remuneration and Human Resources Committee. John has more than 30 years' experience in marketing appliances around the world and has established new sales companies in Australia and in the US. He has held a number of executive-level positions during his 36-year career within the Fisher & Paykel Group, including, until 2009, serving as Chief Executive Officer and as Managing Director of Fisher & Paykel Appliances Holdings Limited. He is currently the Chair of Netball New Zealand, PSCTH Thailand and The Rising Foundation and Local Chair of BNZ Partners Highbrook. John is a director of HJ Asmuss & Co Limited, Narta Australia Pty Limited and WilliamsWarn Limited, and was previously a director of Tourism Holdings Limited. He is also Deputy Chair of Counties Manukau Pacific Trust Board.

4. Mark Cairns

INDEPENDENT DIRECTOR

BE (HONS), BBS, POST GRAD DIP BUS ADMIN, MMGT, FIPENZ

Mark Cairns joined the Meridian Board in July 2012. He currently serves on the Audit and Risk Committee. Mark has extensive experience in port operations and transportation. He has been Chief Executive of NZX-listed Port of Tauranga Limited since 2005. Prior to joining Port of Tauranga Limited, he was Chief Executive of C 3 Limited (formerly Toll Owens Limited) for five years, following his role as General Manager (Central) at Fulton Hogan Limited. Mark is Chair of Quality Marshalling (Mount Maunganui) Limited and is a director of Prime Port Timaru, Northport Limited, North Tugz Limited and Port of Tauranga Trustee Company Limited. Mark has also previously held director roles in C 3 Limited, Metropack Limited and Tapper Transport Limited.

5. Jan Dawson

INDEPENDENT DIRECTOR

BCOM, FCA (NZICA), FINSTD

Jan Dawson joined the Meridian Board in November 2012. Jan is Chair of the Audit and Risk Committee. Jan is currently Deputy Chair of Air New Zealand Limited and a director of Westpac New Zealand Limited, AIG Insurance New Zealand Limited, Goodman Fielder Limited and the Beca Group. Jan is a professional independent director with appointments to a number of New Zealand and Australian companies. She was previously the Chair and Chief Executive of KPMG New Zealand, following a career spanning 30 years specialising in audit and accounting services in the United Kingdom, Canada and New Zealand. She was previously President of Yachting New Zealand and a director of Counties Manukau District Health Board.

6. Mary Devine

INDEPENDENT DIRECTOR

BCOM, MBA, ONZM

Mary Devine became a director of Meridian in May 2010. Mary is Chair of the Remuneration and Human Resources Committee. She has had a 20-year career in executive roles in private New Zealand companies. A former Chief Executive of Australasia's multi-channel retailer, EziBuy and former Managing Director of department store, J. Ballantyne & Co, Mary has extensive experience in corporate strategy, brand marketing and multi-channel retailing and was this year awarded an ONZM for services to business. She is currently a director of IAG New Zealand Limited, Top Retail Limited and Briscoe Group Limited.

7. Sally Farrier

INDEPENDENT DIRECTOR

BE (HONS), MBA, GDIPAPPFIN

Sally Farrier was appointed a director of Meridian in July 2012 and serves on the Safety and Sustainability Committee. She is a professional non-executive director and corporate adviser, with extensive experience in industry restructuring and economic reform, privatisation, business strategy and risk management. Sally's professional career has focused on the utility sector (water, electricity and gas) spanning a number of consulting and director roles in New Zealand and Australia. Sally was previously an Australian National Water Commissioner, a member of the Department of Primary Industries Portfolio Strategy Board, a member of the Victorian Water Trust Advisory Council and a member of the Independent Panel for Victorian Regional Sustainable Water Strategies. Sally was formerly a director of Hydro Tasmania, Manidis Roberts Pty Limited and Western Power. She is currently a director of Farrier Swier Consulting Pty Limited and SP AusNet.

8. Anake Goodall

INDEPENDENT DIRECTOR

BA, MBA, MPA

Anake Goodall joined the Meridian Board in May 2011 and serves on the Remuneration and Human Resources Committee. Anake has diverse management and governance experience, including being a union delegate in the meat industry and a founding board member of the Makarewa Credit Union, holding various executive roles in community-based organisations, and being an adviser to the Government and iwi. In past executive roles he served as Chief Executive Officer of Te Rūnanga o Ngāi Tahu, and was before that responsible for managing all aspects of Ngāi Tahu's Treaty settlement process. Anake is currently a director of NXT Fuels Limited and PledgeMe Limited, and is a trustee of the Ākina (formerly Hikurangi) Foundation. He is a member of the Te Waihora Co-Governance Group and the Canterbury Earthquake Recovery Review Panel, and is an Adjunct Professor at the University of Canterbury. He has previously been a member of the Environmental Protection Authority and a director of Enspiral Foundation Limited and various Te Rūnanga o Ngāi Tahu entities. Anake is Chair of the Manawapōpore Trust, trustee of the Hillary Institute of International Leadership, and a New Zealand Harkness Fellow.

9. Stephen Reindler

INDEPENDENT DIRECTOR

BE (HONS), AMP, FIPENZ

Steve Reindler joined the Meridian Board in September 2008 and is Chair of the Safety and Sustainability Committee. Steve is an engineer who has a background in large-scale infrastructure and heavy industry manufacturing. He has gained extensive experience through his previous executive roles at New Zealand Steel Limited and Auckland International Airport Limited, and through his industry position as inaugural Chairman of the Chartered Professional Engineers Council. He is currently a director of Broome International Airport Group, Naylor Love Enterprises, Yachting New Zealand and Resolve Group Limited, and an independent adviser to AgResearch and Transfield Services Limited. Steve was previously a director of Port of Napier Limited and Stevenson Group Limited and an advisory director of Glidepath Limited. He served as a Senior Office Holder on the board of the New Zealand Institution of Professional Engineers and was President of the Institution in 2011.

Our executive team

1. Mark Binns

CHIEF EXECUTIVE

LLB

Mark Binns joined Meridian as Chief Executive in January 2012. Prior to this appointment Mark was Chief Executive of the Infrastructure Division of Fletcher Building Limited, the company's largest division. Mark worked at Fletcher Building and its predecessor, Fletcher Challenge Limited, for 22 years. During that period he was responsible for operations in Australia, South East Asia, India, South America, the US and the South Pacific, as well as in New Zealand. Mark also held director roles in numerous subsidiary companies of the Fletcher Building group. His career has seen him closely involved in some of New Zealand's largest infrastructure projects, including the Wiri Prison public-private partnership, Waterview Connection, Eden Park, SKYCITY, Museum of New Zealand Te Papa Tongarewa and the Manapōuri tunnel. By training, Mark is a qualified lawyer and, prior to joining Fletcher Challenge, was a partner at Simpson Grierson in Auckland.

2. Paul Chambers

CHIEF FINANCIAL OFFICER

BSC (HONS), FCA (ICAEW), CA (NZICA)

Before taking up his role at Meridian in 2009, Paul Chambers was Chief Financial Officer of Transfield Services New Zealand. Paul has extensive senior finance experience in a variety of industries, including ports, manufacturing and retail, both in the UK and in France. Paul is a Chartered Accountant and is currently a director of the Meridian subsidiaries Powershop and Meridian Energy Australia. His team has responsibility for strategy coordination, performance measurement, external reporting, funding, risk management coordination, procurement and financial transaction services.

3. Neal Barclay

GENERAL MANAGER, MARKETS AND PRODUCTION

BCA, CA (NZICA)

Neal Barclay has been General Manager, Markets and Production since October 2009. He joined Meridian in July 2008 as Chief Financial Officer. Prior to joining Meridian, Neal, a Chartered Accountant, held a number of general manager roles in a 13-year career with Telecom New Zealand Limited. Neal is responsible for the company's New Zealand generation asset portfolio, including seven hydro power stations and four wind farms that deliver about 30% of New Zealand 's electricity generation, and for the company's wholesale trading and risk positions. Neal's role also involves managing renewable projects and renewable generation options.

4. Ben Burge

CHIEF EXECUTIVE OFFICER, MERIDIAN ENERGY AUSTRALIA PTY LIMITED

BCOM, LLB (FIRST CLASS HONS)

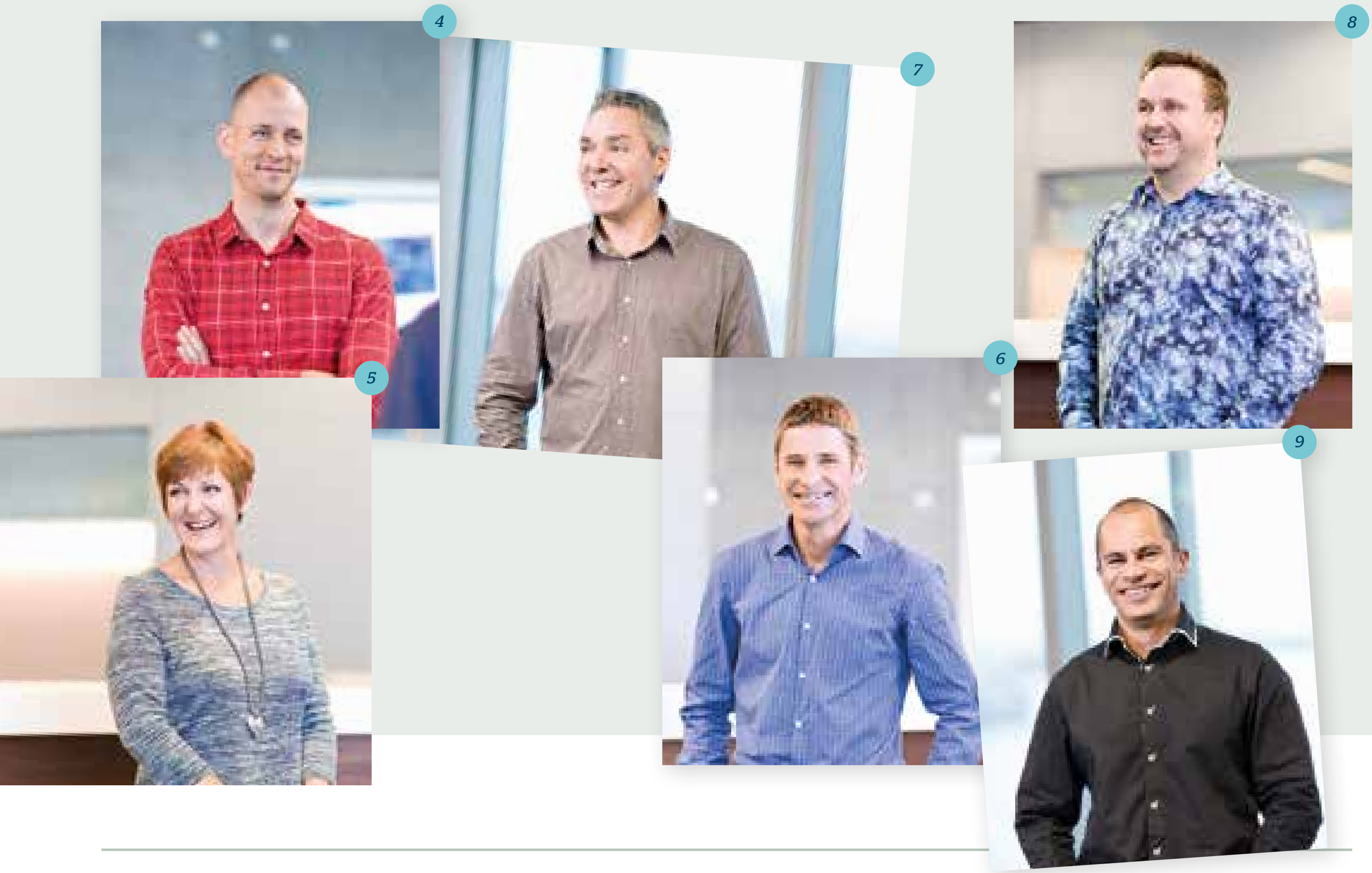
Ben Burge joined the Meridian Group in 2011 as the Chief Executive of Meridian Energy Australia and is responsible for Meridian's Australian business, including Powershop Australia. Ben has had extensive experience in the Australian market dealing in securities and derivatives in equities, debt and energy. Ben was the founder and Chief Executive of ASX-listed media business Emitch Limited and has held the roles of Chief Executive and partner of investment bank JT Campbell & Co, and partner of IBM in the Business Analytics and Optimisation business unit.

5. Jacqui Cleland

GENERAL MANAGER, HUMAN RESOURCES

BBS, M.PHIL (PSYCH)

Jacqui Cleland joined Meridian as General Manager, Human Resources in September 2012. She has an extensive background in human resources and has held senior human resources management roles in New Zealand Post, New Zealand Inland Revenue and Fonterra. Jacqui was previously a trustee of the New Zealand Post Superannuation Plan. Jacqui also spent a number of years as a university lecturer, teaching and researching in a wide range of business and human resources topics. Jacqui's team focuses on developing leaders and executing strategies to help Meridian's people to utilise and grow their capabilities, competencies and skills. This ensures that the company is well supported to deliver on its business objectives and aspirations.



6. Alan McCauley

GENERAL MANAGER, RETAIL

BCA, MBA, PGDFA, CA (NZICA)

Alan McCauley joined Meridian in July 2013 as General Manager, Retail. His career in the energy industry has spanned 18 years in roles in both Australia and New Zealand. Alan was a member of the project team that established Red Energy in Australia in 2003. As General Manager of Customer Management at Red Energy until June 2013, Alan was a key member of the executive team that grew that company into a profitable and award-winning energy retailer. He has previously worked in managerial and consulting roles for Contact Energy, ECNZ and Electro Power Limited. Alan was a director of Athletics New Zealand for seven years until August 2013 and has recently retired as a director of Athletics Victoria in Melbourne.

7. Glen McLatchie

GENERAL MANAGER, INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

BBS, MIS

Glen McLatchie joined Meridian in May 2010 and is responsible for ensuring that the company has the appropriate ICT infrastructure, data, processes, security and applications in place to meet the company's requirements. Glen has more than 20 years' experience in delivering business and information technology change and has held a number of general management positions in both commercial and information technology business functions. He has held several senior management roles with a global focus based in Australia, the UK and France in a 13-year period with BP Oil International Limited. Prior to joining Meridian, Glen was the director of ICT Transformation and Strategic Planning for Contact Energy and prior to this he was the General Manager of Retail Automation Limited (a division of the former Provenco Group Limited).

8. Jason Stein

GENERAL COUNSEL AND COMPANY SECRETARY

LLB, BCA

Jason Stein joined Meridian in 2008 as Assistant General Counsel and was appointed General Counsel and Company Secretary in 2010. Jason was also appointed General Manager of the Office of the Chief Executive in 2011. Jason is a lawyer and has held in-house roles at financial institutions and in the energy sector, including at vice president and senior counsel levels. Jason has been working in the New Zealand energy sector since 2004. He was formerly the Group Legal Manager of Vector Limited. Jason's team is responsible for providing and managing the company's legal services and providing the corporate governance and company secretarial functions to Meridian, the Board and the management team.

9. Guy Waipara

GENERAL MANAGER, EXTERNAL RELATIONS

BE (HONS), MBA

Guy Waipara (Rongowhakaata) was appointed as General Manager, External Relations at Meridian in August 2010. Guy is responsible for the company's corporate reputation, which includes Meridian's brand, consenting, environmental management, relationship management, regulatory and external communications. Guy has previously held roles at Meridian in offshore business development and setting company strategy. He has more than 20-years' experience in the electricity sector and previously worked at Transpower in roles responsible for transmission planning and network development.

Customers

Alan McCauley, General Manager, Retail

"We have been working hard to make sure that we get the customer experience right and that has involved rethinking some of the basics of our business."

ALAN McCAULEY

After spending the past 10 years working in the highly competitive Victorian electricity market, it's exciting to be back in New Zealand working at Meridian.

With 14 electricity retailers and high industry churn rates, the New Zealand retail electricity market has become the most competitive in the world in terms of switching[17]. It's refreshing to see that customers now have more choice and a range of innovative services available to them to make savings and take control of their electricity usage.

Customer focus

While we have sharpened our tariffs, plans and products for customers, customer expectations are higher than they have ever been. We have been working hard to make sure that we get the customer experience right and that has involved rethinking some of the basics of our business.

This project started at staff level with important changes made to how our retail team operates, from management to those working at our customer contact centre. We have also made targeted technology investments to help customers engage with us online. We will continue to invest in this area and make further improvements.

Our focus on customer engagement is a key part of our customer retention strategy. Launched in 2013, early results from our Orion personalised smart plans in Christchurch, which include an online engagement component, show that customer churn has decreased substantially compared with our standard plans.

Our customer connection numbers across both our Meridian and Powershop brands are holding steady and our pricing is highly competitive, with our residential pricing at the lower end across the major networks[18].

With millions of transactions a year, we strive to get things right to ensure that customers remain satisfied. At Meridian we view complaints as an opportunity to improve, so when there is an issue that needs to be addressed, we work with our customer to reach a resolution. When a resolution cannot be reached between a customer and a retailer, the issue can be referred to the Electricity and Gas Complaints Commissioner (EGCC). Meridian holds the lowest percentage of 'deadlock', or unresolved, complaints referred to the EGCC according to market share, with only 2.7% of complaints reaching deadlock[19].

17 *The VaasaETT World Energy Retail Market Rankings 2013.*

18 *MBIE Quarterly Survey of Domestic Energy Prices February 2014.*

19 *EGCC six-monthly report on electricity and gas complaints to 30 September 2013.*

We also understand that some customers have trouble managing their power bills. We encourage customers to contact us in this event so we can create a plan to support them to keep on top of their bill payments. Meridian, along with the industry, is working to ensure that those struggling to pay for their electricity get the right support and information at the right time. To support this commitment, we are proactively calling customers who have identified themselves as 'vulnerable customers'[20] to discuss their situations and payment options. For example, we provide 'level pay', which allows customers to pay the same amount each month on their electricity bills, making budgeting more manageable.

As a renewable generator of electricity we also support customers who generate for their own power needs. With a growing number of customers using their own solar photo-voltaic (PV) systems, we offer to buy back electricity that customers generate but don't use. We have just over 2,000 'small scale renewable generation' customers, having grown our residential solar customer base by about 1,000 this year. This constitutes approximately 1% of our residential retail customer base.

We also continue to support farms and businesses with their PV solar systems. In June this year, for example, the Auckland War Memorial Museum began generating power from 189 solar panels thanks to a collaboration with Meridian.

Agribusiness

Our push to grow customer numbers in the agribusiness sector in the North Island has continued this year with the support of our dedicated team in the Hamilton office, which we opened in February 2013. This year we have targeted growth opportunities, such as dairy in Northland, Waikato and Taranaki and horticultural and growers in Pukekohe, Hawke's Bay and the Bay of Plenty.

We have also been aligning products to better support the differing segments within the sector. Being industry trained, our agri team members are able to support our customers because we understand and can add value to their businesses. We have good relationships with a number of buying groups including Farmlands and the Ashburton Trading Society and work closely to establish pricing, services and terms that specifically suit their members.

This year we have continued to support major national agricultural awards and initiatives that recognise and promote sustainable land management, such as the Ballance Farm Environment Awards, the New Zealand Dairy Industry Awards and the Dairy Women's Network.

The price of power

Meridian generates and sells electricity, but we are only one of a number of participants in the supply chain that delivers electricity to our customers' homes, farms and businesses.

The price we charge for electricity depends on the plan a customer selects, where they live and how much electricity they use.

Since 2012 we have unbundled our bills so that customers can clearly see the charges that relate to the transmission and distribution costs associated with delivering electricity to them (we call these network charges), and charges that relate to the cost of purchasing electricity and other costs we incur in supplying electricity to them (we call these Meridian charges).

The diagram opposite shows the components of the residential electricity supply chain and how these costs are included in customers' bills.

20 For more information regarding the criteria for identifying as a vulnerable customer, visit www.ea.govt.nz/operations/retail/retailers/retailer-obligations/medically-dependant-and-vulnerable-customers.

How it all works

Energy

Electricity is purchased by retailers, on behalf of customers, from power stations throughout New Zealand. The price at which we buy electricity is set by the wholesale market, which matches supply from generators with demand from retailers and large consumers every half hour. These costs are included in the Meridian charges.

Transmission and distribution

Transpower, which owns and operates the national grid, is responsible for delivering electricity from the power stations to the regional networks. Local distribution companies then distribute electricity within the regional networks to consumers' properties. These costs are included in the network charges.

Metering

Electricity meters measure how much electricity consumers use. Smart meters, such as those rolled out to Meridian's Christchurch customers, offer real-time consumption information and provide a platform for innovative pricing and appliance technologies.

Meters are usually owned and managed by metering equipment provider companies that charge leases to retailers for all their customers' meters. These costs are included in the Meridian charges.

Government levies and GST

The EA is responsible for the regulation of the electricity industry.

The costs of the EA are charged to retailers via an annual levy. Our charges include a separate EA levy, which is an amount based on what we pay the EA. This charge is not always passed through at cost due to the methodology used to calculate the levy, but we ensure that in the long term we do not charge our customers more than what we pay to the EA.

New Zealand Government Goods and Services Tax (GST) is also charged on electricity and included in the bills received by consumers.

Retail

Retailers, such as Meridian and Powershop, provide customer service, billing and other useful tools and services (such as Meridian's online customer tool MyMeridian). In order to cover our Group costs, such as supplying customer service among other things, we also include a margin. These amounts are included in our network charges and the Meridian charges.

Typical Meridian residential bill breakdown

The supply chain to the left illustrates the breakdown of all charges required to deliver electricity from power stations to our residential customers' homes.

These percentages reflect total charges after the prompt payment discount to all Meridian residential customers during the 2013 calendar year.

ENERGY
35%

TRANSMISSION AND DISTRIBUTION
36%

METERING
5%

GOVERNMENT LEVIES AND GST
14%

RETAIL
10%

Powershop New Zealand

ARI SARGENT, CHIEF EXECUTIVE OF POWERSHOP

Spotting an opportunity to bring customer-side innovation to the electricity market and having a desire to bring real change to the industry, we decided to take up the challenge. Five years ago Meridian launched Powershop, a power company with a vision to deliver the same power, with a different attitude. We set out to use technology to radically simplify the way customers buy electricity and put them back in control of their power usage and costs. Through our website and new smartphone app, customers can easily count their kilowatts to reduce their energy diet the same way you'd count calories to reduce your waistline, helping them to save money and power.

Our approach has led the industry with outstanding levels of customer satisfaction, achieving scores of between 90% and 96% in the annual Consumer NZ survey for six consecutive years and also winning Canstar awards for the three years they have been running. We're proud of what we have built and are grateful to all of our customers who have become our raving fans.

In the past 12 months we have been quietly but steadily building one of New Zealand's best ICT design and development teams located at our HQ in Newtown, Wellington.

This year we have launched New Zealand's first electricity self-service smartphone app, which makes it even easier for customers to manage their power on the go. After just a few months, almost 20,000 Powershop customers are using the app, which keeps them informed through a range of automatic notifications, including discounted electricity packages, automatic payment alerts and when meter readers will make their next visits. The app also makes it easy to monitor electricity usage and compare costs for the previous 12 months.

In other developments, our call centre in Masterton has expanded and the team has put on their best Aussie 'twang' to handle the increased volume of calls from Australian Powershop customers.

"After just a few months, almost 20,000 Powershop customers are using the app."

Taking the power revolution across the ditch

BEN BURGE, CHIEF EXECUTIVE OF MERIDIAN ENERGY AUSTRALIA AND POWERSHOP AUSTRALIA

Following our success in New Zealand, we are setting out to liberate Australians from a more traditional energy retailing model, one customer at a time. In a marketing campaign using billboards, digital advertising and social media, we are letting Aussies know that we're here and that we're different.

Australians are starting to join our online power revolution following our launch in late 2013 in the state of Victoria – known as one of the most competitive electricity markets in the world.

While it is still early days, we have established a solid beachhead for Powershop in Victoria. Since launching, 13,400 customers have chosen to join the Powershop revolution, with nearly 4,000 people following us on Facebook. By using our own award-winning software and solutions developed in New Zealand, we offer customers simple information showing exactly how much energy they are using, and how much it is going to cost them, before they are asked to pay for it.

Our world-class products are matched by quality customer service from the heart of Wairarapa. The friendly customer services team in Masterton are now servicing both our Australian and New Zealand Powershop customers. We expect that continued customer growth in Australia will drive more demand for jobs at our call centre. In fact, if the growth rate continues at current levels, a further 25 to 30 new jobs should be created in the next 12 months.

Putting even more power in our customers' hands, Australians now have the ability to choose the kind of power they want to support with the Powershop online marketplace. Australian customers can choose to buy power from specific renewable sources using the online store, including Meridian and third-party wind farm operators and even community renewable generation projects[21]. The marketplace even includes a sugarcane-powered option, which harnesses electricity generated from burning waste biomass from sugar mills.

"We expect that continued customer growth in Australia will drive more demand for jobs at our call centre. In fact, if the growth rate continues at current levels, a further 25 to 30 new jobs should be created in the next 12 months."

21 This works by the renewable generator surrendering the Renewable Energy Certificates (a form of renewable energy currency under the Australian RET scheme) to match the units used by the customer.

Generation

Neal Barclay, General Manager, Markets and Production

Generating electricity safely and efficiently is the driving motivation for my team. We have again demonstrated the capability to manage our hydro generation within the context of another year of challenging inflows, with an exceptionally wet spring followed by the second lowest inflows on record in March.

This year we've been working on two major renewable generation projects – Mill Creek wind farm near Wellington and Mt Mercer wind farm in Victoria, Australia. Both wind farms have delivered first power and are expected to be fully completed by the end of 2014.

Market trading

Managing risk is at the core of my team's work and we have seen a continued evolution in the electricity market and the availability and liquidity of key risk management tools. An increasingly vibrant and liquid ASX hedge market, now complemented by Financial Transmission Rights (FTRs), is becoming an important cornerstone in how we manage risk. To provide context, during the financial year we traded approximately 829GWh on the ASX both in our capacity as a market maker and to hedge market exposures.

Likewise, the introduction of FTRs during July 2013, which are hedges that help us to manage changes in electricity prices across the transmission network, supported our retail push into the North Island, where we have seen the majority of our customer growth.

We also replaced the 200MW Swaption we held with Genesis Energy with a suite of flexible options (also with Genesis) to ensure that we can support obligations to customers and hedge dry-year risks.

Asset performance

We are working hard to achieve performance efficiencies from our renewable generation portfolio. During the period we successfully delivered:

- new control systems for the first of four units at Aviemore hydro power station to improve reliability
- upgrades to the Waitaki hydro power station as part of a three-year generation overhaul programme
- replacements of all the high-voltage bushings on the transformers at Manapōuri after a routine inspection identified faults with four of the 21 bushings.

Within our wind portfolio, we have taken the technological advances made on our turbines at Mill Creek wind farm and applied them to its neighbouring wind farm, West Wind. These advances will enable the wind turbines to operate in higher wind speeds, resulting in an approximately 2% improvement in production.

At the same time we completed the major project to replace our Generation Control System, which enables us to operate all our power stations from Wellington. This new software enables us to continue to run all of our generation assets efficiently from a central hub while also providing the redundancy of disaster recovery facilities located at the Ōhau B power station. This project was completed in August 2014.

"Both wind farms have delivered first power and are expected to be fully completed by the end of 2014."

NEAL BARCLAY

Our commitment to high-quality asset management and maintenance was recently recognised with a gold award from the Australian Asset Management Council (AMC), which promotes excellence in the practice of asset management, maintenance and engineering. We also received the AMC Founders Plate for best-practice asset management and maintenance capability.

The hydro forced outage factor for the year was 2.5%, which was higher than planned and previous years' performance. This was due primarily to the precautionary works undertaken on the Manapōuri hydro power station generator transformers. Following planned maintenance checks in March 2014 we discovered an issue with two of Manapōuri's seven transformers. We expect to install two new transformers, which will be operational by March 2015, and procure a third new transformer as a spare.

This year's average availability for wind assets was 97.4%, which was a slight improvement on last year (97.3%).

Transmission upgrades

The new HVDC link was fully commissioned at the end of November 2013. During this upgrade Meridian worked collaboratively with Transpower to manage constrained HVDC transfer capability with no detrimental effects on our earnings.

This upgrade of HVDC capacity is a positive development for the market as it largely eliminates transmission constraints between the North and South Islands. It enabled the transmission of large volumes of South Island hydro power during periods of the year when we experienced significant inflows. During December 2013, for example, we saw the highest weekly northward flow since 2007. The upgrade will also enable greater volumes of North Island energy to be transferred to the South Island in the event of an extended dry period in the South Island hydro catchments.

Australia update

The team in Australia met a major milestone in November 2013 with first power generated at Mt Mercer wind farm and its first connection to the transmission grid. Our team worked hard with our contractors and suppliers to ensure that this project was completed ahead of time and below budget and was delivered safely. Mt Mercer wind farm consists of 64 turbines and will have a capacity of 131MW, producing enough electricity each year for about 74,000 average Australian homes. This will bring our Australian portfolio to 201MW and provide Meridian with diversity of earnings and a solid beachhead in the Australian renewable energy market.

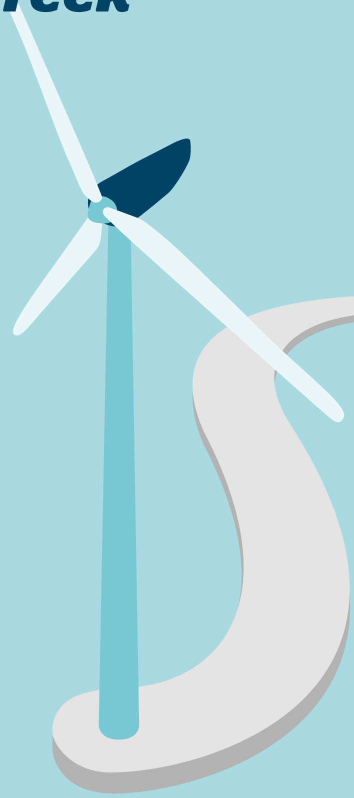
Renewable development projects in New Zealand

In light of current market conditions our focus has been on maintaining the most attractive wind farm options and developing these to the point where they can be held until market conditions improve. During the year we worked directly with local authorities to retain the resource consents associated with sites and with private landowners to secure long-term land access arrangements. Our current interests in wind farm proposals are located in Northland, central New Zealand, North Canterbury and inland Hawke's Bay.

During the last year we continued to rationalise a number of development projects. Resource consent applications for the Mt Munro wind farm project south of Eketahuna were withdrawn in November 2013. Two hydro generation options, the Amuri and Balmoral projects that we were working on in partnership with Ngāi Tahu Property, were also halted. Ngāi Tahu Property is continuing to pursue the Balmoral project independently as an irrigation option.

A series of land holdings for previous hydro developments was tendered and sold. The land disposals were predominantly part of the original proposal to develop a hydro scheme on the lower Waitaki River.

Constructing Mill Creek



The turbines

BLADE LENGTH

40 METRES

9 METRES LONGER THAN THE WING OF A BOEING 777

BLADE WEIGHT

9.2 TONNES

EQUIVALENT WEIGHT OF A SCHOOL BUS!

THE TOTAL HEIGHT OF EACH TURBINE

110.89 METRES

TURBINE FOUNDATIONS ARE UP TO

20 METRES WIDE | 2 METRES DEEP

The build

19 KM OF NEW ROADING CONSTRUCTED

6 KM TRANSMISSION LINES CREATED

APPROXIMATELY 370,000 MAN HOURS TO BUILD (END OF JUNE 2014)

1,000 TONNES OF CEMENT USED

EQUIVALENT TO 63 TRUCKLOADS

40 TONNES OF REINFORCING STEEL WAS USED

Mill Creek – the wider benefits of building a wind farm

When we celebrated first power at Mill Creek wind farm near Wellington in May 2014, it marked a significant milestone for Meridian for a number of reasons. Mill Creek wind farm not only is the fifth wind farm that we have built in New Zealand in just 10 years, but because of market conditions it will probably be the last that we build for at least the next three to five years.

A development project of this size is a culmination of many years' work that has involved a lot of people, planning and processes. In 2004, a group of farmers who own the land at Mill Creek formed a landowner cooperative called Windcorp. They saw it as an innovative way to support the viability of their farms, while preserving the lifestyle and rural character of the Ohariu Valley area. After winning a tender process, Meridian then reached an agreement with the farm owners to develop a wind farm on the site. Construction began in September 2012 and will continue until all of the 26 turbines are up and running at the end of 2014.

Mill Creek wind farm may generate electricity for Meridian, but is also generates opportunities for the farmers who own the four properties where the turbines are located. Although the construction of the wind farm brought some disruptions for the local farmers, the medium-to long-term benefits are worth it. The overall impact of the turbines is low, with a footprint of around 3% of each farm.

Sheep and beef farmer Gavin Bruce, who has eight turbines on his 440-hectare (ha) Ohariu Valley property, says the wind farm replaced existing fences and yards, which is saving on repairs and maintenance for his farm. He says that the road upgrade has also been useful because he can now safely access the back of the property at all times.

In terms of running a sustainable business, Bruce says that this has always been the aim, "The wind farm takes the bad years out of farming," he says.

Mill Creek also had wider benefits for the community during construction. As with all of our development projects we used local services and products when possible.

At least 50% of the 1,300 people who worked on the project live in either Wellington or the lower North Island.

During the construction phase our primary concern was ensuring that the work was completed safely and we are pleased to report that with approximately 370,000 hours worked on site, to date we have had no serious injuries.

As with all of our generation communities, we have set up a Community Fund. We recently allocated $75,000 for the Mill Creek Community Fund, which is available to local community projects seeking funding in the next three years. We also have a team of people, including a dedicated community liaison role, who work to ensure that we stay connected with the Mill Creek community for the long term, as we move beyond the construction of the project.

Environment

Guy Waipara, General Manager, External Relations

"We view effective water management as a balance between achieving efficient renewable electricity generation, maintaining environmental conditions and engaging with stakeholders on the issues that matter to them the most."

GUY WAIPARA

Working at Meridian, you soon get to understand the special connection that we have with the environment, which begins with our commitment to being a 100% renewable electricity generator. This means we are reliant on natural resources like wind and water to power our assets. We are also reliant on maintaining relationships with and working alongside stakeholders and communities who also value these natural resources.

The vast majority of the electricity we generate is from our seven hydro stations, comprising six in the Waitaki Valley and our largest power station Manapōuri in the Waiau catchment, all of which are in the South Island. By New Zealand standards, the scale of our hydro operations is large. The Manapōuri hydro power station generates electricity from water flowing from New Zealand's largest lake, Te Ānau, and Manapōuri, the fourth largest lake, which discharges into Doubtful Sound. The Waitaki catchment has a chain of eight hydro stations (six owned by Meridian), canals and seven lakes on a large braided river. These catchments are the focal point of our commitment to the environment in which we operate.

While our 100% commitment to renewables continues to make a positive contribution to New Zealand's energy strategy target of 90% of electricity generation from renewable sources by 2025, our dams and wind farms still have impacts on local environments and communities. Hydro dams and canals have diverted water, inundated land and modified water bodies. This has resulted in changes to ecology and biodiversity and has also opened up recreational and tourism opportunities, including employment for local communities.

We view effective water management as a balance between achieving efficient renewable electricity generation, maintaining environmental conditions and engaging with stakeholders on the issues that matter the most to them.

Responsible water management

As a hydro operator we operate under a suite of legislative and regulatory requirements including the Resource Management Act 1991 (RMA), our operating consents and a number of local government planning requirements. Our approach to operations and environmental management includes the precautionary approach of the RMA. These requirements cover all of our operations and include river flows, lake levels and our impacts on flora and fauna. We work closely with others to meet these requirements.

This year we had 18 non-compliance events under related environmental legislation and regulations across all of our generation assets and development sites. The majority of the events were related to the RMA and all the non-compliant events were addressed thoroughly and reported to the Meridian Board.

Biodiversity

Our approach to biodiversity is to understand the effects we have as an electricity generator, to monitor change and to work with stakeholders on initiatives to mitigate these impacts. These mainly relate to effects on water-based species resulting from inundation, dry river beds and habitat loss.

For example, between the 1930s when the Waitaki dam was built through to 1985 when the last Ōhau power station was completed, the Waitaki hydro system inundated about

7,400ha of open braided river habitat and 3,900ha of swamplands, and added 22,250ha of lakes and 290 kilometres of lake shoreline. We are compensating for this habitat loss through our ongoing support of Project River Recovery[22], run by the Department of Conservation, which preserves flora and fauna in braided river habitats in the Upper Waitaki Basin.

A recent Landcare Research Limited review of Project River Recovery found that the 20-year programme has been a highly effective braided river restoration project. Recent results show that the project has sustainably and efficiently maintained low weed density in 63% of the Upper Waitaki Basin. They also show that the project contributes to the ongoing experimental management of the nesting success of critically endangered braided river birds such as the black-billed gull and the kakī (or black stilt).

Protecting biodiversity is particularly important at Manapōuri, which is located in a National Park and UNESCO World Heritage Site. Our monitoring in this area is extensive and covers lake, river and marine environments including lake shore and river biology and geomorphology and biological and physical (temperature, salinity and fauna) conditions in Deep Cove, Fiordland. This information is provided to Environment Southland annually as part of our resource consent obligations.

Various impacts are identified and assessed at the planning stages of a wind farm and are monitored throughout the construction phase and, in some cases, immediately post construction. Over the years we have monitored native birds and bats at Te Uku wind farm and the kārearea (native falcon) and red tussocks at White Hill wind farm.

Working with Ngāi Tahu

Meridian's hydro generation assets are all situated within the Ngāi Tahu takiwā, with the majority on the Waitaki River. Waitaki is often referred to as representing the tears of Aoraki that spill into Lake Pūkaki and eventually make their way south along the river to the coast. As such, the river is an essential element of the identity of Ngāi Tahu as an iwi. Ngāi Tahu and Meridian have shared interests in the health of this waterway, in particular water quality and access to mahinga kai (food and resource gathering).

We are also looking to build on our relationship and develop deeper connections between the two entities, including our involvement with Ngāi Tahu projects such as Te Ana, the Māori Rock Art Centre and Project Ora, a home insulation programme for South-Island-based Ngāi Tahu, and opportunities to build our respective people capabilities.

22 For more information about Project River Recovery go to www.doc.govt.nz/conservation/restoration-projects/project-river-recovery.

Protecting our aquatic life

The New Zealand native longfin eel, also known to Māori as 'tuna', is one of the largest and longest-living freshwater eels in the world.

In order to spawn, longfin eels migrate to deep-sea trenches in the Pacific Ocean, up to 6,000 kilometres off our coastline. They release millions of eggs, and their offspring float back to the New Zealand coast on ocean currents. The elver (young eels) then swim upstream to live in freshwater rivers and lakes. One of the major obstacles that eels and elvers face on this journey is man-made structures such as dams.

The Waiau and the Waitaki catchments are the natural habitat of thousands of native eels, and building and operating dams in these areas has had impacts on their migratory habits. Meridian and Ngāi Tahu consider the eel population a key indicator of the quality of these waterways.

As the tangata whenua of the area, Ngāi Tahu has historically relied on a healthy eel population for mahinga kai. We recognise the cultural importance of eel to Ngāi Tahu and work with them closely to ensure the protection of the species and ensure that this taonga (treasure) is preserved for many generations to come.

To provide a sustainable population of eel in the Waiau and Waitaki catchments, we move thousands of eels each year by trapping and transferring the elver into dam headwaters and migrating adults back downstream. These processes involve Ngāi Tahu and other local stakeholders in overseeing and delivering the trap and transfer programme.

In the Waiau catchment, the programme involves physically trapping female migrating longfin eels in Lake Manapōuri and transferring them to below the Manapōuri Lake Control structure – from here they have open access downstream, enabling them to migrate successfully to sea for spawning. The programme also transfers elver upstream into Lake Manapōuri. This programme involves local stakeholders and has delivered good results, with high levels of female eel migrants, which is an important factor when it comes to successful breeding.

Within the Waitaki catchment we work with Arowhenua, Moeraki and Waihao rūnanga to support and facilitate the movement of longfin elver and migrant eels. The number of elver that we catch has been variable since we began our trap and transfer programme. This is due to a number of factors that we are working with others to better understand.

We have also worked in partnership with the National Institute of Water and Atmospheric Research (NIWA) to track the migratory behaviour of 220 young and adult eels in Lake Manapōuri and Waitaki in the past few years. This research has informed us in choosing the preferred trap and transfer eel option to use in the Waiau catchment to help enhance efforts to protect the native species.

We will continue with the trap and transfer programme as a way to help protect longfin eels and will continue to monitor regularly the effects and review the best way to manage eel populations.

Community

Guy Waipara, General Manager, External Relations

At Meridian we sponsor a range of national and local sporting, environmental and community projects through financial support and staff voluntary work. This provides us with an opportunity to engage with our customers and local communities and helps us to make a real difference in the lives of New Zealanders. Sponsorship is an important part of growing our brand awareness, but all of the activities and initiatives that we support are closely linked to our values and principles.

"We're proud to invest our time and resources into KidsCan, which offers practical, hands-on assistance to thousands of children in schools throughout New Zealand."

GUY WAIPARA

KidsCan

We're proud to invest our time and resources into KidsCan, which offers practical, hands-on assistance to thousands of children in schools throughout New Zealand. The partnership, which is our biggest national sponsorship, is our way of supporting KidsCan in reaching its goal of giving every child the chance to succeed.

After launching the partnership in June 2013, more than 60 schools immediately came off the waiting list to receive support. This year our support has helped the charity with distributing raincoats, shoes, socks and food to Kiwi kids. Staff have also embraced the charity with fundraising and volunteer work. A large group from the Christchurch office and Arc Innovations organised a 24-hour run and raised over $10,000 for KidsCan at the end of 2013. Meridian 'Santa Wranglers' helped at the 16 KidsCan Santa Runs around the country in December, with the Wellington and Christchurch crews almost entirely made up of Meridian staff members.

Sustainable Coastlines

A key part of our commitment to creating a better energy future is protecting and supporting the communities and environments where we operate. We support Sustainable Coastlines in its work to educate Kiwis about marine debris, and to motivate schools and communities to look after the coastlines we all love.

Meridian staff organised a voluntary waterfront dive clean-up in November 2013 around the water in front of our Wellington Queens Wharf office. Along with the public, we pulled out more than one tonne of rubbish in December, including a message in a bottle from the coastline near West Wind farm, as part of the 'Love Your Coast' initiative.

South Island Rowing

Our 15-year sponsorship of South Island Rowing continued this year with the Meridian Rowing Centre at Lake Ruataniwha hosting the Maadi Cup early in 2014. New Zealand's top young rowing talent attended the week-long event and many took advantage of free massage therapists in the Meridian tent. We have also helped to nurture some of New Zealand's top rowers through our support for the Southern Regional Performance Centre. This has helped to develop Olympic gold medallists like Hamish Bond and Nathan Cohen.

Living Legends

Our support continues for Living Legends (dedicated to local rugby legends), which is a community tree planting programme with the goal of planting 170,000 trees before the end of 2015. The final plantings took place in August 2013 and a programme of maintenance will be ongoing to ensure the viability of the young plants.

Generation communities

With generation assets located in communities around the country, it is important that we maintain good community relationships with those living near our wind farms and hydro power stations. At the planning stages of building a new development project and throughout the life of the asset, our long-term commitment is to be a good neighbour to these communities. This involves supporting and funding community projects and initiatives, ongoing liaison and being open to feedback.

Building a new generation asset is a large development project that has impacts on the environment and local communities. While each development project is unique, our approach to community engagement is based on working with communities on planning and construction issues every step of the way. We take our responsibilities seriously and work with the relevant authorities on monitoring and meeting standards and extensive resource consent conditions during and post construction. The most common issues we monitor and manage involve landscape and visual amenity, noise, health, ecology, traffic and roading.

Detailed expert assessments and evidence on these issues are publicly available as part of the decision-making processes by local councils and the Environment Court. We take public feedback on board and make appropriate changes and modifications during and post construction. During the construction of the new Mill Creek wind farm this year, for example, we created a website to enable community input online[23].

During the recent Mill Creek project we also established a Community Liaison Group (CLG), which provides a forum for exchanging information and addressing community concerns during the construction phase. Led by an independent chairperson, the CLG is made up of representatives from the community, local government and Meridian.

Our dedicated community relations team also keeps our generation communities up to date with developments through bi-annual newsletters and meetings when necessary.

Community Funds

Our Community Funds help to support a range of initiatives and activities for communities living near the Waitaki hydro power stations, the Manapōuri hydro power station, and the West Wind, White Hill, Te Uku, Te Āpiti and recently commissioned Mill Creek wind farms. A panel of community representatives and Meridian staff manage the funding allocations to ensure that Meridian supports projects that meet genuine community needs.

In addition to the Community Funds and our major corporate sponsorships we sponsor a number of smaller events in local communities. In the past year events supported included the Milford Mountain Classic, White Hill Wind Farm Classic Bike Ride and Run, Twizel Hard Labour Weekend, New Zealand Cycle Classic and Sustainable Coastlines', Te Uku riparian planting and West Wind clean-up.

Projects supported by the Community Funds included Kurow Museum, Makara Model School and Tuatapere Community Baths Society Inc.

COMMUNITY FUND	AMOUNT ALLOCATED IN THE YEAR TO JUNE 2014
Waitaki fund	$386,323
Manapōuri Te Ānau fund	$120,005
West Wind fund	$75,888
White Hill fund	$18,525
Te Uku fund	$38,920
Te Āpiti fund	$36,541

Twizel Medical Centre

"Meridian's very welcome contribution takes the total funding raised towards the new Twizel Medical Centre to around $1.33 million. We estimate that we need to raise another $600,000," says Joy Paterson of the High Country Medical Trust. Despite the fundraising task ahead, the trust expects to start building at the end of 2014.

"The centre's 1,700 registered patients are spread around a large geographical area, including Twizel, Omarama, Mount Cook Village and the surrounding farming districts," says Joy. "We also look after the large number of tourists who come through the area during summer and winter. One of our key roles is to stabilise seriously ill patients before they are transported to Timaru Hospital, which is two hours' drive away."

23 www.meridianenergy.co.nz/about-us/generating-energy/our-generation-projects/mill-creek-wind-project.

A big KidsCan thanks to all at Meridian

JULIE CHAPMAN – CEO AND FOUNDER KIDSCAN

Our partnership with Meridian has gone from strength to strength in the past year. In particular the launch of the television brand advertising has made a huge impact in raising both the profile of our association and much-needed funds that have enabled us to increase the number of schools we support throughout New Zealand to 405!

Meridian team members have been truly wonderful ambassadors for KidsCan, with many participating in fundraising initiatives including the Santa Run, Christmas Cracker, More Day and Mufti Day. The 24-hour relay organised by the team in Christchurch was a real standout effort raising more than $10,000.

This year, with the help of Meridian and our supporters, we are distributing more than 30,000 raincoats, 20,000 pairs of shoes and 40,000 pairs of socks and right now our Food for Kids programme provides 32,000 meals a week for children who experience ongoing food insecurity.

I thought I would share this lovely message we received from a school principal, which really shows how something as simple as a sandwich can make a tangible change in a child's life.

These wonderful words from Salvi really strike at the heart of what KidsCan is all about. We started with the belief that education equals opportunity and nine years later this is still at the core of everything we do for Kiwi kids in need.

For the remainder of this year and in 2015 we will continue to deepen our partnership with Meridian – principal partner of KidsCan – and extend our reach to benefit new schools.

Together we have already achieved so much for children less fortunate than others and we look forward to achieving even more.

Dear KidsCan

Please pass on our thanks to everyone for the contribution they have made to our school this year. The change in the school by having the bread to provide for our lunches has been incredible. We know from our data that all the important statistics have improved since we started providing 300 toasted sandwiches a day. There is much less fighting; it has been nearly eliminated – attendance has improved by over 5%, and the engagement in the class is so much better after lunch. After lunch used to be a time of increased truancy and increased removal from class. Staff commented how much more enjoyable an afternoon class is now that so many are not hungry.

In our Education Review Office report, they commented on how calm and engaged our school is and they have given us the top ranking of a five-year review, one of the only state low decile schools to get one. Our performance in NCEA has increased and we are now at the national average, which is a considerable improvement. We do have students who live in severe poverty, often they talk about there not being enough food for them because it is essential that their younger brothers and sisters get enough. I think the issue of lack of food is even more prevalent in senior students. Thanks again and we are delighted that your support will continue next year.

SALVI GARGIULO
PRINCIPAL, MANUREWA HIGH SCHOOL

People

Jacqui Cleland, General Manager, Human Resources

Our organisation is all about people, whether they be customers, stakeholders or Meridian employees. Internally we're focused on building the capability of our people and creating a culture in which they can produce the best results.

"We're focused on ensuring that our culture is constructive, collaborative, customer focused and commercial."

JACQUI CLELAND

More than ever, we're looking to attract a broader mix of people who can bring different experiences, skills and ideas into Meridian. We want to be champions for our customers and that's why being representative of our customers is just as important to us as looking after our iconic generation assets.

As in previous years, we continue to invest heavily in developing leadership and technical capabilities to future-proof the business and we have a number of programmes in place to support this.

We also know how much culture influences the performance of our organisation. That's why we're focused on ensuring that our culture is constructive, collaborative, customer focused and commercial. Underpinning this is a set of values that we believe describe the essence of who we are and what we're about. For Meridian to be successful, we need to celebrate our values and really live them. They reflect what's important to us and our belief that together we're better. In the end, it's about listening, valuing and engaging with each other to get the job done. That's the Meridian Way.

Engagement

Each year we survey our employees to capture and assess their level of engagement. Over 92% of our employees responded to the latest survey in May 2014. This outstanding response rate means we can be confident that the results reliably reflect how people are thinking and feeling.

The employee engagement score of 76.1% was down slightly on 2013 (78.2%). Comments received reflected the fact that recent extensive staffing and operational changes have been difficult for people. While it is disappointing that our results have gone backwards, the engagement index still compares favourably with the IBM Best Places to Work and Energy Sector Benchmarks, and our strong investment in learning and development remains a key driver for engagement with our employees.

Learning and development

Investing in leadership development and building employee capability make good business sense and we are committed to developing our people through development programmes, coaching and on-the-job learning.

Our leadership and capability development programmes are designed to build both critical skills and constructive behaviours. We know that thinking and behaving constructively results in high-quality relationships, improved decision-making and greater inclusion and cooperation, all of which contribute to better business performance.

Learning and development consistently rates highly on our engagement index and we are proud to be able to offer a range of development opportunities to all employees. Our business has different needs, as do our people. We take the approach that no 'one size fits all' with the options we offer and it works.

Diversity and inclusion

Meridian is a great company and to achieve the best results we know that we need to attract, develop and retain a talented mix of people. We believe that diversity and inclusivity in the workforce is a strategic asset to the company. A balance of gender, age and ethnicity will enhance business performance and create opportunities to access a larger talent pool.

Our Diversity and Inclusion Policy was developed and implemented in 2012, and aims to ensure that Meridian has:

- a diverse workforce that is more representative of the countries, communities and customer stakeholder groups in which we operate
- an inclusive culture and work environment that identifies and addresses the specific needs of diversity groups.

In 2013 the Board approved two measurable diversity objectives, against which progress will be reported on an annual basis:

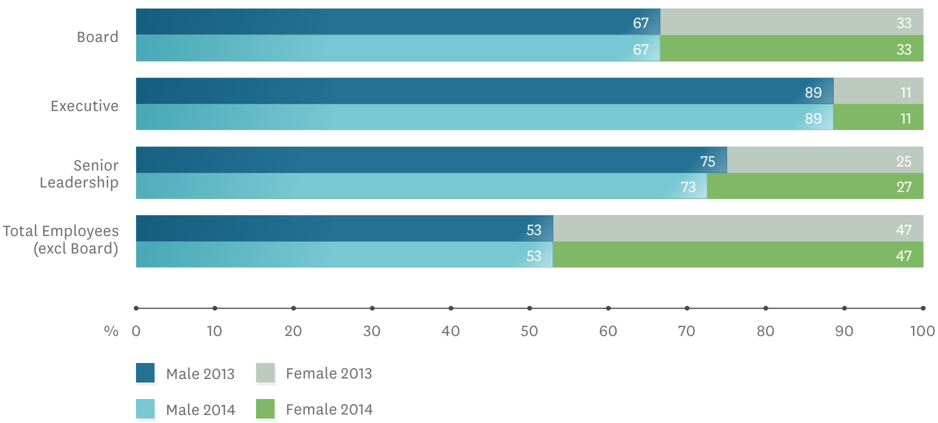
- to increase the number of women in senior leadership roles to 30% by 2016
- to increase the overall ethnic diversity[24] in customer-facing teams by 15% by 2016 to better reflect the New Zealand population.

In the past 12 months progress has been made against each of these objectives in the Parent Company. The number of women in senior leadership roles has increased by 2% to 27%, up from 25% in June 2013. Ethnic diversity in our customer-facing roles has increased from 10% to 15% from our baseline data[25] (collected in November 2013) to the end of June 2014.

24 Targeting an increase in Asian, Māori and Pasifika ethnicities in order to be more reflective of our key current and future customer bases.

25 Baseline data is indicative, having been established from voluntary employee census (72% response rate).

OVERALL GENDER BREAKDOWN



Factors that have contributed to these increases include the broad programme of diversity and inclusion awareness-building that has been implemented, unconscious bias training that has been delivered, and changes that have been made to recruitment practices.

While this progress is pleasing, diversity is so much more than just gender, ethnicity and age. In order to make real progress, we are taking a holistic approach, focusing on building an inclusive culture as well as changing our diversity profile. That's why we've put in place a number of initiatives to support and encourage broader aspects of diversity, including:

- establishing an employee-led diversity and inclusion committee, with the Chief Executive as sponsor, to champion activities and make recommendations to the business
- surveying our employees about how inclusive we are and identifying targeted actions as a result
- developing unconscious bias training and internal trainers to make this available to all employees
- having a woman on recruitment appointment panels to provide a broader perspective and support a gender-balanced decision process
- reviewing recruitment practices to ensure that language is inclusive and broader candidate pools and networks are accessed.

We want to be known for promoting and supporting diversity and inclusion. It's the right thing to do and it's good for our business.

Health, safety and wellness

Constructing two wind farms during the period increased our exposure to potential health and safety incidents, but with the health and safety of our employees and contractors being the main priority for the company, we are pleased to report that our LTI results continue to be below the industry average.

We have a number of initiatives in place to ensure that our focus on the health and safety of our employees and contractors remains a top priority. The Board's Safety and Sustainability Committee commenced in 2012 and has driven a number of these initiatives, including the Fatal Risk Programme and the development of our Safety Framework document, while continually reviewing our reported data to ensure that we are operating in the safest manner possible.

This year we were appointed to the chair position of an industry-sector safety forum, StayLive, which to date has focused on driving consistency with contractor management and working-alone procedures.

An increased contractor presence at our generation and construction sites in the past six months has meant that additional safety programmes have been introduced, such as midday coordination meetings, targeted contractor inductions for the sites, reviews of work practices and 'lessons learnt' workshops.

Each site has a health and safety committee of staff volunteers representing all employees. The committees meet regularly and are involved in all aspects of health and safety programmes.

Poppy Ferguson

APPRENTICE AT MANAPŌURI HYDRO POWER STATION

With a maturing workforce in New Zealand, we actively recruit for the new generation of technical experts. Poppy Ferguson was recently recruited as an apprentice and is currently working at Manapōuri.

I have always really enjoyed being hands-on in a lot of different areas, constantly making, building and fixing things since I was quite young. I've never been one to sit still and do nothing for very long.

When I left high school I studied art for two years; I then realised that engineering was an area that I was good at and would enjoy. So I went to Weltec to do a certificate in mechanical engineering. Towards the end of my study, my machining tutor told me about Meridian's Apprentice Programme and so I went for it.

Almost every day is something new, especially for me being so new to this industry. I'm constantly learning new things and better ways and processes to develop the skills I already have. The hardest part for me is not fully understanding how things work or what something is but that's why I am here, to learn!

Everyone here has been very supportive and really helpful. Any questions I have are always answered and no one ever hesitates to give me their advice and pass on their knowledge. I have definitely been welcomed here, at work and outside of work, which has made the move here a lot easier, as it was quite daunting to begin with!

At this point I'm not entirely sure what the future holds for me and what area I would like to be in. I'm still figuring out my strengths and weaknesses, likes and dislikes. I'm not too worried about deciding what direction I'll head in, I'm just going to approach everything with an open mind and see where it takes me.

As far as being a woman in a male-dominated industry, I have no problem with it. I don't view myself any differently and certainly don't want to be treated any differently. Some things may be harder for me, especially where strength or size is concerned, but that's nothing a bit of determination and creativity can't solve.

Hannah Jordan

TEAM MANAGER IN THE CUSTOMER MANAGEMENT TEAM

The Energy Centre is a fantastic incubator for talent at Meridian. Hannah Jordan is an excellent example of how we support and develop our rising stars in Customer Management.

I joined Meridian in May 2011 and started as an Energy Advisor in the Energy Centre. In my first six months I was provided with great training and support from my trainer and my Team Leader. After demonstrating my leadership skills for a project, I was given the opportunity to be seconded as Team Leader. In the past two years I have grown as a leader as a result of some of our great learning and development programmes and other qualifications I have gained.

I like that Meridian fosters an environment where new ideas are welcomed. I am always looking for a better way to do things, in my own team and outside of it. One of the initiatives that I am most proud of is a work from home trial with four of my team members – taking a completely different approach to how we service our customers while providing flexible working arrangements for team members. The feedback from internal stakeholders, customers and my people is really positive. I hope that with the continued support from Meridian we can continue to provide more flexible and diverse working arrangements.

After three years I have been made a permanent Team Leader in the Energy Centre. It is an exciting time for the Customer Management team and there is a fair amount of change coming for the better. I look forward to working with some great people, improving our customer experience and helping Meridian to be the best place to work.

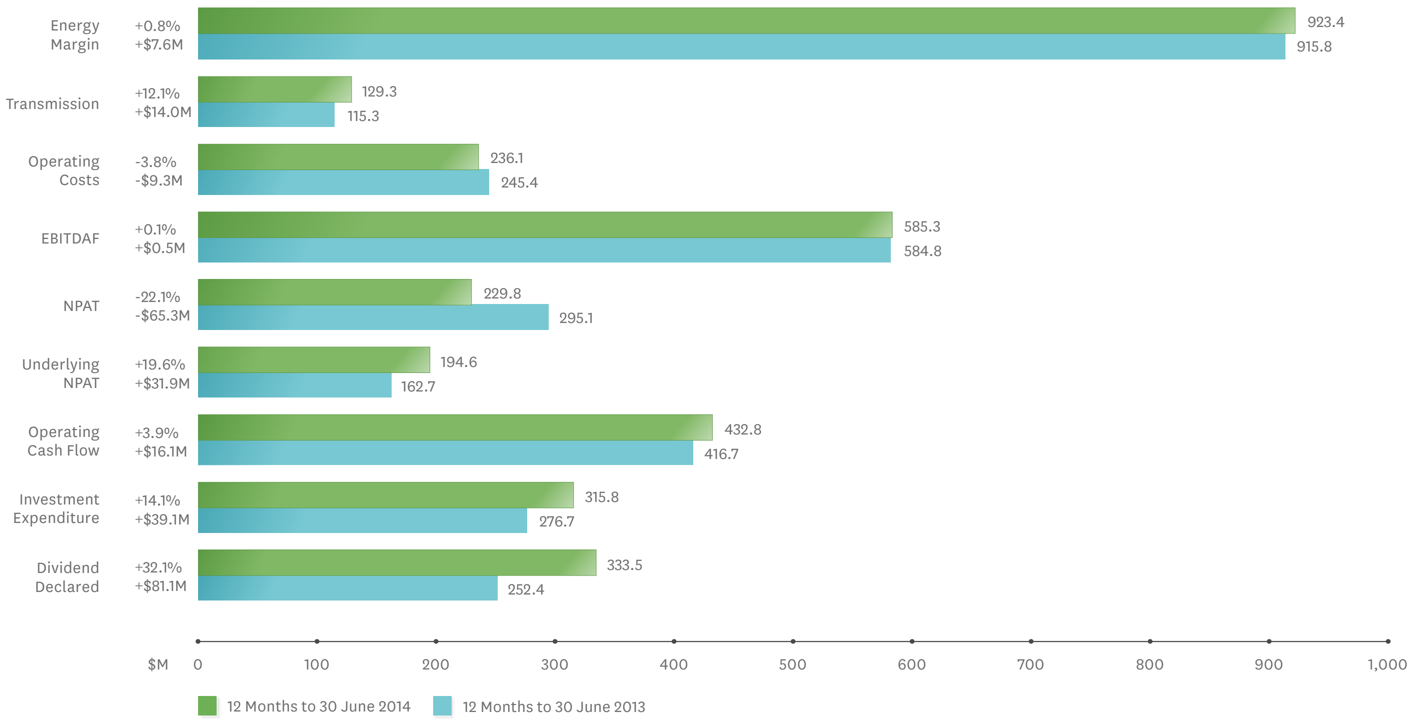
“The most pleasing element of the result has probably been net cash flow from operating activities, 27.8% ahead of the prospective financial information for the year.”

PAUL CHAMBERS

Summary of Group performance

Paul Chambers, Chief Financial Officer

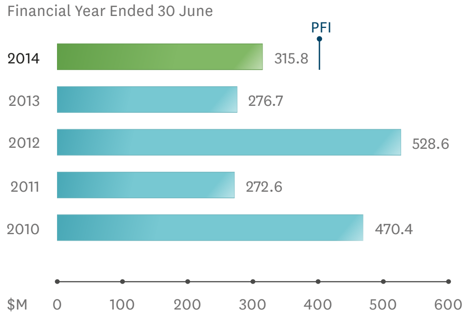
FINANCIAL PERFORMANCE AGAINST LAST YEAR



Achieving the forecasts set out in the partial listing offer document is very important to the team at Meridian.

INVESTMENT EXPENDITURE

Financial Year Ended 30 June



We feel a responsibility to deliver the results that our investors expect. Most of our shareholders are New Zealanders, investing either directly or through KiwiSaver and superannuation funds, or through Meridian's 51% Crown ownership. This makes it easy for us to see the link between Meridian's performance and the future of ordinary Kiwis.

So it is fantastic to finish the 2014 year with financial results that exceed the prospective financial information (PFI) in Meridian's prospectus on all key metrics. The Meridian team have shown great financial discipline in delivering these results while executing on growth projects, improving operational efficiency and coping with significant external events.

The most pleasing element of the result has probably been the net cash flow from operating activities, 27.8% ahead of PFI for the year. This cash flow, along with the sale of surplus assets, leaves Meridian with a strong net debt position and helps to support the second PFI year. In the electricity industry you can expect the unexpected, so starting from this point helps to support Meridian's desire to provide long-term sustainable returns to our shareholders.

Cash flows

Operating cash flows for FY2014 were $16.1 million (3.9%) higher than in FY2013, reflecting lower operating costs and financing costs compared with FY2013. Income tax paid increased by $41.5 million (72.7%) reflecting the level of pre-tax earnings in FY2013 compared with the year before.

Investment expenditure was $39.1 million (14.1%) higher than in FY2013, reflecting investment in the Mill Creek and Mt Mercer wind farms. FY2014 investment expenditure was $86.2 million (21.4%) lower than PFI, largely due to the timing of cash payments on the two wind farm projects and the positive exchange rate impacts on Mt Mercer.

MERIDIAN GROUP SUMMARY CASH FLOW

	FINANCIAL YEAR ENDED 30 JUNE				
($ MILLIONS)	2014	2013	2012	2011	2010
Net Cash Flows from Operating Activities	432.8	416.7	322.2	368.7	451.8
Net Cash Flows from Investing Activities	(253.4)	(124.1)	(524.8)	557.7	(458.4)
Net Cash Flows from Financing Activities	(282.2)	(101.3)	48.8	(612.0)	13.1
Net Increase/(Decrease) in Cash and Cash Equivalents	**(102.8)**	**191.3**	**(153.8)**	**314.4**	**6.5**

Results for the financial years ended 30 June 2010 and 2011 include the Tekapo A and B power stations, which were sold to Genesis Energy in June 2011.

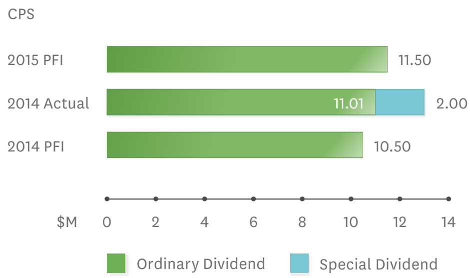
Dividend

Meridian's solid cash flow performance underpinned the higher-than-PFI forecast dividend for FY2014. Meridian declared a final ordinary dividend for FY2014 of 6.82cps, bringing the FY2014 full year ordinary dividend to 11.01cps. This represented 75% of free cash flow. The proceeds of asset sales and an aluminium hedge close-out supported an additional special dividend of 2.00cps.

With this special dividend, the full-year total dividend declared was 13.01cps, 24.3% above PFI forecast. In addition, this full-year total dividend was imputed to 90% of the corporate tax rate, above the 72% estimated in the PFI.

This represents an 11.7% gross yield on Meridian's $1.50 IPO share price, compared with 8.9% in the PFI.

DIVIDENDS DECLARED



SUMMARY GROUP INCOME STATEMENT

($ MILLIONS)	FINANCIAL YEAR ENDED 30 JUNE				
	2014	2013	2012	2011	2010
New Zealand Energy Margin	891.5	865.1	740.4	929.0	940.0
International Energy Margin	31.9	50.7	22.8	21.3	1.7
Other Revenue	27.3	29.7	27.3	31.9	29.5
Energy Transmission Costs	(129.3)	(115.3)	(86.7)	(84.2)	(78.9)
Employee and Other Operating Costs	(236.1)	(245.4)	(227.2)	(238.1)	(250.6)
EBITDAF	**585.3**	**584.8**	**476.6**	**659.9**	**641.7**
Impairment of Assets	-	(24.8)	(60.1)	(10.9)	(18.4)
Gain/(Loss) on Sale of Assets	6.6	106.6	(1.5)	174.1	0.3
Equity Accounted Earnings of Joint Ventures	(0.4)	0.1	(2.7)	(3.4)	(2.0)
Depreciation and Amortisation of Intangible Assets	(220.0)	(219.7)	(225.1)	(224.3)	(188.0)
Foreign Exchange Contracts Reclassified to Profit and Loss	-	-	-	-	(33.1)
Net Change in Fair Value of Financial Instruments (Operational)	(8.4)	51.1	121.3	(89.3)	(14.9)
Net Finance Costs	(73.7)	(113.5)	(82.5)	(107.6)	(85.1)
Net Change in Fair Value of Financial Instruments (Financing)	27.0	42.7	(68.0)	(14.2)	(23.3)
Net Profit before Tax	**316.4**	**427.3**	**158.0**	**384.3**	**277.2**
Income Tax Expense	(86.6)	(132.2)	(83.4)	(81.2)	(93.2)
Net Profit after Tax	**229.8**	**295.1**	**74.6**	**303.1**	**184.0**

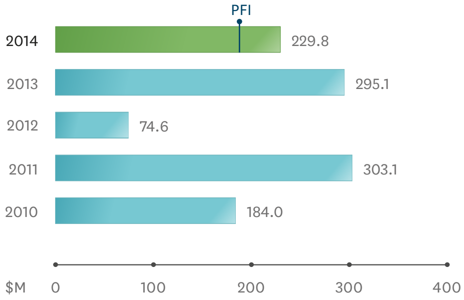
UNDERLYING NPAT RECONCILIATION

($ MILLIONS)	FINANCIAL YEAR ENDED 30 JUNE				
	2014	2013	2012	2011	2010
Net Profit after Tax	**229.8**	**295.1**	**74.6**	**303.1**	**184.0**
Net Change in Fair Value of Financial Instruments (Operational)	8.4	(51.1)	(121.3)	89.3	14.7
Net Change in Fair Value of Financial Instruments (Financing)	(27.0)	(42.7)	68.0	14.2	23.6
Premiums Paid on Electricity Options (less Interest)	(20.1)	(18.5)	(15.2)	(13.8)	-
Foreign Exchange Contracts Reclassified to Profit and Loss	-	-	-	-	33.1
Impairment of Assets	-	24.8	60.1	11.0	18.3
Gain on Sale of Assets	(6.6)	(106.6)	1.1	(174.2)	(0.3)
Adjustments before Tax	**(45.3)**	**(194.1)**	**(7.3)**	**(73.5)**	**89.4**
Income Tax Expense	10.1	61.7	38.8	(10.6)	(21.5)
Underlying Net Profit after Tax	**194.6**	**162.7**	**106.1**	**219.0**	**251.9**

Results for the financial years ended 30 June 2010 and 2011 include the Tekapo A and B power stations, which were sold to Genesis Energy in June 2011.

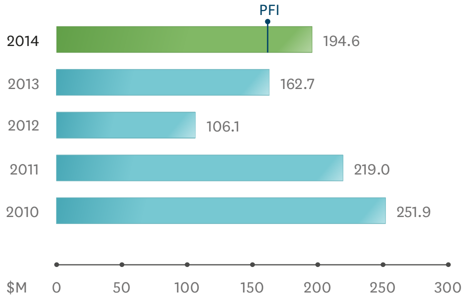
NPAT[1]

Financial Year Ended 30 June



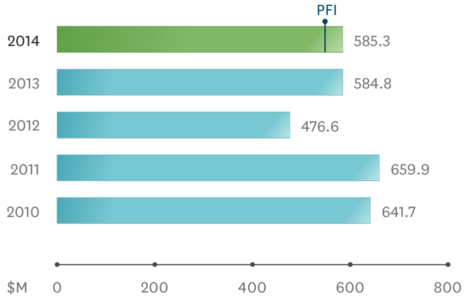
UNDERLYING NPAT[2]

Financial Year Ended 30 June



EBITDAF

Financial Year Ended 30 June



1 NPAT includes unrealised gains and losses on financial instruments.

2 NPAT minus the effects of one-off and/or infrequently occurring events, impairments and changes in fair value of financial instruments.

NPAT

Meridian delivered NPAT of $229.8 million in FY2014. This was $65.3 million (22.1%) lower than in FY2013 and largely reflected the $101.4 million pre-tax gain on the sale of the Macarthur wind farm and higher fair value movements in FY2013. These fair value movements relate to non-cash changes in the carrying value of derivative instruments. These carrying values are influenced by changes in forward prices and rates on these derivative instruments.

NPAT in FY2014 was $41.9 million (22.3%) higher than PFI. This reflected the combination of higher EBITDAF, gains on the sale of assets, lower net financing costs and higher taxation than PFI.

After removing the impacts of fair value movements and other one-off or infrequently occurring events, Meridian's Underlying NPAT (reconciliation on page 36) was $194.6 million. This was $31.9 million (19.6%) higher than in FY2013; largely reflecting lower net financing costs.

FY2014 Underlying NPAT was $33.1 million (20.5%) higher than PFI, due mainly to the combination of higher EBITDAF, lower net financing costs and higher taxation.

EBITDAF

EBITDAF in FY2014 was $585.3 million, $0.5 million (0.1%) higher than in FY2013. Included in FY2013 EBITDAF were non-repeating earnings from:

- higher NZAS revenue from a new agreement commencing 1 January 2013, subsequently amended effective 1 July 2013
- earnings from the Macarthur wind farm in Victoria, sold on 28 June 2013.

The company also incurred costs associated with its partial listing, $8.3 million in FY2014 compared with $2.9 million in FY2013.

Adjusting for these items, 'like for like' EBITDAF increased 14.4% in FY2014, despite a 12.1% increase in transmission costs. This was due to lower operating costs, generation revenue from the new Mt Mercer wind farm in Victoria, higher generation volumes in New Zealand and less acquired generation volumes.

EBITDAF in FY2014 was $36.9 million (6.7%) higher than PFI, reflecting a higher New Zealand energy margin, lower transmission costs and lower employee and other operating costs. The non-repeating FY2013 earnings outlined above were not included in PFI, making PFI more consistent with FY2014 actual results.

Employee and other operating costs were $236.1 million in FY2014, $9.3 million (3.8%) lower than in FY2013 and $18.0 million (7.1%) lower than PFI. Adjusting for one-off IPO costs, costs were 6.1% lower in FY2014 than in FY2013. The savings were driven from the company's focus on core business and operating efficiency.

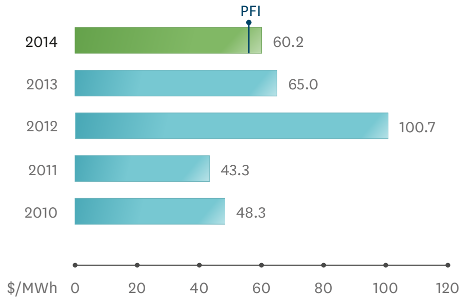
Meridian does expect some upward pressure on costs from new growth projects in the future, maintenance costs for new wind farms nearing completion and resourcing for an expanding Powershop Australia business.

Transmission costs in FY2014 were $129.3 million, $14.0 million (12.1%) higher than in FY2013. Transpower's investment in upgrading the HVDC link between the North and South Islands has seen these costs increase significantly in recent years. These increases were forecast in the PFI, with transmission costs in FY2014 $6.3 million (4.6%) lower than PFI. This difference is the result of the accounting treatment of some Australian connection assets.

Results for the financial years ended 30 June 2010 and 2011 include the Tekapo A and B power stations, which were sold to Genesis Energy in June 2011.

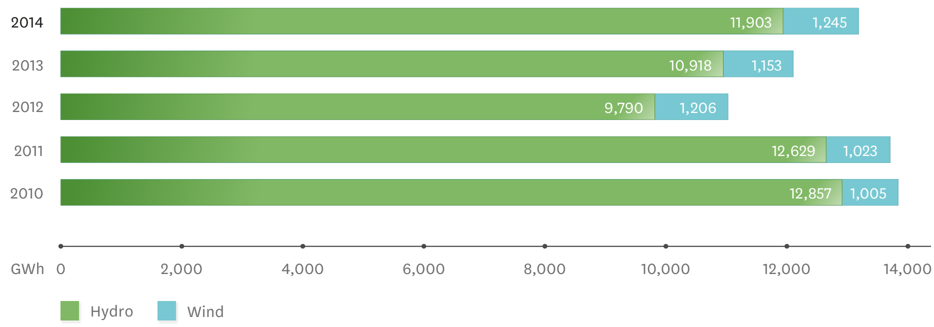
MERIDIAN'S AVERAGE GENERATION PRICE

Financial Year Ended 30 June

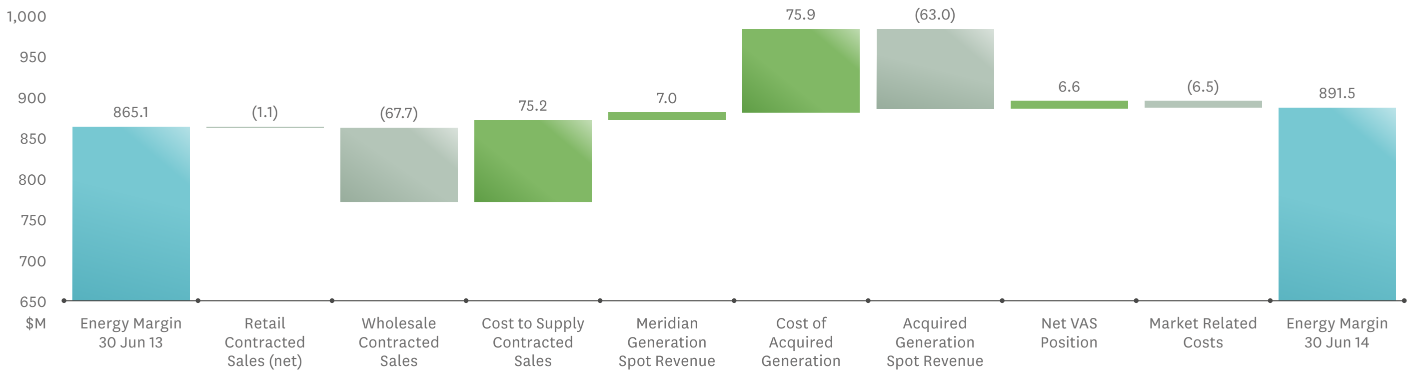


NEW ZEALAND GENERATION

Financial Year Ended 30 June



NEW ZEALAND ENERGY MARGIN



New Zealand energy margin

The New Zealand energy margin consists of:

- revenue received from sales to customers net of distribution costs (fees to distribution network companies that cover the costs of distribution of electricity to customers), sales to large industrial customers and fixed price revenue from derivatives sold (contracted sales revenue: $901.0 million in FY2014)
- revenue from the volume of electricity that Meridian generates that is in excess of the volume required to cover contracted customer sales (spot exposed revenues: $13.6 million in FY2014)
- the cost of derivatives acquired to supplement generation and spot price risks, net of spot revenue received for generation acquired from those derivatives (net cost of acquired generation: costs of $35.4 million in FY2014)
- the net revenue position of virtual asset swaps (VAS) with Genesis Energy and Mighty River Power ($16.6 million in FY2014)
- other associated market revenue and costs including EA levies and ancillary generation revenue (such as frequency keeping: costs of $4.3 million in FY2014).

The New Zealand energy margin in FY2014 was $891.5 million, $26.4 million (3.1%) higher than in FY2013:

- Contracted sales revenue was $68.8 million (7.1%) lower than in FY2013. A better mix and higher volumes were offset by price reductions in retail contracted sales. Lower wholesale sales reflected the amended NZAS contract and lower derivative sales.
- Spot exposed revenue was $82.2 million higher than in FY2013. Lower wholesale prices reduced spot revenue and costs to supply customers; however, higher generation volumes improved overall revenue.
- Net cost of acquired generation was $12.9 million (26.7%) lower than in FY2013 from lower acquired generation volumes and lower wholesale spot prices.

New Zealand generation in FY2014 was 8.9% higher than in FY2013, reflecting higher wind generation than in FY2013 and the highest June year hydro inflows since 1998. This included a very dry summer and autumn period, which made market conditions challenging as it coincided with the Tekapo canal outage, lower South Island transmission work and periods of HVDC outages.

Higher generation in FY2014 reduced the level of acquired generation Meridian needed, and reduced the price the company received for its generation by $4.81 per megawatt hour (MWh) (7.4%) compared with FY2013. It also reduced the price that Meridian paid to supply its contracted sales, down $6.10/MWh (8.6%) compared with FY2013.

In Australia, wind generation in FY2014 was 285GWh, 32.1% lower than last year. FY2013 included five months of generation from the Macarthur wind farm that Meridian sold in June 2013. FY2014 saw higher generation from Mt Millar (11.5%) and 100GWh from the Mt Mercer wind farm since first power in late November 2013.

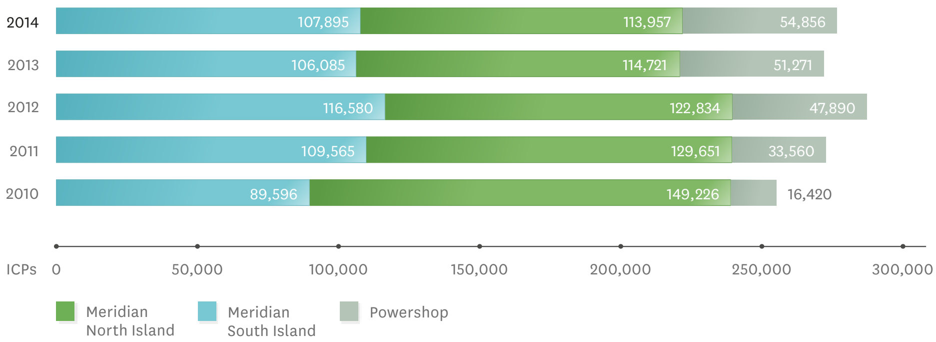
FY2014 also saw Meridian launch its Powershop brand in Australia. By June 2014 the company had established a solid beachhead in one of the most competitive electricity markets in the world. More than 13,400 Victorians now enjoy Powershop's unique energy retailing experience.

Despite high market switching rates and aggregate electricity demand remaining relatively flat in New Zealand, Meridian grew customer connections and total retail sales volumes in FY2014.

Results for the financial years ended 30 June 2010 and 2011 include the Tekapo A and B power stations, which were sold to Genesis Energy in June 2011.

NEW ZEALAND CUSTOMER CONNECTIONS

Financial Year Ended 30 June



NEW ZEALAND RETAIL CONTRACTED ELECTRICITY SALES

	FINANCIAL YEAR ENDED 30 JUNE				
(GWH)	2014	2013	2012	2011	2010
Powershop Residential and Small to Medium Enterprises	546	506	444	267	83
Meridian Retail Residential and Small to Medium Enterprises	2,864	2,923	2,897	2,925	2,899
Meridian Retail Corporate and Industrial Customers	2,344	2,232	2,360	2,448	2,577
Total Retail Contracted Electricity Sales	**5,754**	**5,661**	**5,701**	**5,640**	**5,559**

The New Zealand energy margin in FY2014 was $10.9 million (+1.2%) higher than PFI:

- Contracted sales revenue was $44.8 million (5.2%) higher than PFI. Corporate and industrial pricing held up better than expected and overall volumes were higher.
- Spot exposed revenue was $33.1 million (70.9%) lower than PFI. Higher contracted sales meant less generation to sell on the wholesale spot market.
- Net cost of acquired generation was $13.2 million (59.9%) higher than PFI due to higher volumes needed through the January 2014 to April 2014 dry spell.

Below EBITDAF, the net change in fair value of financial instruments saw a gain of $18.6 million in FY2014, compared with a gain of $93.8 million in FY2013.

Depreciation and amortisation costs were unchanged from FY2013; however, FY2013 included $24.8 million of impairments relating to the suspended North Bank Tunnel project and the Meridian Energy USA business prior to sale.

Net financing costs were $39.8 million (35.1%) lower than in FY2013, reflecting a further $87.7 million (7.4%) reduction in total borrowings during FY2014. Meridian has maintained its BBB+ (stable outlook) credit rating from Standard & Poor's.

Results for the financial years ended 30 June 2010 and 2011 include the Tekapo A and B power stations, which were sold to Genesis Energy in June 2011.

Directors' statement

The directors are pleased to present shareholders the Annual Report including the financial statements of the Meridian Group for the year ended 30 June 2014.

This report includes all information required to be disclosed under the Companies Act 1993, NZX and ASX.

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the company and the Group as at 30 June 2014 and their financial performance and cash flows for the year ended on that date.

The directors consider that the financial statements of the company and the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed. The directors believe that proper accounting records have been kept that enable, with reasonable accuracy, the determination of the financial positions of the company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider they have taken adequate steps to safeguard the assets of the company and the Group to prevent and detect fraud and other irregularities.

Chris Moller
Chair

Peter Wilson
Deputy Chair

Governance

Meridian's approach to governance

Meridian's Board and management are committed to leading the company through corporate governance best practice. The Board and management regularly review Meridian's governance practices against best practice to create and deliver shareholder value while adhering to the highest standards of ethical practice, accountability and transparency.

Meridian has adopted corporate policies and procedures that reflect best practice, incorporating principles and guidelines issued by the Financial Markets Authority and recommendations by the NZX and ASX. Meridian considers that, since its listing, Meridian has complied with all the recommendations within the NZX Corporate Governance Best Practice Code and ASX Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition). The Board and Committee charters and other key governance documents are available on Meridian's website www.meridianenergy.co.nz/investors/governance.

1. Promoting ethical and responsible behaviour

For Meridian, ethical and responsible behaviour is crucial given its aim of leading the industry in creating a better energy future. Any position of leadership cannot be attained, and more importantly retained, without integrity. The following measures have been put in place to assist with achieving this expectation:

The Meridian Way (values)

One Meridian

Safety is for keeps

Working like we own the company

Customer champions

Be sustainable

Code of Conduct

Integrity is at the core of Meridian's Code of Conduct. The Code of Conduct is designed to facilitate behaviour and decision-making that meet the company's business goals and are consistent with the company's values, policies and legal obligations. Training and information on the Code of Conduct are provided to all employees on induction.

Diversity and Inclusion Policy

Meridian recognises that building a diverse and inclusive workplace culture will result in enhanced relationships with stakeholders, better customer service, improved financial performance and a stronger corporate reputation. Meridian's progress regarding diversity and inclusion during the accounting period is set out on pages 31 and 128.

Meridian is dedicated to creating an inclusive environment where all of its employees are encouraged to reach their full potential and individual differences are valued and respected.

The Securities Trading Policy

The Securities Trading Policy has been designed to assist staff and related parties to remain within the law when trading in securities. The Securities Trading Policy provides for 'blackout periods' during which specified persons (including directors and senior management) are prohibited from trading in Meridian securities.

Market Disclosure Policy

Meridian is committed to promoting investor confidence by providing timely and balanced disclosure of all material matters relating to the company. Meridian believes that high standards of reporting and disclosure are essential for proper accountability between Meridian and its investors, employees and stakeholders.

The Market Disclosure Policy establishes procedures designed to ensure that directors, management and employees are aware of and fulfil Meridian's disclosure obligations under the NZX Main Board and ASX Listing Rules.

Whistle-blowing ‘Speaking Up’ policy

Meridian encourages its staff to feel confident about raising concerns regarding actual, suspected or anticipated wrongdoings within the organisation, by offering a reporting and investigation mechanism that protects anyone who makes a disclosure from reprisal or disadvantage.

Meridian expects its Board, management and employees to act in accordance with the company’s values, policies and legal obligations.

2. Governance framework

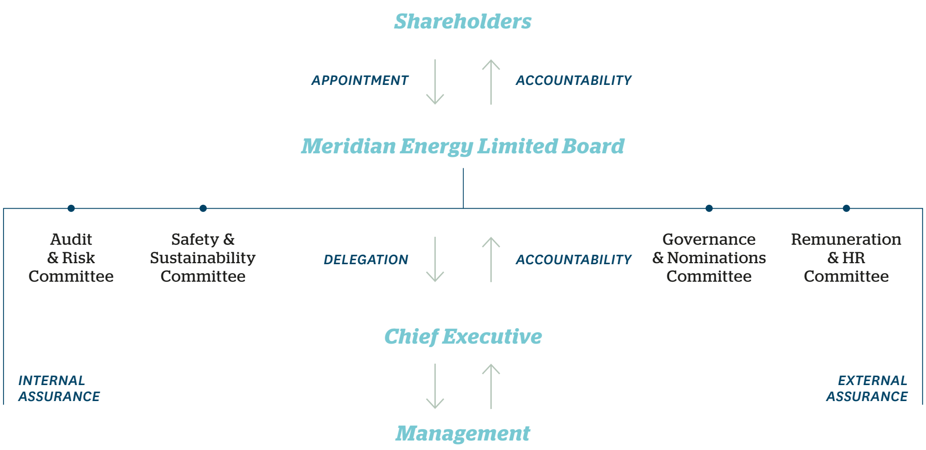
Meridian’s governance framework is designed to ensure the highest standards of business behaviour and accountability. The Board monitors international best practice developments in the governance area and regularly reviews Meridian’s governance practices against these developments.

The Board is elected by the shareholders and considers its primary role is to represent and promote the interests of shareholders effectively with a view to adding long-term value to the company’s shares. The Board has adopted a written charter, which is the principal specification of the governance framework and sets out the governance requirements for the Board.

The Board may, from time to time, establish appropriate Committees of directors to assist the Board by focusing on specific responsibilities in greater detail than is possible when the Board meets. These Committees report to the Board, making any necessary recommendations. The standing Committees (outlined below) operate under their own written charters.

The Chief Executive is charged with the day-to-day running of the business. The Board maintains a formal set of delegated authorities that clearly define the responsibilities that are delegated to management and those retained by the Board. The Board also maintains a formal set of policies including treasury, internal controls, risk, human resources, sustainability and health and safety to ensure that Meridian’s directors, senior management and employees are fulfilling their functions effectively and responsibly. These policies are subject to a Board review and approval cycle.

Meridian Energy Limited governance structure



3. Performance evaluation

The Board and Committee charters require an evaluation of the Board and Committee performance on an annual basis. Board evaluation surveys facilitated by an external party are undertaken each year. The process also includes one-on-one meetings between the Chair and each director.

The Board evaluation in 2013 covered the following areas:

- role
- meetings
- purpose
- stakeholders
- health and safety and wellness
- conformance
- performance
- management and the Board
- culture
- capability.

The performance of the Chief Executive and the senior management team is reviewed regularly against objectives set by the Board. The Board has undertaken a performance review for the FY2014 period of the Chief Executive and those reporting directly to that position in accordance with the company's performance review process. Further details are contained in the remuneration report on page 46.

The Meridian Board

1. Role and responsibility

The Board's role is to provide strategic guidance and have effective oversight of management in order to protect and enhance the value of Meridian's assets in carrying out its role. The Board has a responsibility to work in the interests of shareholders and is the overall and final body for decision-making within Meridian.

2. Board size and composition

The Board ensures that it is of an effective composition and size, and has a commitment to discharge its responsibilities and duties adequately, as outlined in the Board Charter.

The Board has confirmed that an appropriate process has been followed in determining the makeup of the Board. This has included an assessment of the performance of the company and directors, the skills and experience needed around the Board table, and diversity considerations. Directors' biographies can be found on page 9 of this report.

3. Nomination and appointment of Directors

The nomination and appointment of directors are governed by Meridian's Constitution, Board Charter and NZX and ASX Listing Rules. Directors are subject to re-appointment every three years or on a more frequent basis in order for the company to comply with the NZX and ASX Listing Rules. Prior to each annual general meeting, the Board determines if it will recommend to shareholders that they vote in favour of the re-election of those directors due to stand for re-election, having regard to those directors' annual performance reviews and any other matters the Board considers relevant.

If the Board appoints a new director during the year, that person will stand for election by shareholders at the next annual shareholder meeting.

Shareholders are provided with relevant information on the candidates standing for election in the Notice of Annual Meeting.

4. Director independence

The Board ensures that the majority of its directors are independent. The Board assesses director independence annually against the requirements of the New Zealand and Australian stock exchanges. Each director is required to provide the Board with all relevant information to enable it to make this assessment. The Board can confirm that within the reporting period all directors were deemed to be independent.

5. Director induction and access to information and advice

All Board members undertake a comprehensive induction process to enhance their understanding of the industry and Meridian's business and people, including familiarisation tours of the company's assets and operations, usually with the Chief Executive and Chair or their delegates.

There is an ongoing programme of presentations to the Board by representatives from all business areas and subsidiaries to ensure that the Board is kept appraised of the company's activities. In addition, at each meeting the Board receives information on company activities through various operational reports.

The Board expects all directors to undertake continual education so they can perform their duties effectively.

All directors have access to members of the management team to discuss issues or obtain information on specific areas or items to be considered at Board or Committee meetings.

The Board and Committees and each director have the right to seek independent professional advice at Meridian's expense to assist them to carry out their responsibilities.

The Board and Committees have the authority to secure the attendance of advisers with relevant experience and expertise when meetings are convened.

6. Indemnities and insurance

As permitted by Meridian's Constitution, Deeds of Indemnity have been given to directors for potential liabilities and costs they might incur in respect of their actions or omissions in their capacity as directors.

The indemnity does not cover dishonest, fraudulent, malicious or wilful acts or omissions by directors, in their capacity as directors.

From 1 May 2014, Meridian's directors' and officers' liability insurance was renewed to cover risks normally covered by such policies. Insurance is not provided for dishonest, fraudulent, malicious or wilful acts or omissions by directors, in their capacity as directors.

7. Conflicts of interest

The Board is conscious of its obligation to ensure that directors avoid conflicts of interest (both real and apparent) between their duties to Meridian and their own interests. Directors are required to ensure that they immediately advise the Board of any new or changed relationships. These are then recorded in the Board's interests register, which is a standing item at each scheduled meeting of the Board.

Board Committees

The Board has established four standing Committees.

1. Audit and Risk Committee

This Committee comprises a minimum of three directors. Its primary objective is to assist the Board in fulfilling its audit and risk assurance responsibilities by:

- ensuring the integrity of the company's internal and external financial reporting
- ensuring the adequacy of the company's internal control framework and environment
- overseeing the appointment, remuneration, qualifications, independence and performance of the external auditor and the integrity of the audit process as a whole
- monitoring the performance and leadership of the independent and internal audit functions
- providing a formal forum for free and open communication between the Board, the internal and external auditors and management
- monitoring and reviewing the effectiveness of the company's process for identifying and managing risk
- ensuring that the company is in a state of readiness to maintain business continuity in the event of adverse circumstances
- ensuring that the company is appropriately insured to cover losses that may occur as a result of adverse circumstances.

Members: Jan Dawson (Chair), Chris Moller, Peter Wilson and Mark Cairns.

2. Remuneration and Human Resources Committee

This Committee comprises a minimum of three directors. Its primary objective is to assist the Board in fulfilling its human resources responsibilities by:

- ensuring that the company's policies and strategies that relate to employment and people align with the company's strategic objectives and performance
- ensuring that the company's remuneration policies and practices reward fairly and responsibly with a clear link to the company's strategic objectives and corporate and individual performance
- reviewing and recommending the remuneration of the directors.

Members: Mary Devine (Chair), John Bongard and Anake Goodall.

3. Safety and Sustainability Committee

This Committee comprises a minimum of two directors. Its primary objective is to assist the Board in fulfilling its safety and sustainability responsibilities by overseeing:

- Meridian's actions to meet its obligations to maintain the overall wellness, occupational health and safety of its people
- the integration of safety and sustainability in the formulation of Meridian's corporate strategy, risk management framework, and people and culture priorities
- the social, environmental and ethical impacts of Meridian's policies and practices
- initiatives to enhance Meridian's safety and sustainable business practices and reputation as a responsible corporate citizen
- Meridian's compliance with corporate governance requirements in relation to safety and sustainability issues and reporting.

Members: Stephen Reindler (Chair) and Sally Farrier.

4. Governance and Nominations Committee

This Committee comprises a minimum of three directors. Its primary objective is to assist the Board in fulfilling its responsibilities in the governance of the company by monitoring the overall governance of the business, Board (and Committee) composition and performance (including Board diversity), director independence and conflicts of interest.

Currently the Governance and Nominations Committee consists of the full Board.

5. Board and Committee meeting attendance

The table below sets out the attendance details for each Board and Committee meeting held during the period.

BOARD MEETING ATTENDANCE	BOARD	AUDIT AND RISK COMMITTEE	REMUNERATION AND HUMAN RESOURCES COMMITTEE	SAFETY AND SUSTAINABILITY COMMITTEE	GOVERNANCE AND NOMINATIONS COMMITTEE
Number of Meetings	**21**	**6**	**6**	**5**	**3**
Chris Moller	20	6	-	-	3
Peter Wilson	20	6	-	-	3
John Bongard	20	-	6	-	3
Mark Cairns	16	6	-	-	3
Jan Dawson	17	6	-	-	3
Mary Devine	21	-	5	-	3
Sally Farrier	21	-	-	5	3
Anake Goodall	20	-	5	-	3
Stephen Reindler	20	-	-	5	3

Risk management

Meridian operates an active programme to ensure ongoing risk management across the Meridian Group. The Risk Management Policy has been developed to meet the New Zealand Standard: 'AS/NZS ISO 31000 Risk Management – principles and guidelines'. The purpose of the Risk Management Policy is to embed a Group-wide capability in risk management that provides a consistent method of identifying, assessing, controlling, monitoring and reporting existing and potential risks, including financial risk, faced by Meridian. The policy sets out the risk management principles of Meridian within which management is expected to conduct structured risk management. Risks identified through this policy framework are regularly reviewed by the Audit and Risk Committee.

Internal audit

The internal audit of Meridian provides independent assurance to the Board and management that key risks are being adequately managed and the company's internal control framework is operating effectively.

Meridian's internal audit function has been provided by Ernst & Young, managed by Meridian's Group Financial Controller since 2008. With effect from 1 July 2014 KPMG has replaced Ernst & Young as Meridian's internal audit provider via a co-sourced arrangement.

External reporting assurance

The Chief Executive and the Chief Financial Officer are required to provide a letter of representation to the Board, confirming a number of matters, including that:

- management have fulfilled their responsibilities for preparing and presenting the financial statements as required by law, and in particular that the:
  - financial statements comply with generally accepted accounting principles in New Zealand
  - financial statements give a true and fair view of the financial position of the company and Group as at 30 June 2014 and of the results of their operations and their cash flows for the year then ended
- all transactions have been recorded in the accounting records and are reflected in the financial statements
- financial statements are free of material misstatements, including omissions.

In addition, the Chief Executive and Chief Financial Officer have provided assurance that the letter of representation provided as part of the financial statements sign-off was founded on a sound system of risk management and internal control and that the system was and continues to be operating effectively in all material respects in relation to financial reporting risks.

External audit independence

The Board has adopted a strict policy to maintain the independence of the company's external auditor, including recommending to the Office of the Auditor-General that there be lead audit partner rotation after a maximum of every five years.

The Audit and Risk Committee is responsible for making recommendations to the Board concerning the appointment of Meridian's external auditor and their terms of engagement. Under section 29B of the Public Finance Act 1989, the Auditor-General has appointed Michael Wilkes of Deloitte to audit Meridian.

Statutory information

Additional information is set out on pages 120–135.

Remuneration report

Director and employee remuneration

Meridian is committed to fair, responsible and equitable remuneration and ensuring a clear relationship between performance and remuneration. More information regarding the Remuneration and Human Resources Committee is set out on page 44 in the Governance section.

Director remuneration – Meridian Energy Limited

Directors' fees

Prior to listing, Meridian's shareholders approved the ordinary directors' fees and Committee fees as set out in the table below. These fees took effect from the date the company listed. In future, as a listed company, any increase to the aggregate fees payable to non-executive directors of Meridian must be approved by shareholders.

Directors are also entitled to be reimbursed for costs directly associated with carrying out their duties, including travel costs. Meridian employees appointed as directors of Meridian subsidiaries do not receive any directorship fees.

	APPROVED FEES (PER ANNUM) $NZ
Ordinary Fees	
Chair[1]	$165,000
Deputy Chair	$114,000
Directors (x7 @ $91,000)	$637,000
	$916,000
Committee Fees	
Audit and Risk Committee Chair	$15,000
Audit and Risk Committee Member (x2 @ $7,500)	$15,000
Remuneration and Human Resources Committee Chair	$12,500
Remuneration and Human Resources Committee Member (x2 @ $5,000)	$10,000
Safety and Sustainability Committee Chair	$12,500
Safety and Sustainability Committee Members (x1 @ $5,000)	$5,000
	$70,000
Total Aggregate Pool	**$986,000**

1 Committee Chair and members' fees are not payable to the Chairman of the Board.

Additional fees

Prior to listing, shareholders also approved the payment by Meridian of additional fees of up to $195,000 in aggregate to compensate directors for additional work required through the company's IPO.

Total remuneration paid during FY2014

Remuneration paid to non-executive directors in their capacity as directors of Meridian during the year ended 30 June 2014 is listed below:

	BOARD FEES[1]	COMMITTEE FEES[2]	IPO FEES	TOTAL FEES
Chris Moller (Chair)	$142,970	-	$17,093	$160,063
Peter Wilson (Deputy Chair)	$96,656	$5,014	$23,093	$124,763
John Bongard	$77,190	$3,342	$20,693	$101,225
Mark Cairns	$77,190	$5,014	$20,200	$102,404
Jan Dawson	$77,190	$10,027	$22,600	$109,817
Mary Devine	$77,190	$8,356	$15,893	$101,439
Sally Farrier	$77,190	$3,342	$15,893	$96,425
Anake Goodall	$77,190	$3,342	$15,400	$95,932
Stephen Reindler	$77,190	$8,356	$15,400	$100,946
Total	**$779,956**	**$46,793**	**$166,265**	**$993,014**

1 *Board fees were paid on a pro-rata basis to reflect both the pre-listing and post-listing approved fees.*

2 *Committee fees were paid on a pro-rata basis to reflect both the pre-listing and post-listing approved fees. The Chairman of the Board does not receive Committee fees.*

Remuneration paid to non-executive directors in their capacity as directors of subsidiaries of Meridian during the year ended 30 June 2014 is listed below:

FY2014	$NZ
Stanley Brogan (Damwatch Pty Limited)	3,231
Darryl Flukes[1] (Meridian Energy Australia Pty Limited)	109,254
John Journee (Powershop New Zealand Limited)	50,000
Peter Lowe[2] (Meridian Energy Australia Pty Limited)	79,537
Rowan Simpson (Powershop New Zealand Limited)	40,000
Total	**282,022**

1 *The fees payable to Darryl Flukes included fee amounts in relation to the previous financial year that had not been paid out. In addition, Darryl Flukes received the Australian dollar equivalent of $51,666 in FY2014 in his capacity as a consultant to the Meridian Energy Australia Energy Risk Management Committee.*

2 *There was an additional one-off payment made in FY2014 of $3,854 that related to FY2013. This amount related to eight months of superannuation of $481.61.*

Chief Executive remuneration

Employment agreement

Meridian has entered into an employment agreement with Mark Binns in relation to his employment with Meridian as Chief Executive. The Chief Executive receives an annual base salary of $1,100,000. He is also entitled to be considered for a short-term incentive (STI), based on 65% of his base salary, that is payable at the discretion of the Board of Meridian. The amount of any STI awarded will be based on the achievement by the Chief Executive of certain individual and company performance hurdles for the previous financial year. The Chief Executive is a member of KiwiSaver, so he also receives matched employer contributions of 4%. Mr Binns is also entitled to participate in the Executive long-term incentive plan (Executive LTI Plan) referred to under 'Executive remuneration'.

The total remuneration of the Chief Executive may be reviewed each financial year at the discretion of the Board of Meridian. Mr Binns will be employed as Chief Executive until his employment is terminated in accordance with his employment agreement. Pursuant to the employment agreement, the Chief Executive and Meridian have mutual rights of termination on the provision of six months' written notice. Meridian may also terminate the Chief Executive's employment on the grounds of redundancy, serious misconduct or where an act of bankruptcy is committed. The Chief Executive will be entitled to receive certain termination payments following the termination of his employment.

In the year ended 30 June 2014, Mr Binns received:

- a base salary of $1,100,016, before tax and other deductions including KiwiSaver contributions
- a performance-related STI payment of $687,500, before tax and KiwiSaver contributions, relating to FY2013. The amount of this STI payment was determined by assessing the company's financial performance in FY2013 and Mr Binns' achievement against a number of specific non-financial performance targets, set by the Board at the start of FY2013
- KiwiSaver contributions of $71,500, made by Meridian on behalf of Mr Binns in respect of base salary and incentive paid.

In the previous year ended 30 June 2013, Mr Binns received:

- a base salary of $1,050,000, before tax and other deductions, including KiwiSaver contributions
- no performance-related STI payment relating to FY2012. The company's financial performance in FY2012 did not meet targets set by the Board at the start of FY2012
- KiwiSaver contributions of $42,000, made by Meridian on behalf of Mr Binns.

Following the end of FY2014, the Board approved a performance-related STI of $739,167, before tax and KiwiSaver contributions, relating to FY2014, which was paid in late August 2014. The amount of this STI payment was determined by assessing the company's financial performance for FY2014 and Mr Binns' achievement against a number of specific non-financial performance targets, set by the Board at the start of FY2014.

Employee remuneration

Meridian is committed to fair, responsible and equitable remuneration and reward practices in the workplace, taking into account internal and external relativity and the company's ability to meet its commercial objectives.

Individual performance and market relativity are the key drivers of all remuneration-based decisions. Remuneration includes a mix of fixed and variable components that is a mixture of cash and non-cash, including:

- fixed remuneration, which includes base salary and employer KiwiSaver contributions and relates to the base requirements of the role
- at-risk discretionary remuneration for individuals invited to participate in STI schemes, at the discretion of the Chief Executive, with the aggregate approved by the Board on the recommendation of the Remuneration and Human Resources Committee, based on the achievement of predetermined company profit levels and individual performance targets
- at-risk discretionary remuneration for the executive management team entitled to participate in the Executive LTI Plan
- a range of market-based cash benefits including life insurance, redundancy payments and paid parental leave.

Executive remuneration

Meridian aims to motivate and reward executives with a level and mix of remuneration that reflects their roles and accountabilities within the company and appropriately aligns the interests of executives with those of shareholders. Executives may be offered an STI at the discretion of Meridian. Performance is reviewed against company financial performance hurdles and individual strategic objectives that are set and then reviewed by the Board on an annual basis.

Under the Executive LTI Plan, executives purchase Meridian shares (or, while instalment receipts are on issue, instalment receipts) funded by an interest-free loan from the company, with the shares or instalment receipts (as applicable) held on trust by the trustee of the Executive LTI Plan. As Meridian securities currently on offer are instalment receipts, the interest-free loan will also be used by executives to pay the final instalments for any instalment receipts held by the trustee at the time the final instalments are due.

The shares or instalment receipts will be held on trust until the end of a three-year vesting period. In the case of the first offer under the Executive LTI Plan, instalment receipts and, following payment of the final instalments, shares will be held by the trustee until the conclusion of FY2016. Instalment receipts purchased for the first offer made under the Executive LTI Plan were purchased as part of the IPO at the final price payable under the IPO retail offer. Any future purchases of shares (or instalment receipts) under the plan will be made at their market price at the time.

Vesting of shares (including shares initially represented by instalment receipts) with an executive at the conclusion of a three-year vesting period is dependent on continued employment through the three-year period, the company's absolute total shareholder return being positive and the company's total shareholder return relative to a benchmark peer group meeting certain criteria. If shares vest, executives are entitled to a cash amount which, after the deduction of tax (but before other applicable salary deductions), is equal to the amount of their loan balance for shares that have vested. That cash amount is applied towards the repayment of their loan balances.

Under the Executive LTI Plan, where total shareholder return measures are used, performance is measured against a benchmark peer group comprising certain energy generator/retailer competitor companies as at the start of the vesting period. Vesting of shares is dependent on two factors. Firstly, the company must achieve a positive absolute total shareholder return over the measurement period. Secondly, the company's performance relative to the performance of the benchmark peer group is measured, with a sliding scale to apply for the number of shares to vest:

- If the company's total shareholder return performance over the measurement period exceeds the 50th percentile total shareholder return of the benchmark peer group, 50% of an executive's shares will vest.
- 100% of an executive's shares will vest upon meeting the performance of the 75th percentile of the benchmark peer group, with vesting on a straight line basis between these two points.
- No shares will vest if the company's total shareholder return over the measurement period is less than the 50th percentile total shareholder return of the benchmark peer group.

In the event that the total shareholder return performance in absolute terms is less than zero, or in relative terms does not meet the peer group relative total shareholder return hurdle (being the 50th percentile total shareholder return of the benchmark group), or if the participant ceases to be employed by the company other than for a qualifying reason, the shares (or instalment receipts as applicable) will be forfeited to the trustee without compensation and the relevant executive will receive no benefits under the plan. Where the total shareholder return exceeds the 50th percentile of the benchmark peer group but is below the 75th percentile, those shares that have not vested will be forfeited to the trustee without compensation.

To comply with the laws of overseas jurisdictions, a cash award plan may be adopted for members of the executive management team based outside New Zealand. The terms of any cash award plan, including performance hurdles, would seek to replicate the terms of the Executive LTI Plan, except to the extent that a cash bonus (calculated by reference to the market price of shares at the vesting date) vests at the end of the vesting period instead of shares. No such plan is currently in place.

Employee remuneration range

The number of employees and former employees of Meridian Energy Limited and its subsidiaries (not including directors) who during the year ended 30 June 2014 received cash remuneration and other benefits (including at-risk performance incentives, KiwiSaver contributions and redundancy payments) exceeding $100,000 is outlined below:

REMUNERATION BAND ($NZ)	NUMBER OF EMPLOYEES
100,000 - 109,999	72
110,000 - 119,999	66
120,000 - 129,999	42
130,000 - 139,999	33
140,000 - 149,999	21
150,000 - 159,999	25
160,000 - 169,999	14
170,000 - 179,999	18
180,000 - 189,999	18
190,000 - 199,999	13
200,000 - 209,999	11
210,000 - 219,999	11
220,000 - 229,999	5
240,000 - 249,999	6
250,000 - 259,999	2
260,000 - 269,999	4
270,000 - 279,999	3
280,000 - 289,999	4
300,000 - 309,999	4
310,000 - 319,999	2
320,000 - 329,999	4
360,000 - 369,999	2
370,000 - 379,999	2
380,000 - 389,999	1
430,000 - 439,999	1
470,000 - 479,999	1
500,000 - 509,999	1
510,000 - 519,999	1
530,000 - 539,999	1
580,000 - 589,999	1
690,000 - 699,999	1
740,000 - 749,999	1
790,000 - 799,999	1
800,000 - 809,999	1
1,850,000 - 1,859,999	1
	394*

** This includes 63 employees who are no longer employed by Meridian Energy Limited and its subsidiaries.*

The numbers

Financial Statements

Income Statement *for the year ended 30 June 2014*

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

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

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

The Statement of Accounting Policies and Notes to the Financial Statements on pages 58 to 114 form an integral part of these Financial Statements

Statement of Financial Position *as at 30 June 2014*

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

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

Chris Moller, Chairman, 17 August 2014

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

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

MERIDIAN ENERGY LIMITED

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

	NOTE	GROUP 2013 SHARE CAPITAL $M	REVALUATION RESERVE $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	CASH FLOW HEDGE RESERVE $M	AVAILABLE FOR SALE RESERVE $M	RETAINED EARNINGS $M	TOTAL EQUITY $M
Balance at 1 July 2012		**1,600.0**	**3,418.0**	**(1.7)**	**(41.8)**	**-**	**(148.8)**	**4,825.7**
Profit for the Year		-	-	-	-	-	295.1	295.1
Reversal of Asset Revaluation		-	(476.2)	-	-	-	-	(476.2)
Cash Flow Hedges: Net Gain Taken to Equity		-	-	-	28.3	-	-	28.3
Available for Sale Reserve: Net Gain Taken to Equity		-	-	-	-	2.3	-	2.3
Transfer Cash Flow Hedge Reserve to Retained Earnings on Sale of Subsidiary		-	-	-	44.2	-	(44.2)	-
Reclassify Foreign Currency Translation Reserve to Profit and Loss		-	-	13.6	-	-	-	13.6
Exchange Differences Arising from Translation of Foreign Operations		-	-	(25.1)	-	-	-	(25.1)
Asset Revaluation Reserve Transferred to Retained Earnings		-	(1.6)	-	-	-	1.6	-
Deferred Tax on Revaluation Reserve		-	133.7	-	-	-	(0.4)	133.3
Income Tax Relating to Other Comprehensive Income		-	-	-	(21.8)	(0.7)	13.3	(9.2)
Total Comprehensive Income for the Year		**-**	**(344.1)**	**(11.5)**	**50.7**	**1.6**	**265.4**	**(37.9)**
Dividends Paid	12	-	-	-	-	-	(99.8)	(99.8)
Balance at 30 June 2013		**1,600.0**	**3,073.9**	**(13.2)**	**8.9**	**1.6**	**16.8**	**4,688.0**

The Statement of Accounting Policies and Notes to the Financial Statements on pages 58 to 114 form an integral part of these Financial Statements

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

MERIDIAN ENERGY LIMITED

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

	NOTE	PARENT 2013 SHARE CAPITAL $M	REVALUATION RESERVE $M	CASH FLOW HEDGE RESERVE $M	AVAILABLE FOR SALE RESERVE $M	RETAINED EARNINGS $M	TOTAL EQUITY $M
Balance at 1 July 2012		**1,600.0**	**3,412.8**	**2.4**	**-**	**(234.1)**	**4,781.1**
Profit for the Year		-	-	-	-	253.5	253.5
Reversal of Asset Revaluation		-	(476.2)	-	-	-	(476.2)
Cash Flow Hedges: Net Loss Taken to Equity		-	-	(2.9)	-	-	(2.9)
Available for Sale Reserve: Net Gain Taken to Equity		-	-	-	2.3	-	2.3
Asset Revaluation Reserve Transferred to Retained Earnings		-	(1.6)	-	-	1.6	-
Deferred Tax on Revaluation Reserve		-	133.7	-	-	(0.4)	133.3
Income Tax Relating to Other Comprehensive Income		-	-	0.8	(0.7)	-	0.1
Total Comprehensive Income for the Year		**-**	**(344.1)**	**(2.1)**	**1.6**	**254.7**	**(89.9)**
Dividends Paid	12	-	-	-	-	(99.8)	(99.8)
Balance at 30 June 2013		**1,600.0**	**3,068.7**	**0.3**	**1.6**	**(79.2)**	**4,591.4**

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

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

The Statement of Accounting Policies and Notes to the Financial Statements on pages 58 to 114 form an integral part of these Financial Statements

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

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

Contents

1. Summary of Accounting Policies

Reporting Entity and Statement of Compliance

Meridian Energy Limited is a profit-oriented entity domiciled in New Zealand, registered under the Companies Act 1993 and an issuer for the purposes of the Financial Reporting Act 1993. The registered office of the Company is 33 Customhouse Quay, Wellington. Meridian Energy Limited is a mixed ownership model Company, that is majority owned by Her Majesty the Queen in Right of New Zealand (the "Crown") and is dual listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX). The Company is bound by the requirements of the Public Finance Act 1989 but is no longer bound by the State-Owned Enterprises Act 1986.

Meridian Energy Limited's core business is the generation, trading and retailing of electricity and wider complementary products and services.

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

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

The reporting period for these financial statements is the year ended 30 June 2014.

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

Basis of Preparation

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

These financial statements are presented in New Zealand dollars rounded to the nearest million ($m).

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

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

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

1. Summary of Accounting Policies *(continued)*

Adoption Status of Relevant Financial Reporting Standards

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

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
Amendments to NZ IFRS 10 *Consolidated Financial Statements*	1 January 2014	30 June 2015
Amendments to NZ IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2014	30 June 2015
Amendments to NZ IAS 19 *Employee Benefits* Defined Benefit Plans: Employee Contributions	1 July 2014	30 June 2015
Amendments to NZ IAS 27 *Separate Financial Statements* – Investment Entities	1 January 2014	30 June 2015
Amendments to NZ IAS 32 *Financial Instruments: Presentation* – Offsetting Financial Assets and Financial Liabilities	1 January 2014	30 June 2015
Amendments to NZ IAS 39 *Financial Instruments: Recognition and Measurement* – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	30 June 2015
Amendments to FRS-42 *Prospective Financial Statements*	1 January 2014	30 June 2015
NZ IFRIC 21 *Levies*	1 January 2014	30 June 2015
Annual Improvements to NZ IFRSs 2010-2012 Cycle	1 July 2014	30 June 2015
Annual Improvements to NZ IFRSs 2011-2013 Cycle	1 July 2014	30 June 2015
Amendments to NZ IFRS 11 *Joint Arrangements* Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	30 June 2017
IAS 16 *Property, Plant and Equipment* Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	30 June 2017
IAS 38 *Intangible Assets* Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	30 June 2017
IFRS 9 *Financial Instruments*	1 January 2018	30 June 2019
NZ IFRS 15 *Revenue from Contracts with Customers*	1 January 2017	30 June 2018

Further to the above, NZ IFRS 9 (once adopted in New Zealand) is anticipated to have the most impact on Meridian's financial statements upon adoption.

NZ IFRS 9 requires all financial assets to be measured at fair value, unless the entity's business model is to hold the assets to collect contractual cash flows and contractual terms give rise to cash flows that are solely payments of interest and principal, in which case they are measured at amortised cost. NZ IFRS 9 also broadens the eligibility for hedge accounting as it introduces an objectives-based test that focuses on the economic relationship between hedged items and hedging instruments.

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

Judgements and Estimations

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

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

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are in relation to the valuation of generation structures, plant assets and derivatives. In addition, accounting judgements are made in respect of the hedge designation and valuation of certain financial instruments, assessment of hedge effectiveness and the determination of useful lives of Property, Plant and Equipment.

Fair Value Estimation of Financial Assets and Liabilities

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

The fair value of instruments traded in active markets is based on closing market prices at balance date.

The fair value of instruments that are not traded on an active market is determined using various valuation techniques which include assumptions on both observable data when such data is available and non-observable data in all other instances. Fair values are based on the discounted value of future cashflows. Assumptions on the determination of future cash flows are based on the publicly available forecast prices where available and internal models when a forecast price is not available.

More detail is provided in Note 27 – Financial Instruments.

1. Summary of Accounting Policies *(continued)*

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

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

Future electricity price estimates are used to determine expected cash flows to be settled on CfDs. The expected cash flows are then discounted to determine a fair value of the CfD. The discount rates used are based on Interest Rate Swap Rates adjusted for additional risks including credit risk and the remaining term of the CfD.

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

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

The valuations determined for instruments not traded on an active market, particularly in respect to CfDs can vary significantly based on assumptions in relation to the forecast electricity price and interest rates. The sensitivity to changes in assumptions for level 3 financial instruments is quantified in Note 26 – Financial Risk Management.

Property, Plant and Equipment

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

Intangible Assets

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

Retail Revenue

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

Taxation

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

Significant Accounting Policies

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

Basis of Consolidation

SUBSIDIARIES

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

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

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

COMMON CONTROL AMALGAMATION TRANSACTIONS

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

JOINT ARRANGEMENTS

Joint Ventures

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

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

Operating Segments

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

Foreign Currency

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

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

1. Summary of Accounting Policies *(continued)*

Fair Value Hierarchy

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

Property, Plant and Equipment

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

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

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

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

Subsequent additions to generation structures and plant assets are recorded at cost, which is considered fair value, including costs directly attributable to bringing the asset to the location and condition necessary for its intended service. The cost of assets constructed includes all expenditure directly related to specific contracts including financing costs where appropriate.

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

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

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

Depreciation of property, plant and equipment assets, other than freehold land, is calculated on a straight-line basis to allocate the cost or fair value amount of an asset, less any residual value, over its estimated remaining useful life.

The estimated remaining useful lives of assets are as follows:

- Generation Structures and Plant up to 80 years
- Freehold Buildings up to 67 years
- Other Plant and Equipment up to 20 years

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

Assets Classified as Held for Sale

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

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

Finance Lease Receivable

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

Intangible Assets

CUSTOMER ACQUISITION COSTS

Customer acquisition costs are finite life intangibles and represent the capitalisation of costs incurred to acquire retail customers from other parties. Amortisation is calculated using the straight-line method to allocate the cost over its useful life (up to 10 years).

COMPUTER SOFTWARE

Acquired computer software licences, that are not considered an integral part of related hardware, are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Additionally, costs directly associated with the production of identifiable and unique software products that will generate economic benefits beyond one year are also recognised as intangible assets. All these costs are amortised over their useful lives (up to 3 years) on a straight-line basis.

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

PATENTS AND TRADEMARKS

Patents and Trademarks are finite life intangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives of up to 20 years.

LICENCE AGREEMENTS

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

1. Summary of Accounting Policies *(continued)*

IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL

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

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

GOODWILL

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

Non Derivative Financial Instruments

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

NON DERIVATIVE FINANCIAL ASSETS

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

Cash and Cash Equivalents

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

Accounts Receivable

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

Available for Sale Investments

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

Assets Classified as Held for Sale

Financial assets are presented as held for sale if the sale of the asset or disposal group to which they relate is highly probable and is available for immediate sale in its present condition subject only to normal sale terms. Meridian measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

Investments in Subsidiaries and Joint Ventures

In the financial statements of the Parent the cost method is used to account for investments in subsidiaries and jointly controlled entities.

NON DERIVATIVE FINANCIAL LIABILITIES

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

Liabilities Classified as Held for Sale

Financial liabilities are presented as held for sale if the sale of the asset or disposal group to which they relate is highly probable and is available for immediate sale in its present condition subject only to normal sale terms.

Payables and Accruals

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

Borrowings

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

Finance Lease Payable

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Meridian recognises liabilities under finance lease arrangements as a payable at an amount equal to the present value of the minimum lease payments. Finance lease payments are apportioned between principal repayments, relating to the lease payable, and interest expense. The interest reflects a constant periodic rate of return over the term of the lease. Finance lease payables are classified as financial liabilities at amortised cost.

Derivative Financial Instruments and Hedge Accounting

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured on a periodic basis at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging

1. Summary of Accounting Policies *(continued)*

instrument, and if so, the nature of the item being hedged. Meridian designates certain derivatives as either:

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

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

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

FAIR VALUE HEDGE

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement in "Net Change in Fair Value of Financial Instruments (Financing)" within other finance related expenses in respect of CCIRSs, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Interest expense on the loans designated as hedged items in fair value hedges is recognised in finance costs.

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

CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that is designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement in "Net Change in Fair Value of Financial Instruments (Operational)" in respect of FECs and "Net Change in Fair Value of Financial Instruments (Financing)" in respect of CCIRSs.

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

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

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

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

DERIVATIVES NOT DESIGNATED AS HEDGES

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

DAY 1 ADJUSTMENT

A Day 1 adjustment arises when an electricity derivative is entered into at a fair value determined to be different from the transaction price. To account for this difference the derivative valuation model is recalibrated by a fixed percentage to result in a value at inception equal to the transaction price (fair value). This recalibration adjustment is then applied to future valuations over the life of the contract.

Reserves

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

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

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

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

Taxation

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

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

1. Summary of Accounting Policies *(continued)*

DEFERRED TAX

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

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

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

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

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

Employee Benefits

WAGES, SALARIES AND LEAVE

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

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

SHARE BASED PAYMENTS

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

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

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

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

Goods and Services Tax (GST)

The income statement and statement of cash flows are prepared on a GST exclusive basis. All items in the Statement of Financial Position are stated net of GST, except for receivables and payables, which include GST.

Environmental Products

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

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

Provisions

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

WARRANTIES

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

Restructuring

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

Operating Leases

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

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

Revenue Recognition

SALE OF ENERGY AND OTHER RELATED SERVICES

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

1. Summary of Accounting Policies *(continued)*

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

DIVIDEND INCOME

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

INTEREST INCOME

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

Energy Related Expenses

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

Statement of Cash Flows

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

2. Segment Reporting

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

The Chief Executive assesses the performance of the operating segments on a measure of EBITDAF. Segment EBITDAF represents profit earned by each segment before the allocation of central administration costs, Directors' fees, equity accounted earnings of joint ventures, changes in fair value of financial instruments, finance costs, gains/losses on sale of property, plant and equipment, subsidiaries and investments, depreciation, amortisation, impairments and income tax expense.

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

- Assets
- Liabilities
- Capital Expenditure

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

Revenues are derived from external customers within New Zealand, Australia and the United States of America. Meridian transacted the equivalent of approximately 38% (2013: 40%) of its generation output to a single counterparty through a CfD. The revenues received from this customer are attributable to the Wholesale segment.

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

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

Wholesale Segment

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

Costs to develop New Zealand renewable generation opportunities and for dam consultancy services offered by Damwatch Engineering Limited (previously Damwatch Services Limited) are reported as part of the Wholesale operating segment as it is determined that they have similar long term economic characteristics.

Retail Segment

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

The Retail segment purchases electricity from the Wholesale segment at an average annual fixed price of $80-$85 per MWh for electricity which is sold to customers on fixed price, variable volume agreements and electricity purchased for customers on spot agreements at the prevailing wholesale spot market rates.

International Segment

The International segment comprises Meridian's Australian and United States of America operations which generate, sell and retail electricity into the relevant markets.

On 15 May 2014, CalRENEW-1 LLC, a controlled entity involved in the solar generation of electricity, was sold as a going concern.

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

Unallocated

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

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

Inter-Segment Items

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

2. Segment Reporting *(continued)*

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

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

The segment information provided to the Chief Executive for the reportable segments for the year ended 30 June 2013 is as follows:

	WHOLESALE $M	RETAIL $M	INTERNATIONAL $M	UNALLOCATED $M	INTER-SEGMENT ITEMS $M	TOTAL $M
Operating Revenue						
Energy Sales Revenue	2,061.2	1,166.5	51.4	9.7	(607.3)	2,681.5
Energy Related Expenses	(1,289.3)	(674.8)	(0.6)	(4.1)	607.3	(1,361.5)
Energy Distribution Expense	(1.1)	(403.0)	(0.1)	-	-	(404.2)
Energy Margin	**770.8**	**88.7**	**50.7**	**5.6**	**-**	**915.8**
Dividend and Other Revenue	12.3	15.1	-	3.0	(0.7)	29.7
Energy Transmission Expense	(113.2)	-	(2.1)	-	-	(115.3)
Gross Margin	**669.9**	**103.8**	**48.6**	**8.6**	**(0.7)**	**830.2**
Employee Expenses	(29.3)	(28.2)	(7.1)	(24.0)	-	(88.6)
Other Operating Expenses	(64.2)	(58.0)	(6.9)	(28.2)	0.5	(156.8)
EBITDAF	**576.4**	**17.6**	**34.6**	**(43.6)**	**(0.2)**	**584.8**
Reconciliation of Operating Revenue						
Energy Sales Revenue	2,061.2	1,166.5	51.4	9.7	(607.3)	2,681.5
Dividend and Other Revenue	12.3	15.1	-	3.0	(0.7)	29.7
Inter-Segment Revenue	(607.5)	-	-	(0.5)	608.0	-
Revenue from External Customers	**1,466.0**	**1,181.6**	**51.4**	**12.2**	**-**	**2,711.2**

2. Segment Reporting *(continued)*

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

Reconciliation of EBITDAF to profit before tax provided as follows:

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

3. Operating Expenses

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

1 Includes IPO related services performed by Deloitte.

Auditor's Remuneration

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

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

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

3. Operating Expenses *(continued)*

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

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

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

4. Share Based Payments

Recognised employee share based payment expense

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

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

Long Term Incentive

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

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

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

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

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

4. Share Based Payments *(continued)*

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

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

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

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

5. Impairment of Assets

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

Impairment of Property, Plant and Equipment

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

Prior Financial Year

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

Impairment of Held for Sale Assets

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

Prior Financial Year

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

Impairment of Advances to Subsidiaries

MEL Solar Holdings Limited

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

Prior Financial Year

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

6. Gain/(Loss) on Sale of Assets

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

7. Finance Costs

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

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

Total interest expense for financial liabilities at amortised cost is $33.4 million (2013: $59.6 million).

8. Interest Income

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

9. Income Tax Expense

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

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

The discontinuation of tax depreciation on buildings with a useful life of greater than 50 years was effective for the Group on 1 July 2011. The effect of this change was reflected in the Income Statement in 2010 ($14.7 million). At the time Meridian used judgement in regard to the tax definition of buildings with the above ground structure of Generation Structures and Plant being treated as buildings. Meridian maintains this view but took a further provision in 2012 due to the Inland Revenue Department's current interpretation of the definition of buildings that in relation to generation assets includes the structures below ground. The effect included in the Income Statement in 2012 was $23.6 million. This approach has been reflected in the tax returns for the 2012 and 2013 tax years (resulting in a combined increased tax payable of $2.7 million) however the Group is still disputing the interpretation.

In addition to the income tax charge to the income statement, deferred tax credits (representing temporary differences) of $4.7 million for the Group (2013: $124.1 million credit) and $1.6 million for the Parent (2013: $133.4 million credit) have been recognised in equity for the year (see Note 22 – Deferred Tax).

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

10. Earnings per Share

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

11. Equity

Share Capital

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

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

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

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

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

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

12. Dividends

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

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

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

13. Cash and Cash Equivalents

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

There are no cash and cash equivalent balances that are not available for use by the Group with the exception of funds held on deposit with J.P. Morgan. The Group trades on the ASX using J.P. Morgan as a broker. As a result, a proportion of the funds it holds on deposit are pledged as margin which varies depending on the market volatility and contracts held. At 30 June 2014, this collateral was $5.8 million for the Parent and $6.6 million for the Group (2013 Parent: $7.8 million and Group: $9.4 million).

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

14. Accounts Receivable

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

Trade receivables that are less than 90 days past due are generally not considered impaired. As of 30 June 2014 trade receivables of $7.3 million for the Group (2013: $8.6 million) and $5.7 million for the Parent (2013: $4.0 million) were past due but not impaired. These relate to energy sales to a number of independent customers for whom there is no recent history of default.

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

Meridian maintains a doubtful debt provision that reflects the limited likelihood of payment defaults. Meridian considers that the carrying amount of accounts receivable approximates their fair values. Trade receivables written off during the year were $7.8 million for the Group (2013: $8.6 million) and $6.7 million for the Parent (2013: $7.5 million).

15. Assets and Liabilities Classified as Held for Sale

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

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

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

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

Arc Innovations Limited

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

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

Farm Related Assets

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

Meridian Energy USA Incorporated

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

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

16. Other Assets

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

16. Other Assets *(continued)*

Inventory

Inventory utilised is recognised in the Income Statement as follows:

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

Certain inventory items are subject to retention of title clauses.

Finance Lease Receivables

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

New Zealand Carbon Credit Units

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

Australian Renewable Energy Certificates (RECs)

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

17. Investments in Subsidiaries

Investments in subsidiaries comprise shares at cost less impairments

NAME OF ENTITY	INCORPORATED	PRINCIPAL ACTIVITY	INTEREST HELD BY PARENT			
			2014 %	2014 $M	2013 %	2013 $M
Damwatch Engineering Limited		Professional Services	**100%**	**-**	100%	-
Three River Holdings (No.1) Limited[1]		Non-Trading Entity	**100%**	**107.1**	100%	82.5
Meridian Limited		Non-Trading Entity	**100%**	**-**	100%	-
ARC Innovations Limited		Metering Services	**-**	**-**	100%	29.5
Meridian Energy Captive Insurance Limited		Insurance Company	**100%**	**2.5**	100%	2.5
Meridian Energy International Limited		Non-Trading Entity	**100%**	**50.0**	100%	50.0
Meridian (Whisper Tech) Limited		Non-Trading Entity	**100%**	**-**	100%	-
Meridian (Whisper Tech No.2) Limited		Non-Trading Entity	**100%**	**-**	100%	-
Powershop New Zealand Limited		Electricity Retailer	**100%**	**15.9**	100%	11.9
MEL Solar Holdings Limited		Holding Company	**100%**	**-**	100%	-
Whisper Tech Limited[2]		Non-Trading Entity	**30%**	**-**	30%	-
Meridian LTI Trustee Limited	13/09/2013	Trustee Company	**100%**	**-**	-	-
				175.5		176.4
Held for Sale						
ARC Innovations Limited		Metering Services	**100%**	**29.5**	-	-

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

17. Investments in Subsidiaries *(continued)*

Controlled Entities (Other Subsidiaries)

NAME OF ENTITY	SOLD/DISSOLVED	PRINCIPAL ACTIVITY	INTEREST HELD BY GROUP 2014	INTEREST HELD BY GROUP 2013
Three River Holdings (No.2) Limited[1]		Non-Trading Entity	100%	100%
WhisperGen Limited		Non-Trading Entity	100%	100%
Whisper Tech Limited		Non-Trading Entity	100%	100%
Damwatch Projects Limited		Professional Services	100%	100%
Incorporated in Australia				
Damwatch Pty Limited		Professional Services	100%	100%
Meridian Australia Holdings Pty Limited[1]		Non-Trading Entity	100%	100%
Meridian Wind Australia Holdings Pty Limited[1]		Non-Trading Entity	100%	100%
Meridian Energy Markets Pty Limited[1]		Non-Trading Entity	100%	100%
Meridian Wind Monaro Range Holdings Pty Limited[1]		Non-Trading Entity	100%	100%
Meridian Wind Monaro Range Pty Limited[1]		Non-Trading Entity	100%	100%
Mt Mercer Windfarm Pty Limited[1]		Electricity Generation	100%	100%
Meridian Energy Australia Pty Limited[1]		Management Services	100%	100%
MEL Meridian Australia Partnership[1, 3]	12/05/14	Financing Entity	-	100%
Meridian Finco Pty Limited[1]		Financing Company	100%	100%
Mt Millar Wind Farm Pty Limited[1]		Electricity Generation	100%	100%
Powershop Australia Pty Limited		Electricity Retailer	100%	100%
Incorporated in United Kingdom				
Whisper Tech (UK) Limited[2]		Non-Trading Entity	100%	100%
Incorporated in United States of America				
Meridian Energy USA Incorporated		Development	100%	100%
CalRENEW-1 LLC	15/05/14	Electricity Generation	-	100%
Jacob Canal Solar Farm LLC[3]	18/06/14	Non-Trading Entity	-	100%
Laurel West Solar Farm LLC[3]	15/05/14	Non-Trading Entity	-	100%
Laurel East Solar Farm LLC[3]	15/05/14	Non-Trading Entity	-	100%
Hatteson Solar Farm LLC[3]	8/05/14	Non-Trading Entity	-	100%
San Luis Valley Solar Farm LLC[3]	8/05/14	Non-Trading Entity	-	100%
Desert Butte LLC[3]	8/05/14	Non-Trading Entity	-	100%

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

Balance Dates

All subsidiaries have a balance date of 30 June except for Meridian Energy USA Incorporated, CalRENEW-1 LLC, Jacob Canal Solar Farm LLC, Laurel West Solar Farm LLC, Laurel East Solar Farm LLC, Hatteson Solar Farm LLC, San Luis Valley Solar Farm LLC and Desert Butte LLC that have balance dates of 31 December. The results to 30 June 2014 have been incorporated in these financial statements.

As noted below, Meridian exited its US assets with the sale of CalRENEW-1 LLC during the financial year. As a result Jacob Canal Solar Farm LLC, Laurel West Solar Farm LLC, Laurel East Solar Farm LLC, Hatteson Solar Farm LLC, San Luis Valley Solar Farm LLC and Desert Butte LLC were dissolved.

Financial Support

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

17. Investments in Subsidiaries *(continued)*

Disposal of Controlled Entities

CalRENEW-1 LLC

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

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

18. Joint Ventures

Equity Accounted Joint Ventures

Details of the Group's Equity Accounted Joint Ventures are as follows:

NAME OF ENTITY	COUNTRY OF INCORPORATION	DATE	PRINCIPAL ACTIVITY	VOTING RIGHTS HELD BY GROUP		INTEREST HELD BY GROUP	
				2014	2013	2014	2013
EDDI Project JV	New Zealand	1/05/12	Dam Management Systems	50%	50%	50%	50%
Hunter Downs JV	New Zealand	1/07/13	Irrigation Development	50%	-	100%	-

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

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

19. Intangible Assets

	GROUP					
	SOFTWARE $M	GOODWILL $M	LICENCE AGREEMENT $M	PATENTS AND TRADEMARKS $M	CUSTOMER ACQUISITION COSTS $M	TOTAL $M
Cost or Fair Value						
Balance at 1 July 2012	87.0	15.9	22.4	1.6	66.9	193.8
Acquisitions	32.0	-	-	-	-	32.0
Foreign Currency Exchange Rate Movements	(0.1)	(0.2)	-	-	-	(0.3)
Transfer from Property, Plant and Equipment	20.6	-	-	-	-	20.6
Sale of Subsidiary	(4.5)	-	-	-	-	(4.5)
Disposals	(1.3)	-	-	-	-	(1.3)
Balance at 30 June 2013	**133.7**	**15.7**	**22.4**	**1.6**	**66.9**	**240.3**
Balance at 1 July 2013	133.7	15.7	22.4	1.6	66.9	240.3
Acquisitions	20.3	-	-	-	-	20.3
Foreign Currency Exchange Rate Movements	0.1	(0.2)	-	-	-	(0.1)
Transfer from Property, Plant and Equipment	1.4	-	-	-	-	1.4
Transfer to Assets Classified as Held for Sale	(1.6)	-	-	(1.6)	-	(3.2)
Disposals	(0.3)	-	-	-	-	(0.3)
Balance at 30 June 2014	**153.6**	**15.5**	**22.4**	**-**	**66.9**	**258.4**
Accumulated Amortisation and Impairment						
Balance at 1 July 2012	(64.5)	(13.2)	(22.4)	(1.5)	(65.4)	(167.0)
Amortisation during Year	(18.4)	-	-	(0.1)	-	(18.5)
Sale of Subsidiary	0.2	-	-	-	(1.5)	(1.3)
Disposals	1.3	-	-	-	-	1.3
Balance at 30 June 2013	**(81.4)**	**(13.2)**	**(22.4)**	**(1.6)**	**(66.9)**	**(185.5)**
Balance at 1 July 2013	(81.4)	(13.2)	(22.4)	(1.6)	(66.9)	(185.5)
Amortisation during Year	(21.4)	-	-	-		(21.4)
Transfer to Assets Classified as Held for Sale	0.7	-	-	1.6	-	2.3
Disposals	0.2	-	-	-	-	0.2
Balance at 30 June 2014	**(101.9)**	**(13.2)**	**(22.4)**	**-**	**(66.9)**	**(204.4)**
Net Book Value						
Net Book Value 30 June 2012	22.5	2.7	-	0.1	1.5	26.8
Net Book Value 30 June 2013	52.3	2.5	-	-	-	54.8
Net Book Value 30 June 2014	**51.7**	**2.3**	**-**	**-**	**-**	**54.0**

Goodwill

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

19. Intangible Assets *(continued)*

	PARENT		
	SOFTWARE $M	CUSTOMER ACQUISITION COSTS $M	TOTAL $M
Cost or Fair Value			
Balance at 1 July 2012	82.2	65.2	147.4
Acquisitions	25.6	-	25.6
Transfer from Property, Plant and Equipment	19.8	-	19.8
Disposals	(1.2)	-	(1.2)
Balance at 30 June 2013	**126.4**	**65.2**	**191.6**
Balance at 1 July 2013	126.4	65.2	191.6
Acquisitions	17.5	-	17.5
Transfer from Property, Plant and Equipment	1.0	-	1.0
Disposals	(0.3)	-	(0.3)
Balance at 30 June 2014	**144.6**	**65.2**	**209.8**
Accumulated Amortisation and Impairment			
Balance at 1 July 2012	(61.6)	(65.2)	(126.8)
Amortisation During Year	(17.3)	-	(17.3)
Disposals	1.2	-	1.2
Balance at 30 June 2013	**(77.7)**	**(65.2)**	**(142.9)**
Balance at 1 July 2013	(77.7)	(65.2)	(142.9)
Amortisation During Year	(19.2)	-	(19.2)
Disposals	0.2	-	0.2
Balance at 30 June 2014	**(96.7)**	**(65.2)**	**(161.9)**
Net Book Value			
Net Book Value 30 June 2012	20.6	-	20.6
Net Book Value 30 June 2013	48.7	-	48.7
Net Book Value 30 June 2014	**47.9**	**-**	**47.9**

20. Property, Plant & Equipment

	GROUP					
	GENERATION STRUCTURES AND PLANT AT FAIR VALUE $M	FREEHOLD LAND AT COST $M	FREEHOLD BUILDINGS AT COST $M	OTHER PLANT AND EQUIPMENT AT COST $M	CAPITAL WORK IN PROGRESS AT COST $M	TOTAL $M
Cost or Fair Value						
Balance at 1 July 2012	7,329.8	40.1	13.0	177.1	726.9	8,286.9
Additions	-	-	-	0.1	276.6	276.7
Foreign Currency Exchange Rate Movements[1]	(18.5)	-	-	(0.1)	(40.7)	(59.3)
Reversal of revaluation gains[2]	(849.0)	-	-	-	-	(849.0)
Transfers from Capital Work in Progress	3.3	2.9	1.0	10.4	(17.6)	-
Transfers to Finance Lease Receivable	-	-	-	-	(623.3)	(623.3)
Transfers to Assets Held For Sale	-	(29.2)	(3.2)	(3.5)	-	(35.9)
Transfers to Liabilities Held for Sale	-	0.3	-	-	-	0.3
Transfer to Intangible Assets	-	-	-	0.1	(20.7)	(20.6)
Disposals	(0.1)	(0.5)	(0.9)	(44.3)	(5.7)	(51.5)
Reclassification	1.7	-	(0.3)	(1.4)	-	-
Balance at 30 June 2013	**6,467.2**	**13.6**	**9.6**	**138.4**	**295.5**	**6,924.3**
Balance at 1 July 2013	6,467.2	13.6	9.6	138.4	295.5	6,924.3
Additions	6.7	-	-	-	339.6	346.3
Additions through Finance Lease Payable	-	-	-	-	48.8	48.8
Foreign Currency Exchange Rate Movements[1]	(17.1)	-	-	(0.1)	(14.6)	(31.8)
Transfers from Capital Work in Progress	310.5	4.4	0.1	59.2	(374.2)	-
Transfers from/(to) Assets Held For Sale	-	9.7	-	(32.9)	(0.4)	(23.6)
Transfer to Intangible Assets	-	-	-	-	(1.4)	(1.4)
Disposals	(1.4)	(0.4)	-	(6.6)	-	(8.4)
Balance at 30 June 2014	**6,765.9**	**27.3**	**9.7**	**158.0**	**293.3**	**7,254.2**

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

In 2013, the $623.3 million transfer to finance lease receivable represents the conversion of previously capitalised construction costs associated with the Macarthur Wind Farm to a finance lease based on the terms of the Joint Venture.

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

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

	GROUP					
	GENERATION STRUCTURES AND PLANT AT FAIR VALUE $M	FREEHOLD LAND AT COST $M	FREEHOLD BUILDINGS AT COST $M	OTHER PLANT AND EQUIPMENT AT COST $M	CAPITAL WORK IN PROGRESS AT COST $M	TOTAL $M
Accumulated Depreciation and Impairment						
Balance at 1 July 2012	(195.6)	-	(2.8)	(93.5)	(31.4)	(323.3)
Depreciation Expense	(183.1)	-	(0.3)	(17.8)	-	(201.2)
Foreign Currency Exchange Rate Movements[1]	2.2	-	-	-	-	2.2
Disposals	-	-	0.1	11.2	-	11.3
Transfer to Assets Held For Sale	-	-	0.5	1.5	-	2.0
Offset of Accumulated Depreciation on Revaluation Reversal[2]	372.8	-	-	-	-	372.8
Reclassification	(0.4)	-	-	0.4	-	-
Impairment of Property, Plant and Equipment	-	-	-	(0.1)	(19.0)	(19.1)
Balance at 30 June 2013	**(4.1)**	**-**	**(2.5)**	**(98.3)**	**(50.4)**	**(155.3)**
Balance at 1 July 2013	(4.1)	-	(2.5)	(98.3)	(50.4)	(155.3)
Depreciation Expense	(179.9)	-	(0.3)	(18.4)	-	(198.6)
Foreign Currency Exchange Rate Movements[1]	0.2	-	-	-	-	0.2
Disposals	0.2	-	-	6.0	-	6.2
Transfer to Assets Held For Sale	-	-	-	22.3	-	22.3
Balance at 30 June 2014	**(183.6)**	**-**	**(2.8)**	**(88.4)**	**(50.4)**	**(325.2)**
Net Book Value						
Net Book Value 30 June 2012	7,134.2	40.1	10.2	83.6	695.5	7,963.6
Net Book Value 30 June 2013	6,463.1	13.6	7.1	40.1	245.1	6,769.0
Net Book Value 30 June 2014	**6,582.3**	**27.3**	**6.9**	**69.6**	**242.9**	**6,929.0**

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

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

	PARENT					
	GENERATION STRUCTURES AND PLANT AT FAIR VALUE $M	FREEHOLD LAND AT COST $M	FREEHOLD BUILDINGS AT COST $M	OTHER PLANT AND EQUIPMENT AT COST $M	CAPITAL WORK IN PROGRESS AT COST $M	TOTAL $M
Cost or Fair Value						
Balance at 1 July 2012	7,084.5	39.6	12.1	100.5	154.4	7,391.1
Additions	-	-	-	0.1	59.0	59.1
Reversal of revaluation gains[1]	(817.9)	-	-	-	-	(817.9)
Transfers from Capital Work in Progress	3.2	2.9	1.0	7.0	(14.1)	-
Transfer to Finance Lease Receivable	-	-	-	-	(0.3)	(0.3)
Transfers to Assets Held for Sale	-	(29.2)	(3.2)	(3.5)	-	(35.9)
Transfer to Liabilities Held for Sale	-	0.3	-	-	-	0.3
Transfers to Intangible Assets	-	-	-	-	(19.8)	(19.8)
Disposals	(0.4)	-	-	(5.1)	-	(5.5)
Reclassification	1.7	-	(0.3)	(1.4)	-	-
Balance at 30 June 2013	**6,271.1**	**13.6**	**9.6**	**97.6**	**179.2**	**6,571.1**
Balance at 1 July 2013	6,271.1	13.6	9.6	97.6	179.2	6,571.1
Additions	-	-	-	-	141.2	141.2
Addition of Finance Lease Payable	-	-	-	-	6.3	6.3
Transfers from Capital Work in Progress	17.0	4.4	0.1	15.3	(36.8)	-
Transfers to Assets Held for Sale	-	9.7	-	-	(0.4)	9.3
Transfers to Intangible Assets	-	-	-	-	(1.0)	(1.0)
Disposals	(1.0)	(0.4)	-	(5.8)	-	(7.2)
Balance at 30 June 2014	**6,287.1**	**27.3**	**9.7**	**107.1**	**288.5**	**6,719.7**

1 *Through the Revaluation Reserve in Other Comprehensive Income.*

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

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

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

1 Through the Revaluation Reserve in Other Comprehensive Income.

Generation Structures and Plant Valuation

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

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

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

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

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

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

As a consequence of the 2013 revaluation, accumulated depreciation on these assets was reset to $Nil in line with treatment prescribed under NZ IAS 16: Property, Plant and Equipment. There was no depreciation impact of this revaluation in the Income Statement for 30 June 2013.

At 30 June 2014, had the generation structures and plant been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately $2.8 billion (2013: $2.6 billion).

VALUATION SENSITIVITIES:

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

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

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

Capitalised Interest

Finance costs totalling $9.4 million (2013: $7.9 million) have been capitalised in relation to new builds and refurbishment of certain generation structures and plant assets. For non-specific financing, a capitalisation rate of 6.80% p.a. was used during the year (2013: 6.50%p.a.).

Land

The Group is formally registered as proprietor under the Land Transfer Act in relation to the majority of its land assets. In relation to the small portion for which it is not registered as proprietor, the Group has full beneficial ownership rights and the benefit of an obligation from the Crown to create titles under the Land Transfer Act and transfer them to the Group. Titles will be issued once land title processes have been completed.

Impairments

For details of property, plant and equipment impairments refer to Note 5.

21. Payables and Accruals

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

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

22. Deferred Tax

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

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

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

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

22. Deferred Tax *(continued)*

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

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

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

23. Borrowings

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

Borrowings are carried at amortised cost with the exception of USD borrowings which are in a designated hedge relationship (and are classified as Level 3 in the Fair Value Hierarchy). The total carrying value of all borrowings is considered to approximate fair value.

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

Meridian has entered into hedge contracts to manage its exposure to interest rates and borrowings sourced in foreign currencies. The foreign currency denominated term borrowings reported in the financial statements at fair value for the hedge risk are hedged by Cross Currency Interest Rate Swaps (CCIRSs). The NZD equivalent of the carrying value of these borrowings including the effect of foreign exchange hedging is $369.8 million (30 June 2013: $483.3 million).

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

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

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

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

23. Borrowings *(continued)*

Funding Facilities

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

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

1 *New Zealand Dollar unsecured bank funding bears interest at the relevant NZ market rate plus a margin.*
2 *Renewable Energy Bonds are senior unsecured retail bonds bearing interest rates of 7.15% to 7.55%.*
3 *Renewable Energy Notes are senior unsecured debt obligations paying a fixed rate of return over a set period of time. These were repaid during 2014.*
4 *EKF facility is an unsecured 15 year amortising term loan, provided by the official export credit agency of Denmark, for the construction of Te Uku Wind Farm.*
5 *New Zealand Dollar unsecured floating rate note bears interest at the relevant NZ market rate plus a margin.*
6 *US Dollar fixed rate bond issue are unsecured fixed rate bonds issued in the US Private Placement Market.*
7 *New Zealand Dollar commercial paper are senior unsecured short term debt obligations paying a fixed rate of return over a set period of time. These were repaid during 2014.*
8 *Australian Dollar unsecured bank funding bears interest at the relevant Australian market rate plus a margin. All facility limits and drawn debt are shown in NZD.*

24. Provisions

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

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

25. Finance Lease Payable

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

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

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

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

26. Financial Risk Management

Capital Risk Management Objectives

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

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

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

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

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

26. Financial Risk Management *(continued)*

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

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

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

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

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

Financial Risk Management

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

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

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

Liquidity Risk

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

In addition to its borrowings, Meridian has entered into a number of letters of credit and performance guarantee arrangements which provide credit support of $103.0 million for the collateral requirements of Meridian's trading business (2013: $96.1 million). Meridian indemnifies the obligations of the bank in respect of the letters of credit and performance guarantees issued by the bank to counterparties of Meridian.

The Group trades electricity CfDs on the ASX (Australian Securities Exchange) using J.P. Morgan as a broker. As a result, a proportion of the funds it holds on deposit are pledged as margin which varies depending on market volatility and contracts held. At 30 June 2014, this collateral was $5.8 million for the Parent and $6.6 million for the Group (2013 Parent: $7.8 million, 2013 Group: $9.4m).

26. Financial Risk Management *(continued)*

Contractual Maturities

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

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

GROUP 2014	DUE WITHIN 1 YEAR $M	DUE BETWEEN 1 AND 2 YEARS $M	DUE BETWEEN 3 AND 5 YEARS $M	DUE AFTER 5 YEARS $M	TOTAL UNDISCOUNTED CASH FLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2014 CARRYING VALUE $M
Non-derivative Financial Liabilities								
Payables and Accruals and Term Payables	235.6	0.6	-	-	**236.2**	-	-	**236.2**
Provisions	-	-	-	7.0	**7.0**	-	-	**7.0**
Finance Lease Payable	6.9	13.6	13.5	120.8	**154.8**	-	(105.6)	**49.2**
Borrowings	189.2	238.1	647.2	199.2	**1,273.7**	(4.3)	(176.9)	**1,092.5**
	431.7	252.3	660.7	327.0	**1,671.7**	(4.3)	(282.5)	**1,384.9**
Derivative Financial Liabilities – Net Settled								
Interest Rate Swaps/Options	22.8	13.6	20.4	12.2	**69.0**	-	(11.6)	**57.4**
Electricity Derivatives	72.6	71.4	55.4	1,144.7	**1,344.1**	(876.1)	(417.8)	**50.2**
	95.4	85.0	75.8	1,156.9	**1,413.1**	(876.1)	(429.4)	**107.6**
Derivative Financial Liabilities – Gross Settled								
Foreign Exchange Contracts								
Inflows	23.7	-	-	-	**23.7**			
Outflows	27.0	-	-	-	**27.0**			
Net Outflows	3.3	-	-	-	**3.3**	-	(0.1)	**3.2**
Cross Currency Interest Rate Swaps								
Inflows	17.7	139.0	266.6	197.3	**620.6**			
Outflows	18.7	175.7	342.9	217.4	**754.7**			
Net Outflows	1.0	36.7	76.3	20.1	**134.1**	-	(81.8)	**52.3**
Total Financial Liabilities	**531.4**	**374.0**	**812.8**	**1,504.0**	**3,222.2**	**(880.4)**	**(793.8)**	**1,548.0**

PARENT 2014	DUE WITHIN 1 YEAR $M	DUE BETWEEN 1 AND 2 YEARS $M	DUE BETWEEN 3 AND 5 YEARS $M	DUE AFTER 5 YEARS $M	TOTAL UNDISCOUNTED CASH FLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2014 CARRYING VALUE $M
Non-derivative Financial Liabilities								
Payables and Accruals and Term Payables	160.2	0.6	-	-	**160.8**	-	-	**160.8**
Borrowings	178.8	161.3	395.7	199.2	**935.0**	(2.8)	(145.2)	**787.0**
Finance Lease Payable	1.4	2.7	2.5	15.0	**21.6**		(13.7)	**7.9**
	340.4	164.6	398.2	214.2	**1,117.4**	(2.8)	(158.9)	**955.7**
Derivative Financial Liabilities – Net Settled								
Interest Rate Swaps/Options	19.2	10.2	16.6	11.8	**57.8**	-	(11.2)	**46.6**
Electricity Derivatives	72.6	71.4	55.4	1,144.7	**1,344.1**	(876.1)	(417.8)	**50.2**
	91.8	81.6	72.0	1,156.5	**1,401.9**	(876.1)	(429.0)	**96.8**
Derivative Financial Liabilities – Gross Settled								
Foreign Exchange Contracts								
Inflows	49.3	-	-	-	**49.3**			
Outflows	55.3	-	-	-	**55.3**			
Net Outflows	6.0	-	-	-	**6.0**	-	0.2	**6.2**
Cross Currency Interest Rate Swaps								
Inflows	17.7	133.0	248.6	-	**399.3**			
Outflows	18.7	168.7	317.7	-	**505.1**			
Net Outflows	1.0	35.7	69.1	-	**105.8**	-	(56.2)	**49.6**
Total Financial Liabilities	**439.2**	**281.9**	**539.3**	**1,370.7**	**2,631.1**	**(878.9)**	**(643.9)**	**1,108.3**

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

26. Financial Risk Management *(continued)*

	GROUP 2013							
	DUE WITHIN 1 YEAR $M	DUE BETWEEN 1 AND 2 YEARS $M	DUE BETWEEN 3 AND 5 YEARS $M	DUE AFTER 5 YEARS $M	TOTAL UNDISCOUNTED CASH FLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2013 CARRYING VALUE $M
Non-derivative Financial Liabilities								
Payables and Accruals and Term Payables	274.8	7.2	-	-	**282.0**	-	(0.5)	**281.5**
Borrowings	386.9	181.1	330.3	478.3	**1,376.6**	(6.1)	(190.3)	**1,180.2**
	661.7	188.3	330.3	478.3	**1,658.6**	(6.1)	(190.8)	**1,461.7**
Derivative Financial Liabilities – Net Settled								
Interest Rate Swaps/Options	32.7	24.2	32.0	13.3	**102.2**	-	(12.6)	**89.6**
Electricity Derivatives	15.0	133.4	54.4	79.5	**282.3**	(157.1)	(54.7)	**70.5**
	47.7	157.6	86.4	92.8	**384.5**	(157.1)	(67.3)	**160.1**
Derivative Financial Liabilities – Gross Settled								
Foreign Exchange Contracts								
Inflows	64.2	8.8	-	-	**73.0**			
Outflows	66.0	9.1	-	-	**75.1**			
Net Outflows	1.8	0.3	-	-	**2.1**	-	(1.4)	**0.7**
Cross Currency Interest Rate Swaps								
Inflows	63.8	6.8	137.3	-	**207.9**			
Outflows	68.3	6.1	153.8	-	**228.2**			
Net Outflows/(Inflows)	4.5	(0.7)	16.5	-	**20.3**	-	(11.6)	**8.7**
Total Financial Liabilities	**715.7**	**345.5**	**433.2**	**571.1**	**2,065.5**	**(163.2)**	**(271.1)**	**1,631.2**

	PARENT 2013							
	DUE WITHIN 1 YEAR $M	DUE BETWEEN 1 AND 2 YEARS $M	DUE BETWEEN 3 AND 5 YEARS $M	DUE AFTER 5 YEARS $M	TOTAL UNDISCOUNTED CASH FLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2013 CARRYING VALUE $M
Non-derivative Financial Liabilities								
Payables and Accruals and Term Payables	184.4	7.2	-	-	**191.6**	-	(0.5)	**191.1**
Borrowings	194.9	181.1	330.3	478.3	**1,184.6**	(5.3)	(188.7)	**990.6**
	379.3	188.3	330.3	478.3	**1,376.2**	(5.3)	(189.2)	**1,181.7**
Derivative Financial Liabilities – Net Settled								
Interest Rate Swaps/Options	30.5	22.7	29.4	13.4	**96.0**	-	(11.8)	**84.2**
Electricity Derivatives	14.5	133.3	54.4	79.5	**281.7**	(156.6)	(54.7)	**70.4**
	45.0	156.0	83.8	92.9	**377.7**	(156.6)	(66.5)	**154.6**
Derivative Financial Liabilities – Gross Settled								
Foreign Exchange Contracts								
Inflows	139.3	28.8	-	-	**168.1**			
Outflows	149.9	30.8	-	-	**180.7**			
Net Outflows	10.6	2.0	-	-	**12.6**	-	0.2	**12.8**
Cross Currency Interest Rate Swaps								
Inflows	63.8	6.8	137.3	-	**207.9**			
Outflows	68.3	6.1	153.8	-	**228.2**			
Net Outflows/(Inflows)	4.5	(0.7)	16.5	-	**20.3**	-	(11.6)	**8.7**
Total Financial Liabilities	**439.4**	**345.6**	**430.6**	**571.2**	**1,786.8**	**(161.9)**	**(267.1)**	**1,357.8**

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

26. Financial Risk Management *(continued)*

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

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

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

	GROUP 2014							
	DUE WITHIN 1 YEAR $M	DUE BETWEEN 1 AND 2 YEARS $M	DUE BETWEEN 3 AND 5 YEARS $M	DUE AFTER 5 YEARS $M	TOTAL UNDISCOUNTED CASH FLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2014 CARRYING VALUE $M
Non-derivative Financial Assets								
Cash and Cash Equivalents	276.4	-	-	-	**276.4**	-	-	**276.4**
Trade and Other Receivables	182.7	-	-	-	**182.7**	-	-	**182.7**
Finance Lease Receivables	0.3	0.3	0.3	-	**0.9**	-	(0.2)	**0.7**
	459.4	0.3	0.3	-	**460.0**	-	(0.2)	**459.8**
Derivative Financial Assets – Net Settled								
Interest Rate Swaps/Options	4.7	0.9	2.8	-	**8.4**	-	(3.1)	**5.3**
Electricity Derivatives	9.7	4.9	10.1	25.4	**50.1**	34.7	(11.7)	**73.1**
	14.4	5.8	12.9	25.4	**58.5**	34.7	(14.8)	**78.4**
Derivative Financial Assets – Gross Settled								
Foreign Exchange Contracts								
Inflows	28.3	-	-	-	**28.3**			
Outflows	25.6	-	-	-	**25.6**			
Net Inflows	2.7	-	-	-	**2.7**	-	0.2	**2.9**
Cross Currency Interest Rate								
Inflows	167.2	-	-	-	**167.2**			
Outflows	164.9	-	-	-	**164.9**			
Net Inflows/(Outflows)	2.3	-	-	-	**2.3**	-	(0.9)	**1.4**
Total Financial Assets	**478.8**	**6.1**	**13.2**	**25.4**	**523.5**	**34.7**	**(15.7)**	**542.5**

	PARENT 2014							
	DUE WITHIN 1 YEAR $M	DUE BETWEEN 1 AND 2 YEARS $M	DUE BETWEEN 3 AND 5 YEARS $M	DUE AFTER 5 YEARS $M	TOTAL UNDISCOUNTED CASH FLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2014 CARRYING VALUE $M
Non-derivative Financial Assets								
Cash and Cash Equivalents	237.6	-	-	-	**237.6**	-	-	**237.6**
Trade and Other Receivables	161.5	-	-	-	**161.5**	-	-	**161.5**
Finance Lease Receivables	0.3	0.3	0.3	-	**0.9**	-	(0.2)	**0.7**
	399.4	0.3	0.3	-	**400.0**	-	(0.2)	**399.8**
Derivative Financial Assets – Net Settled								
Interest Rate Swaps/Options	4.7	0.9	2.8	-	**8.4**	-	(3.1)	**5.3**
Electricity Derivatives	6.9	2.2	8.3	25.4	**42.8**	35.0	(11.6)	**66.2**
	11.6	3.1	11.1	25.4	**51.2**	35.0	(14.7)	**71.5**
Derivative Financial Assets – Gross Settled								
Foreign Exchange Contracts								
Inflows	28.3	-	-	-	**28.3**			
Outflows	25.6	-	-	-	**25.6**			
Net Inflows	2.7	-	-	-	**2.7**	-	0.2	**2.9**
Total Financial Assets	**413.7**	**3.4**	**11.4**	**25.4**	**453.9**	**35.0**	**(14.7)**	**474.2**

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

26. Financial Risk Management *(continued)*

	GROUP 2013							
	DUE WITHIN 1 YEAR $M	DUE BETWEEN 1 AND 2 YEARS $M	DUE BETWEEN 3 AND 5 YEARS $M	DUE AFTER 5 YEARS $M	TOTAL UNDISCOUNTED CASH FLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2014 CARRYING VALUE $M
Non-derivative Financial Assets								
Cash and Cash Equivalents	382.8	-	-	-	**382.8**	-	-	**382.8**
Trade and Other Receivables	254.5	-	-	-	**254.5**	-	-	**254.5**
Finance Lease Receivables	0.3	0.7	0.3	-	**1.3**	-	(0.5)	**0.8**
	637.6	0.7	0.3	-	**638.6**	-	(0.5)	**638.1**
Derivative Financial Assets – Net Settled								
Interest Rate Swaps/Options	5.1	4.2	3.4	0.4	**13.1**	-	(3.2)	**9.9**
Electricity Derivatives	(10.2)	38.7	32.5	28.1	**89.1**	77.5	(17.3)	**149.3**
	(5.1)	42.9	35.9	28.5	**102.2**	77.5	(20.5)	**159.2**
Derivative Financial Assets – Gross Settled								
Foreign Exchange Contracts								
Inflows	88.6	21.7	-	-	**110.3**			
Outflows	79.6	20.1	-	-	**99.7**			
Net Inflows	9.0	1.6	-	-	**10.6**	-	1.6	**12.2**
Cross Currency Interest Rate								
Inflows	13.2	13.2	39.7	254.9	**321.0**			
Outflows	9.6	11.3	41.8	287.2	**349.9**			
Net Inflows/(Outflows)	3.6	1.9	(2.1)	(32.3)	**(28.9)**	-	43.2	**14.3**
Total Financial Assets	**645.1**	**47.1**	**34.1**	**(3.8)**	**722.5**	**77.5**	**23.8**	**823.8**

	PARENT 2013							
	DUE WITHIN 1 YEAR $M	DUE BETWEEN 1 AND 2 YEARS $M	DUE BETWEEN 3 AND 5 YEARS $M	DUE AFTER 5 YEARS $M	TOTAL UNDISCOUNTED CASH FLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2013 CARRYING VALUE $M
Non-derivative Financial Assets								
Cash and Cash Equivalents	64.8	-	-	-	**64.8**	-	-	**64.8**
Trade and Other Receivables	174.3	-	-	-	**174.3**	-	-	**174.3**
Finance Lease Receivables	0.3	0.7	0.3	-	**1.3**	-	(0.5)	**0.8**
	239.4	0.7	0.3	-	**240.4**	-	(0.5)	**239.9**
Derivative Financial Assets – Net Settled								
Interest Rate Swaps/Options	5.1	4.6	2.8	0.2	**12.7**	-	(3.3)	**9.4**
Electricity Derivatives	(10.4)	37.5	32.5	28.1	**87.7**	78.0	(17.3)	**148.4**
	(5.3)	42.1	35.3	28.3	**100.4**	78.0	(20.6)	**157.8**
Derivative Financial Assets – Gross Settled								
Foreign Exchange Contracts								
Inflows	88.6	21.7	-	-	**110.3**			
Outflows	79.6	20.1	-	-	**99.7**			
Net Inflows	9.0	1.6	-	-	**10.6**	-	1.6	**12.2**
Cross Currency Interest Rate								
Inflows	13.2	13.2	39.7	254.9	**321.0**			
Outflows	9.6	11.3	41.8	287.2	**349.9**			
Net Inflows/(Outflows)	3.6	1.9	(2.1)	(32.3)	**(28.9)**	-	43.2	**14.3**
Total Financial Assets	**246.7**	**46.3**	**33.5**	**(4.0)**	**322.5**	**78.0**	**23.7**	**424.2**

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

26. Financial Risk Management *(continued)*

Meridian has substantial committed borrowing facilities available as described in note 23 preceding, of which $423.9 million was undrawn at 30 June 2014 (30 June 2013: $957.5 million). Meridian expects to meet its other obligations from operating cash flows and maturing financial assets.

Market Risk

FOREIGN EXCHANGE RISK

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

In respect of overseas borrowings, the Group's policy is to hedge the foreign currency exposure of both interest and principal repayments. This is achieved through CCIRSs which swap all foreign currency denominated interest and principal repayments with New Zealand denominated payments over the life of the borrowings. The combination of the foreign denominated debt and the CCIRSs results in a Group exposure to New Zealand floating interest rates and a fixed New Zealand denominated principal repayment. The New Zealand floating interest rate risk is managed as part of the New Zealand interest rate risk as described in the following section.

Meridian establishes a combination of both cash flow and fair value hedges for the CCIRSs and the foreign denominated borrowings (refer to Note 27 – Financial Instruments). The aggregate notional principal amount of the outstanding CCIRSs at 30 June 2014 was $742.8 million (30 June 2013: $479.9 million).

In respect of foreign exchange exposures on capital and operating expenditures denominated in foreign currencies, Meridian hedges the foreign exchange risk through a combination of FECs and options. Capital projects which are approved by the Board are hedged. All committed foreign currency exposures of greater than $0.1 million NZD equivalent are hedged. The aggregate notional principal amount of the outstanding FECs at 30 June 2014 was $52.6 million (30 June 2013: $174.6 million).

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

The Group has monetary assets and liabilities denominated in Australian and US dollars as at 30 June 2014. These monetary assets and liabilities have been converted to New Zealand dollars at closing exchange rates of AUD 0.9286 and USD 0.8758 (30 June 2013: AUD 0.8460, USD 0.7738).

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

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

Sensitivity Analysis – Foreign Currency

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

26. Financial Risk Management *(continued)*

CASH FLOW AND INTEREST RATE RISK

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

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

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

The majority of Meridian IRSs are not designated as hedges for accounting purposes and are therefore classified as held for trading. In the case of the prior year Macarthur Wind Farm Project Financing, Meridian established cash flow hedges for the IRSs and related debt (see Note 27 for further detail). The aggregate notional principal amount of the outstanding IRSs at 30 June 2014 is $2,433 million (30 June 2013: $1,866.4 million). This covers multiple legs and maturities out to 2024.

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

Sensitivity Analysis – Interest rates

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

PRICE RISK

Meridian is exposed to movements in the spot price of electricity arising through the sale and purchase of electricity to and from the market. Meridian manages the net exposure to this risk by estimating both expected generation and electricity purchases required to support sales. Based on this net position, Meridian enters into derivative contracts to protect against price volatility within trading parameters set and monitored by the Board. The derivative contracts include forward electricity CfDs traded on the ASX, FTRs under the NZX auction process and bi-lateral derivative contracts (including options) with other electricity generators and major customers. Meridian does not enter into derivative contracts for speculative purposes.

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

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

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

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

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

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

26. Financial Risk Management *(continued)*

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

Sensitivity Analysis – Electricity price risk

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

Credit Risk

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

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

27. Financial Instruments

Fair Value of Financial Instruments

NZ IFRS 13 provides for a three-level fair value hierarchy that requires inputs to valuation techniques used to measure fair value to be categorised as follows:

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

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

- forward price curve; and
- discount rates

27. Financial Instruments *(continued)*

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

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

27. Financial Instruments *(continued)*

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

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

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

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

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

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

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

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

27. Financial Instruments *(continued)*

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

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

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

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

27. Financial Instruments *(continued)*

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

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

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

27. Financial Instruments *(continued)*

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

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

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

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

27. Financial Instruments *(continued)*

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

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

Included in the above is $5.8 million Group (2013: $22.7 million) and $3.1 million Parent (2013:$22.3 million) related to Level 3 financial instruments held at year end.

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

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

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

27. Financial Instruments *(continued)*

Material CfD Agreements

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

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

Meridian considers that the 2013 Agreement will best ensure that the electricity price NZAS pays will remain competitive for the scale of electricity consumption at the Tiwai smelter, while recognising both the commodity-price driven cycles of NZAS's business environment and the wholesale electricity price cycles to which Meridian is exposed.

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

Initial Recognition Difference

An initial recognition difference (also referred to as Day 1 adjustment) arises when an electricity derivative is entered into at a fair value determined to be different from the transaction price. This difference can be accounted for by recalibrating the valuation model by a fixed percentage to result in a value at inception equal to the transaction price (fair value). This recalibration adjustment is then applied to future valuations over the life of the contract. Alternatively, as was done previously with the difference on the 2007 NZAS contract, it can be amortised over the life of the contract.

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

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

Cash Flow Hedging

Cash Flow Hedges - CfDs

Meridian currently sells and purchases electricity at spot prices from the market, exposing it to changes in the price of electricity. As described in Note 26 – Financial Risk Management, it is Group policy to manage this risk on a net basis by entering into CfDs which swap receipt (payment) of spot electricity prices based on a specified volume of electricity with fixed electricity payments (receipts) for an equivalent volume. Cash settlements are made on these instruments on a monthly basis and impact income on an accrual basis. As discussed in Note 26 – Financial Risk Management, for accounting purposes, from 1 January 2009 all of the CfDs are classified as held for trading with movements in fair value recognised in the income statement. Upon cessation of hedge accounting the balance in the cash flow hedge reserve is amortised as contract volumes expire over the remaining life of the respective contracts.

Cash Flow Hedges - FECs

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

Cash Flow Hedges - CCIRSs

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

Cash Flow Hedges - IRSs

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

27. Financial Instruments *(continued)*

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

	GROUP					
	IRSs $M	FECs $M	DEBT – CFH OF MARGIN $M	CFDs $M	TAX $M	TOTAL $M
Opening Balance at 1 July 2013	-	11.3	1.4	-	(3.8)	8.9
Amount Recognised in Equity	-	(121.6)	(3.5)	-	36.4	(88.7)
Amount Removed from Equity:						
Included in Initial Cost of Assets	-	110.0	-	-	(32.0)	78.0
Recycled through the Income Statement	-	-	0.5	-	(0.1)	0.4
Closing Balance at 30 June 2014	**-**	**(0.3)**	**(1.6)**	**-**	**0.5**	**(1.4)**
Ineffectiveness Recognised in the Income Statement from Cash Flow Hedges	**-**	**-**	**-**	**-**	**-**	**-**

	PARENT				
	FECs $M	DEBT – CFH OF MARGIN $M	CFDs $M	TAX $M	TOTAL $M
Opening Balance at 1 July 2013	(0.9)	1.4	-	(0.2)	0.3
Amount Recognised in Equity	(51.2)	(2.2)	-	14.9	(38.5)
Amount Removed from Equity:					
Included in Initial Cost of Assets	48.7	-	-	(13.6)	35.1
Recycled through the Income Statement	-	0.5	-	(0.1)	0.4
Closing Balance at 30 June 2014	**(3.4)**	**(0.3)**	**-**	**1.0**	**(2.7)**
Ineffectiveness Recognised in the Income Statement from Cash Flow Hedges	**-**	**-**	**-**	**-**	**-**

	GROUP					
	IRSs $M	FECs $M	DEBT – CFH OF MARGIN $M	CFDs $M	TAX $M	TOTAL $M
Opening Balance at 1 July 2012	(63.2)	(2.9)	5.2	1.1	18.0	(41.8)
Amount Recognised in Equity	19.0	(11.2)	(3.7)	-	(1.2)	2.9
Amount Removed from Equity:						
Amortised to Income Statement	-	-	-	(1.1)	0.3	(0.8)
Included in Initial Cost of Assets	-	25.4	-	-	(7.7)	17.7
Transfer Cash Flow Hedge Reserve to Retained Earnings on Sale of Subsidiary	44.2	-	-	-	(13.2)	31.0
Recycled through the Income Statement	-	-	(0.1)	-	-	(0.1)
Closing Balance at 30 June 2013	**-**	**11.3**	**1.4**	**-**	**(3.8)**	**8.9**
Ineffectiveness Recognised in the Income Statement from Cash Flow Hedges	**-**	**-**	**-**	**-**	**-**	**-**

27. Financial Instruments *(continued)*

	PARENT				
	FECs $M	DEBT – CFH OF MARGIN $M	CFDs $M	TAX $M	TOTAL $M
Opening Balance at 1 July 2012	(2.9)	5.2	1.1	(1.0)	2.4
Amount Recognised in Equity	(6.1)	(3.7)	-	2.8	(7.0)
Amount Removed from Equity:					
Amortised to Income Statement	-	-	(1.1)	0.3	(0.8)
Included in Initial Cost of Assets	8.1	-	-	(2.3)	5.8
Recycled through the Income Statement	-	(0.1)	-	-	(0.1)
Closing Balance at 30 June 2013	**(0.9)**	**1.4**	**-**	**(0.2)**	**0.3**
Ineffectiveness Recognised in the Income Statement from Cash Flow Hedges	-	-	-	-	-

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

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

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

28. Commitments

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

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

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

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

Guarantees

Meridian Wind Macarthur Pty Limited had various obligations arising from the joint venture with AGL Energy Limited (disclosed above). These included performance and funding obligations under the joint venture deed, obligations to contractors in relation to the construction of the wind farm, and obligations under various landowner agreements. Meridian Energy Limited had provided various guarantees and letters of comfort to the relevant parties that effectively guaranteed the obligations of Meridian Wind Macarthur Pty Limited. These obligations ceased when Three Rivers Holdings No 2 Limited sold Meridian Wind Macarthur Holdings Pty Limited.

However, Meridian Energy Limited has provided a bank guarantee (A$37.9 million) to the financiers of the Macarthur Wind Farm, guaranteeing that it will comply with its various obligations under the Refinancing Coordination Deed (with that guarantee expected to be released in Q4 2014).

Meridian Energy Limited has provided parent guarantees for various construction and grid connection obligations of Mt Mercer Wind Farm Pty Limited. The maximum liability under these guarantees is $192.6 million (2013: $221.9 million).

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

29. Related Party Transactions

Transactions with Related Parties

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

Some directors of the Group may be directors or officers of other companies or organisations with whom members of the Group may transact. Such transactions are all carried out independently on an arm's length basis.

Other Transactions involving a Related Party

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

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

Subsidiaries' Loan Facilities and Advances

Advances to Subsidiaries are repayable on demand and are unsecured. Interest is charged at an annually set base rate plus a margin and is payable on demand.

Advances from Subsidiaries are repayable on demand, are unsecured and attract a market rate of return. Interest is paid on demand. Total available and undrawn loan facilities to Subsidiaries were $33.9 million (2013: $72.0 million).

29. Related Party Transactions *(continued))*

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

Impairment

Loan Facilities and Advances to Subsidiaries have been impaired by a total of $5.6 million in 2014 (2013: $2.0 million), in respect of MEL Solar Holdings Limited (refer to Note 5 for further details of these impairments).

Compensation of Key Management Personnel

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

	GROUP		PARENT	
	2014 $M	2013 $M	2014 $M	2013 $M
Directors' Fees	**1.2**	0.6	**1.0**	0.5
Chief Executive Officer, Senior Management Team and Subsidiary Chief Executives:				
Salaries and Short Term Benefits	**8.6**	8.9	**6.6**	6.2
Post-Employment Benefits	**0.4**	-	**0.4**	-
Redundancy Benefits	**0.1**	-	**-**	-
Share Based Payments[1]	**0.4**	-	**0.4**	-
	9.5	8.9	**7.4**	6.2

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

30. Comparison to Prospective Financial Information (PFI)

Consolidated Income Statement

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

Variance Analysis Income Statement

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

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

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

Consolidated Statement of Comprehensive Income

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

Variance Analysis Consolidated Statement of Comprehensive Income

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

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

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

Consolidated Statement of Financial Position

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

Variance Analysis Balance Sheet

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

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

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

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

Consolidated Statement of Changes in Equity

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

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

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

Consolidated Statement of Cash Flows

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

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

Variance Analysis Cash Flow

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

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

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

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

31. Subsequent Events

Dividends

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

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

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

32. Contingent Assets and Liabilities

Contingent Assets

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

Contingent Liabilities

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

Deloitte.

Independent Auditor's Report

To the Shareholders of Meridian Energy Limited and Group
Report on the Financial Statements for the year ended 30 June 2014

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

We have audited the financial statements of the Company and Group on pages 51 to 114, that comprise the statement of financial position as at 30 June 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

Financial statements

In our opinion the financial statements of the Company and Group on pages 51 to 114:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the Company and Group's:
  - financial position as at 30 June 2014; and
  - financial performance and cash flows for the year ended on that date.

Other legal requirements

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

Our audit was completed on 17 August 2014. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

An audit also involves evaluating:

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

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

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

Responsibilities of the Board of Directors

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

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

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

The Board of Directors' responsibilities arise from the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit, our firm carries out other assurance assignments for the Company and Group in the areas of carbon emissions audit, review of the interim financial statements, audit of the securities registers and were appointed as the investigating accountant in respect of the public offer, which are services compatible with those independence requirements which incorporate the independence requirements of the External Reporting Board. In addition to this, principals and employees of our firm deal with the Company and Group on normal terms within the ordinary course of trading activities of the business of the Company and Group.

Other than the audit, these assignments and transactions within the ordinary course of trading activities of the Company and Group, we have no other relationships with, or interests in, the Company or Group.

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

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

Non GAAP Measures

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

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

EBITDAF

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

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

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

Energy Margin

Energy Margin consists of:

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

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

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

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

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

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

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

Underlying Net Profit After Tax (Underlying NPAT)

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

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

Net Debt

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

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

Statutory information and other disclosures

1. Meridian directors during the year ending 30 June 2014 for the Group

Meridian's directors are listed on page 9 of the report. No directors resigned during the accounting period 1 July 2013 to 30 June 2014.

2. Donations

The Meridian Group has made no donations during the period. Meridian does not make donations to political parties. All donations must be approved by the Board.

3. Auditor fees

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

The Board has adopted a strict policy to maintain the independence of the company's external auditor, including a review of all other services performed by Deloitte and recommending to the Office of the Auditor-General that there be lead partner rotation after a maximum of five years. Other services undertaken by Deloitte during the year totalled $0.6 million (2013: $0.2 million). These related to other assurance activities including investigating accountant services during Meridian's IPO.

4. Information used by directors

No notices were received by any member of the Board requesting the use of company information received in their capacity as directors that would not otherwise have been available to them.

5. Directors' interests

Pursuant to sections 140 and 211(e) of the Companies Act 1993, the general disclosures of interest, including all changes made and recorded during the year 1 July 2013 to 30 June 2014 for directors of Meridian Energy Limited and its subsidiaries are listed as follows:

NAME	POSITION	DISCLOSURES
John Bongard	Director, Meridian Energy Limited	• Director, WilliamsWarn Limited • Holder, Meridian Energy Bonds (Cessation)
Mark Cairns	Director, Meridian Energy Limited	• Director, Prime Port Timaru
Paul Chambers	Director, Powershop New Zealand Limited	• Director, Energy for Industry (Cessation) • Director, Meridian Wind Macarthur (Cessation)
Jan Dawson	Director, Meridian Energy Limited	• Director, AIG • Director, Beca Group • President, Yachting New Zealand (Cessation) • Director, Counties Manukau District Health Board (Cessation)
Mary Devine	Director, Meridian Energy Limited	• Director, Briscoe Group Limited • Managing Director, J Ballantyne & Co. Limited (Cessation)
Sally Farrier	Director, Meridian Energy Limited	• Director, SP Australia Networks (Distribution) Limited • Director, SP Australia Networks (Transmission) Limited • Director, SP Australia Networks (RE) Limited
Anake Goodall	Director, Meridian Energy Limited	• Trustee, Akina Foundation (Formerly Hikurangi Foundation) • Shareholder, Infratil • Director, PledgeMe Limited • Shareholder, Genesis • Member, Environmental Protection Authority (Cessation) • Shareholder, Rio Tinto (Cessation) • Director, Enspiral Foundation Limited (Cessation) • Shareholder, Blackrock New Energy Technology (Cessation)
John Journee	Director, Powershop New Zealand Limited	• Director, Shareholder and Employee of The Warehouse Group Limited • Director, Max Fashions Limited • Director, Max Fashions Holdings Limited • Trustee, JWM Journee Trust • Employee, Noel Leeming Group (Cessation) • Director, Ezibuy Holdings Group (Cessation) • Director, Torpedo7 Limited
Chris Moller	Director, Meridian Energy Limited	• Director, ICC Development (International) Limited (Cessation) • Director, International Cricket Council (Cessation) • Chairman, New Zealand Cricket Inc. (Cessation)
Stephen Reindler	Director, Meridian Energy Limited	• Director, Yachting New Zealand • Director, Resolve Group Limited • Director, Naylor Love Enterprises • Director, Port of Napier Limited (Cessation) • Shareholder, AGL (Cessation) • Director, Stevenson Group Limited (Cessation)
Rowan Simpson	Director, Powershop New Zealand Limited	• Shareholder, N7 Limited, W5 Limited and Southgate Labs Limited (as trustee of the Kimo Trust) • Trustee, Pika Trust and Kimo Trust • Shareholder, Utiku Limited (as trustee of the Pika Trust) • Shareholder, Atomic Software Limited • Director, New Ground Media Limited (Cessation) • Shareholder, Xero Limited • Shareholder, Revert Limited • Shareholder, Timely Limited • Shareholder, SMX Limited
Peter Wilson	Director, Meridian Energy Limited	• Shareholder, Genesis • Shareholder, King Country Energy (Cessation)

6. Directors' interests in Meridian securities

As at 30 June 2014, directors had relevant interests (as defined in the Securities Markets Act 1988) in Meridian securities (as defined in that Act) as follows:

DIRECTOR	DATE OF ACQUISITION/DISPOSAL	NUMBER AND CLASS OF SECURITIES	CONSIDERATION PAID OR RECEIVED
John Bongard	29 October 2013	Acquisition 54,000 instalment receipts (Rangiputa Trust)	$54,000
Mark Cairns	29 October 2013	Acquisition 90,000 instalment receipts	$90,000
	(a) 12 March 2014 (b) 13 March 2014 (c) 13 March 2014	(a) 10,000 instalment receipts (b) 10,000 instalment receipts (c) 10,000 instalment receipts	(a) NZ$1.095 per instalment receipt (b) NZ$1.09 per instalment receipt (c) NZ$1.09 per instalment receipt $32,750
Jan Dawson	29 October 2013	Acquisition 51,300 instalment receipts (Kinross Trust)	$51,300
Mary Devine	29 October 2013	Acquisition 51,210 instalment receipts	$51,210
Sally Farrier	29 October 2013	Acquisition 54,000 instalment receipts	$54,000
Anake Goodall	29 October 2013	Acquisition 17,250 instalment receipts (Kaupapa Uka Limited) Acquisition 36,000 instalment receipts (FNZ Custodians Ltd, Broch Murray Trust) Acquisition 2,500 instalment receipts (Awhioraki TP Goodall)	$17,250 $36,000 $2,500
	29 October 2013 30 October 2013	Acquisition 4,000 instalment receipts (FNZ Custodians Ltd, Broch Murray Trust) Acquisition 2,750 instalment receipts (Kaupapa Uka Limited)	$4,320 $3,025
Chris Moller	29 October 2013	Acquisition 92,880 instalment receipts (FNZ Custodians Limited)	$92,880
Stephen Reindler	29 October 2013	Acquisition 51,300 instalment receipts (Reindler Family Trust)	$51,300
Peter Wilson	29 October 2013	Acquisition 64,170 instalment receipts	$64,170

7. Stock exchange listings

Meridian is listed on both the New Zealand and Australian stock exchanges.

8. Waivers from the New Zealand and Australian stock exchanges

Details of all waivers granted and published by NZX in the 12 month period preceding Meridian's balance date and relied on by Meridian are available on the company's website meridianenergy.co.nz.

9. Non-standard designation

In New Zealand, the company is listed with a 'non-standard' (NS) designation on the NZX Main Board. This is due to particular provisions of the Constitution, including the requirements regulating the ownership and transfer of Meridian securities. The designation is also required as a condition of the waivers and approvals described above.

10. ASX disclosures

Meridian has been admitted to the official list of the ASX. As a requirement of admission, Meridian must make the following disclosures:

- Meridian's place of incorporation is New Zealand.
- Meridian is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (including substantial holdings and takeovers).

11. Shareholding restrictions

The Public Finance Act was amended in June 2012 to include restrictions on the ownership of certain types of security issued by each mixed ownership model company (including Meridian) and the consequences of breaching those restrictions. The Constitution and the Trust Deed[26] incorporate these restrictions and mechanisms for monitoring and enforcing them.

A summary of the restrictions on the ownership of shares under the Public Finance Act, the Constitution and the Trust Deed is set out below. If the company issues any other class of shares, or other securities that confer voting rights, in the future, the restrictions summarised below would also apply to those other classes of shares or voting securities.

51% holding

The Crown must hold at least 51% of the shares on issue.

The company must not issue, acquire or redeem any shares if such issue, acquisition or redemption would result in the Crown falling below this 51% holding.

26 The Trust Deed when used in this report means the New Zealand trust deed between the Crown and New Zealand Guardian Trustees (IR) Limited (Trustee) in relation to instalment receipts held by all persons other than Australian residents (the Australian Trust Deed between the Crown and the Trust Company (Australia) Limited ('Australian Trustee') relates to these holders).

10% limit

No person (other than the Crown) may have a 'relevant interest'[27] in more than 10% of the shares on issue (10% limit).

As the instalment receipts confer a relevant interest in the underlying shares represented by those instalment receipts, the 10% limit also applies to the instalment receipts to the extent that a holding of instalment receipts gives rise to an interest in more than 10% of the shares. Because instalment receipts will represent a maximum of 49% of the shares (with the Crown holding its shares directly and not holding instalment receipts as a consequence of the Crown's offer of Meridian shares), a person may hold more than 10% of all instalment receipts on issue so long as those instalment receipts do not represent more than 10% of the shares on issue (including those held by the Crown).

The company must not issue, acquire or redeem any shares, and will request the registrar to not register any transfer of instalment receipts, if it has actual knowledge that such issue, acquisition, redemption or transfer will result in any person other than the Crown exceeding the 10% limit.

Ascertaining whether a breach has occurred

If a holder of instalment receipts or shares breaches the 10% limit or knows or believes that a person who has a relevant interest in shares held by that holder may have a relevant interest in shares in breach of the 10% limit, the holder must notify the company of the breach or potential breach.

Meridian may require a holder of shares or instalment receipts to provide the company with a statutory declaration if the Board knows or believes that a person is, or is likely to be, in breach of the 10% limit. That statutory declaration is required to include, where applicable, details of all persons who have a relevant interest in shares as a result of the shares or instalment receipts held by or on behalf of that holder.

Determining whether a breach has occurred

The company has the power to determine whether a breach of the 10% limit has occurred. In broad terms, if:

- the company considers that a person may be in breach of the 10% limit; or
- a holder of instalment receipts or shares fails to lodge a statutory declaration when required to do so or lodges a declaration that has not been completed to the reasonable satisfaction of the company, then Meridian is required to determine whether or not the 10% limit has been breached and, if so, whether or not that breach was inadvertent.

  The company must give the affected shareholder or holder of instalment receipts the opportunity to make representations to the company before it makes a determination on these matters.

Effect of exceeding the 10% limit

A person who is in breach of the 10% limit must:

- comply with any notice that they receive from the company requiring them to dispose of instalment receipts or shares or their relevant interest in shares, or take any other steps that are specified in the notice, for the purpose of remedying the breach and reducing their holding below the 10% limit
- ensure that they are no longer in breach within 60 days after the date on which they became aware, or ought to have been aware, of the breach. If the breach is not remedied within that timeframe, the company (in the case of shares) or the Trustee (in the case of instalment receipts) may arrange for the sale of the relevant number of shares or instalment receipts, on behalf of the relevant holder. In those circumstances, the Trustee or the company will pay the net proceeds of sale, after the deduction of any other costs incurred in connection with the sale (including brokerage and the costs of investigating the breach of the 10% limit), to the relevant holder as soon as practicable after the sale has been completed. Any sale of instalment receipts held by Australian residents would take place on either the NZX Main Board or the ASX at the discretion of the Crown. Any sale of instalment receipts held by other persons, or any sale of shares, would take place on the NZX Main Board.

If a relevant interest is held in any shares in breach of the 10% limit then, for so long as that breach continues:

- no votes may be cast (either directly by a shareholder or by a direction given to the Trustee by an instalment receipt holder) in respect of any of the shares in which a relevant interest is held in excess of the 10% limit
- a registered holder of instalment receipts or shares in which a relevant interest in shares is held in breach of the 10% limit will not be entitled to receive, in respect of the shares in which a relevant interest is held in excess of the 10% limit, any dividend or other distribution authorised by the Board in respect of the shares.

However, if the Board determines that a breach of the 10% limit was not inadvertent, or that it does not have sufficient information to determine that the breach was not inadvertent, then in that case the restrictions on voting and entitlement to receive dividends and other distributions described in the preceding paragraphs will apply in respect of all of the instalment receipts or shares (as applicable) held by the relevant shareholder or holder (and not just the shares in which a relevant interest is held in excess of the 10% limit).

An exercise of a voting right attached to a share by the Trustee (acting on the direction of a holder of instalment receipts) or by a holder of shares (as applicable) where a relevant interest in that share is held in breach of the 10% limit must be disregarded in counting the votes concerned. However, a resolution passed at a meeting is not invalid where votes exercised in breach of the voting restriction were counted by the company in good faith and without knowledge of the breach.

The company may refuse to register a transfer of shares and the company will request the registrar to refuse to register a transfer of instalment receipts if it knows or believes that the transfer will result in a breach of the 10% limit or where the transferee has failed to lodge a statutory declaration requested from it by the company within 14 days of the date on which the company gave notice to the transferee to provide such statutory declaration.

Crown directions

The Crown has the power to direct the company to exercise certain of the powers conferred on it under the Constitution. For example, where the Crown suspects that the 10% limit has been breached but the company has not taken steps to investigate the suspected breach, the Crown may require the company to investigate whether a breach of the 10% limit has occurred or to exercise a power of sale of the relevant share that has arisen as described under the heading "Effect of exceeding the 10% limit" above. The Crown has similar powers in relation to the instalment receipts.

Trustee corporations and nominee companies

Trustee corporations (including the Trustee and Public Trust) and nominee companies (that hold securities on behalf of a large number of separate underlying beneficial holders) are exempt from the 10% limit provided that certain conditions are satisfied. The New Zealand Trustee satisfies these conditions and will be exempt from the 10% limit in respect of its holding of shares as Trustee. The Australian Trustee may be subject to the 10% limit which may, in the future, require an additional Australian Trustee to be appointed by the Crown depending on the holdings of instalment receipts by Australian residents.

Share cancellation

In certain circumstances, shares could be cancelled by Meridian through a reduction of capital, share buy back or other form of capital reconstruction approved by the Board and, where applicable, shareholders.

27 In broad terms, a person has a 'relevant interest' in a share if the person (a) is the registered holder or beneficial owner of the share; or (b) has the power to exercise, or control the exercise of, a right to vote attached to the share or has the power to acquire or dispose of, or to control the acquisition or disposition of, that share. A person may also have a 'relevant interest' in a share in which another person has a 'relevant interest' depending on the nature of the relationship between them.

12. Registered shareholders as at 15 August 2014

The table below sets out the company's registered shareholders as at 15 August 2014.

NAME	NUMBER OF SHARES	% OF SHARES
Her Majesty the Queen in the Right of New Zealand	1,307,586,374	51.02
New Zealand Guardian Trustees (IR) Limited	1,063,464,680	41.49
The Trust Company (Nominees) Limited	191,948,946	7.49

13. Twenty largest registered quoted equity security holders as at 15 August 2014

The table below sets out the 20 largest registered quoted equity security holders (other than shareholders) as at 15 August 2014.

NAME	NUMBER OF INSTALMENT RECEIPTS	% OF ISSUED INSTALMENT RECEIPTS
National Nominees New Zealand Limited*	210,465,807	16.77%
Accident Compensation Corporation*	77,981,204	6.21%
BNP Paribas Nominees (NZ) Limited*	52,630,716	4.19%
New Zealand Superannuation Fund Nominees Limited*	51,801,367	4.13%
Tea Custodians Limited*	40,113,402	3.20%
Citibank Nominees (New Zealand) Limited*	38,056,764	3.03%
HSBC Nominees (New Zealand) Limited A/C State Street*	34,355,656	2.74%
Custodial Services Limited	31,701,262	2.53%
HSBC Nominees (New Zealand) Limited*	28,998,926	2.31%
J.P. Morgan Chase Bank NA NZ Branch*	21,439,110	1.71%
National Nominees Limited	14,334,208	1.14%
FNZ Custodians Limited	12,584,489	1.00%
Custodial Services Limited	12,272,241	0.98%
Masfen Securities Limited	8,700,000	0.69%
Custodial Services Limited	8,486,845	0.68%
Custodial Services Limited	8,205,965	0.65%
Westpac NZ Shares 2002 Wholesale Trust*	8,205,876	0.65%
JBWere (NZ) Nominees Limited	8,200,000	0.65%
Private Nominees Limited*	8,088,667	0.64%
Forsyth Barr Custodians Limited	7,186,760	0.57%

* *Held through New Zealand Central Securities Depository Limited (NZCSD). NZCSD provides a custodial service that allows electronic trading of securities by its members. As at 15 August 2014, 596,553,905 Meridian instalment receipts (or 47.52% of instalment receipts on issue) were held through NZCSD.*

Each instalment receipt represents a beneficial interest in one Meridian share.

14. Substantial security holders

The following information is provided in compliance with section 35F of the Securities Markets Act 1988 and is stated as at 15 August 2014. The total number of voting securities of Meridian Energy Limited at that date was 2,563,000,000.

Shares

NAME	RELEVANT INTEREST IN NUMBER OF SHARES	% OF SHARES HELD AT THE DATE OF NOTICE	DATE OF NOTICE
Her Majesty the Queen in the Right of New Zealand	1,307,586,374	51.02	31 October 2013
Her Majesty the Queen in the Right of New Zealand[1,2,3]	1,255,413,626	48.98	31 October 2013

Instalment Receipts

	RELEVANT INTEREST IN NUMBER OF INSTALMENT RECEIPTS	% OF ORDINARY SHARES (INSTALMENT RECEIPTS) HELD AT THE DATE OF NOTICE	
Mellon Bank of New York	166,300,000	6.49%	1 November 2013

1 This holding represents the number of Shares for which Instalment Receipts were issued (such Instalment Receipts are held by members of the public). The current registered holders of these Shares are New Zealand Guardian Trustees (IR) Limited or The Trust Company (Nominees) Limited in their respective capacities as Instalment Receipt trustees under the Instalment Receipt Trust Deeds. The Crown, by virtue of its security interests under the Instalment Receipt Trust Deeds has a relevant interest in these Shares until such time as they are transferred or sold by the trustees in accordance with the terms of the Instalment Receipt Trust Deeds.

2 Of this holding, the New Zealand Superannuation Fund is the current beneficial owner of 20,784,887 or 0.81% of the Shares corresponding to Instalment Receipts (and New Zealand Superannuation Fund Nominees Limited or its duly authorised custodians is the registered owner of the corresponding Instalment Receipts). The Crown has a relevant interest in the Shares, by virtue of the fact that the New Zealand Superannuation Fund is the property of the Crown pursuant to the New Zealand Superannuation and Retirement Income Act 2001.

3 Of this holding, Judith MacDonald, Jeffrey Hynes and Richard Andrell, in their capacities as trustees of the Rangitāne O Wairau Settlement Trust, are the current beneficial owners of 427,666 or 0.02% of the Shares corresponding to Instalment Receipts (and Judith MacDonald, Jeffrey Hynes and Richard Andrell, in their capacities as trustees of the Rangitāne O Wairau Settlement Trust are the registered owners of the corresponding Instalment Receipts). . The Crown has a relevant interest in the Shares, by virtue of a Deed of Embargo between Rangitāne O Wairau Settlement Trust and the Crown dated 23 October 2013.

Table prepared in accordance with the requirements of the Securities Markets Act (Meridian Energy Limited Substantial Security Holder) Exemption Notice 2013.

15. Distribution of security holders and holdings as at 15 August 2014

The table below sets out the distribution of security holders and holdings as at 15 August 2014.

SIZE OF HOLDING	NUMBER OF INSTALMENT RECEIPT HOLDERS	%	NUMBER OF INSTALMENT RECEIPTS	% HOLDING QUANTITY
1 to 1,000	7,312	14.39%	7,212,677	0.58
1,001 to 5,000	24,376	47.96%	72,489,320	5.77
5,001 to 10,000	10,176	20.02%	81,670,784	6.51
10,001 to 50,000	7,892	15.53%	165,045,310	13.15
50,001 to 100,000	681	1.34%	49,144,435	3.91
100,001 to 500,000	299	0.59%	58,142,419	4.63
500,001 and Over	88	0.17%	821,708,681	65.45
Total	**50,824**	**100.00%**	**1,255,413,626**	**100.00**

16. Bondholder statistics as at 15 August 2014

The table below sets out the Retail fixed rate bonds (MEL010) as at 15 August 2014.

SIZE OF HOLDING	NUMBER OF BONDHOLDERS	% OF BONDHOLDERS	NUMBER OF BONDS	% OF BONDS
1,001 to 5,000	185	12.88%	925,000	0.74%
5,001 to 10,000	327	22.77%	3,133,000	2.51%
10,001 to 50,000	757	52.72%	20,948,000	16.75%
50,001 to 100,000	83	5.78%	6,902,000	5.52%
100,001 to 500,000	60	4.18%	14,197,000	11.36%
500,001 and Over	24	1.67%	78,895,000	63.12%
Total	**1,436**	**100.00%**	**125,000,000**	**100.00%**

The table below sets out the Retail fixed rate bonds (MEL020) as at 15 August 2014.

SIZE OF HOLDING	NUMBER OF BONDHOLDERS	% OF BONDHOLDERS	NUMBER OF BONDS	% OF BONDS
1,001 to 5,000	48	6.16%	240,000	0.32%
5,001 to 10,000	136	17.46%	1,295,000	1.73%
10,001 to 50,000	444	57.00%	13,263,000	17.69%
50,001 to 100,000	74	9.50%	5,897,000	7.86%
100,001 to 500,000	55	7.06%	11,996,000	15.99%
500,001 and Over	22	2.82%	42,309,000	56.41%
Total	**779**	**100.00%**	**75,000,000**	**100.00%**

17. Security holders with less than marketable parcel of shares

As at 15 August 2014, there were two security holders (with a total of 71 instalment receipts) holding less than a marketable parcel of shares under the ASX Listing Rules. The ASX Listing Rules define a marketable parcel of share as a parcel of shares of not less than AUD$500.

18. Subsidiary companies

The following tables set out subsidiaries of Meridian Energy Limited during the accounting period, any changes to those subsidiaries, and persons who held office as directors. Alternate directors are indicated with an (A).

New Zealand subsidiaries

COMPANY NAME	DIRECTORS	FURTHER INFORMATION
Arc Innovations Ltd	Mark Binns, Paul Chambers	
Damwatch Engineering Ltd	Neal Barclay, Peter Amos	Formerly Damwatch Services Limited
Damwatch Projects	Peter Amos	
MEL Solar Holdings	Mark Binns, Paul Chambers	
Meridian Energy Captive Insurance Ltd	Mark Binns, Paul Chambers, Jason Stein (A)	
Meridian Energy International Ltd	Mark Binns, Paul Chambers, Jason Stein (A)	
Meridian Ltd	Mark Binns, Paul Chambers, Jason Stein (A)	
Meridian LTI Trustee Limited	Mary Devine (appointed 13/09/14), John Bongard (appointed 13/09/14), Anake Goodall (appointed 13/09/14)	Subsidiary created 13/09/2013
Meridian (Whisper Tech No. 2) Ltd	Thomas Hannah, Jason McDonald	
Meridian (Whisper Tech) Ltd	Thomas Hannah, Jason McDonald	
Powershop New Zealand Ltd	John Journee, Rowan Simpson, Paul Chambers, Gillian Blythe (A), Jason McDonald (resigned 24/01/14)	
Three River Holdings No. 1 Ltd	Mark Binns, Paul Chambers, Jason Stein (A), Kelvin Mason (A)	
Three River Holdings No. 2 Ltd	Mark Binns, Paul Chambers, Jason Stein (A), Kelvin Mason (A)	
WhisperGen Ltd	Thomas Hannah, Jason McDonald	
Whisper Tech Limited	Thomas Hannah, Jason McDonald	

Australian subsidiaries

COMPANY NAME	DIRECTORS	FURTHER INFORMATION
Damwatch Pty Limited	Stanley Brogan, Peter Amos	
MEL Meridian Australia Partnership	Peter Lowe, Darryl Flukes, Mark Binns, Paul Chambers. All directorships ceased on dissolution.	Dissolved 12 May 2014
Meridian Australia Holdings Pty Ltd	Peter Lowe (resigned 30/06/2014), Darryl Flukes (resigned 30/06/2014), Mark Binns, Paul Chambers, Ben Burge (appointed 30/06/2014)	
Meridian Energy Australia Pty Ltd	Peter Lowe (resigned 30/06/2014), Darryl Flukes (resigned 30/06/2014), Mark Binns, Paul Chambers, Ben Burge (appointed 30/06/2014)	
Meridian Energy Markets Pty Ltd	Peter Lowe (resigned 30/06/2014), Darryl Flukes (resigned 30/06/2014), Mark Binns, Paul Chambers, Ben Burge (appointed 30/06/2014)	
Meridian Finco Pty Ltd	Peter Lowe (resigned 30/06/2014), Darryl Flukes (resigned 30/06/2014), Mark Binns, Paul Chambers, Ben Burge (appointed 30/06/2014)	
Meridian Wind Australia Holdings Pty Ltd	Peter Lowe (resigned 30/06/2014), Darryl Flukes (resigned 30/06/2014), Mark Binns, Paul Chambers, Ben Burge (appointed 30/06/2014)	
Meridian Wind Macarthur Holdings Pty Ltd	Peter Lowe, Darryl Flukes, Mark Binns, Paul Chambers All directorships ceased on sale	Sold and removed from 28/06/13
Meridian Wind Monaro Range Holdings Pty Ltd	Peter Lowe (resigned 30/06/2014), Darryl Flukes (resigned 30/06/2014), Mark Binns, Paul Chambers, Ben Burge (appointed 30/06/2014)	
Meridian Wind Monaro Range Pty Ltd	Peter Lowe (resigned 30/06/2014), Darryl Flukes (resigned 30/06/2014), Mark Binns, Paul Chambers, Ben Burge (appointed 30/06/2014)	
Mt Mercer Windfarm Pty Ltd	Peter Lowe (resigned 30/06/2014), Darryl Flukes (resigned 30/06/2014), Mark Binns, Paul Chambers, Ben Burge (appointed 30/06/2014)	
Mt Millar Wind Farm Pty Ltd	Peter Lowe (resigned 30/06/2014), Darryl Flukes (resigned 30/06/2014), Mark Binns, Paul Chambers, Ben Burge (appointed 30/06/2014)	
Powershop Australia Pty Ltd	Peter Lowe (resigned 30/06/2014), Darryl Flukes (resigned 30/06/2014), Mark Binns, Paul Chambers, Ben Burge (appointed 30/06/2014)	
Wind Macarthur Finco Pty Ltd	Peter Lowe, Darryl Flukes, Mark Binns, Paul Chambers All directorships ceased on sale	Sold and removed from 28/06/13
Wind Macarthur Holdings (T) Pty Ltd	Peter Lowe, Darryl Flukes, Mark Binns, Paul Chambers All directorships ceased on sale	Sold and removed from 28/06/13
Wind Macarthur Holdings Trust	Peter Lowe, Darryl Flukes, Mark Binns, Paul Chambers All directorships ceased on sale	Sold and removed from 28/06/13
Wind Macarthur (T) Pty Ltd	Peter Lowe, Darryl Flukes, Mark Binns, Paul Chambers All directorships ceased on sale	Sold and removed from 28/06/13
Wind Macarthur Trust	Peter Lowe, Darryl Flukes, Mark Binns, Paul Chambers All directorships ceased on sale	Sold and removed from 28/06/13

US subsidiaries

COMPANY NAME	DIRECTORS	FURTHER INFORMATION
CalRENEW-1 LLC	Member: Bill Overholt (resigned 01/11/2013), Guy Waipara (appointed 01/11/2013)	Sold 15/05/14
Desert Butte, LLC	Member: Bill Overholt (resigned 01/11/2013), Guy Waipara (appointed 01/11/2013)	Dissolved 08/05/14
Hatteson Solar Farm LLC	Member: Bill Overholt (resigned 01/11/2013), Guy Waipara (appointed 01/11/2013)	Dissolved 08/05/14
Jacob Canal Solar Farm LLC	Member: Bill Overholt (resigned 01/11/2013), Guy Waipara (appointed 01/11/2013)	Dissolved 15/05/14
Laurel East Solar Farm LLC	Member: Bill Overholt (resigned 01/11/2013), Guy Waipara (appointed 01/11/2013)	Dissolved 15/05/14
Laurel West Solar Farm LLC	Member: Bill Overholt (resigned 01/11/2013), Guy Waipara (appointed 01/11/2013)	Dissolved 15/05/14
Meridian Energy USA, Inc	Member: Guy Waipara	
San Luis Valley Solar Farm, LLC	Member: Bill Overholt (resigned 01/11/2013), Guy Waipara (appointed 01/11/2013)	Dissolved 08/05/14

UK subsidiaries

COMPANY NAME	DIRECTOR	FURTHER INFORMATION
Whisper Tech (UK) Limited	Thomas Hannah	In liquidation

19. Voting rights attached to each class of security

Due to the nature of Instalment Receipts, under the Co-ordination Agreement[28], security holders do not have the right to exercise votes in person at the first Annual Shareholder meeting of the company.

Instead, each security holder will be invited to instruct the Trustee as to the manner in which their right to cast one vote per underlying share is to be exercised by the Trustee on a poll of any resolution put to the shareholders. This information, along with instructions as to how to instruct the Trustee, will be sent to security holders as part of the Notice of Annual Shareholder Meeting.

Upon payment of the final instalment[29], holders of Instalment Receipts will receive the shares represented by their Instalment Receipts. Each share gives the holder a right to attend and vote at a meeting of shareholders. This means that at subsequent Annual Shareholder meetings, holders will have the right to cast one vote per share on a poll of any resolution put to the shareholders.

20. Share buybacks

Meridian does not have a current on-market buyback scheme in place.

21. Exercise of NZX disciplinary powers

NZX did not exercise any of its powers under Listing Rule 5.4.2 in relation to Meridian Energy Limited during the period.

22. Disclosure in relation to ASX 4.10.19

The company has used its cash, and assets in a form readily convertible to cash, in the period from 29 October 2013 to 30 June 2014 in a way consistent with its business objectives.

23. Credit rating as at 15 August 2014

Meridian Energy Limited had a Standard & Poor's corporate credit rating of BBB+/Stable/A-2.

24. Registration as a foreign company

Meridian has registered with the Australian Securities and Investments Commission as a foreign company. Meridian has been issued with an Australian Registered Body Number (ARBN) of 151 800 396.

23. Meridian group workforce

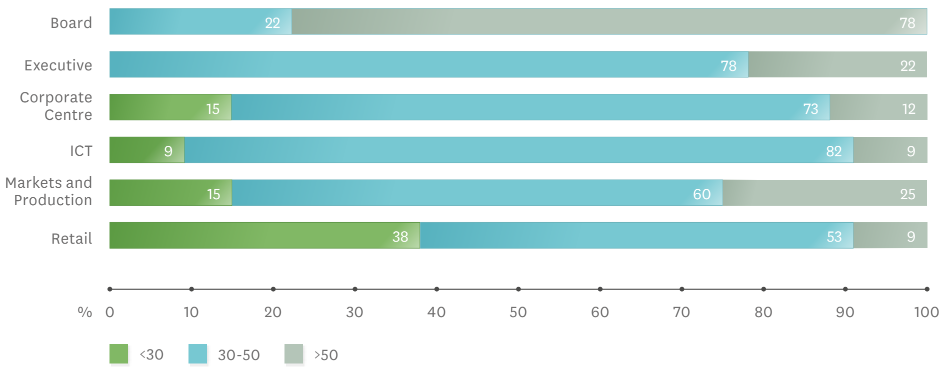
	FEMALE	MALE	TOTAL
Permanent Employees			
Full Time	304	445	749
Part Time	26	2	28
Temp/Fixed Term Employees	42	33	75
Contractors			
Professional Contractor	12	64	76
Vendor Services	50	161	211
Total	**434**	**705**	**1,139**

MERIDIAN GROUP - REGION OF WORK	FEMALE	MALE	TOTAL
Australia	11	38	49[1]
New Zealand	392	542	934
Offsite[2]	31	125	156
Total	**434**	**705**	**1,139**

1 10% of these staff are covered by collective bargaining agreements.

2 Contractor data does not currently specify region of work or whether work is full time. The majority of this group is based in New Zealand or Australia. Future data collection will require this information.

DIVERSITY BY AGE FOR MERIDIAN ENERGY



28 The Co-ordination Agreement is an agreement between Meridian, the Crown and the Trustee dated 19 September 2013 that (amongst other things) arranges for matters relating to the administration of Instalment Receipts.

29 The Final Instalment is the amount of $0.50 per share payable by 15 May 2015.

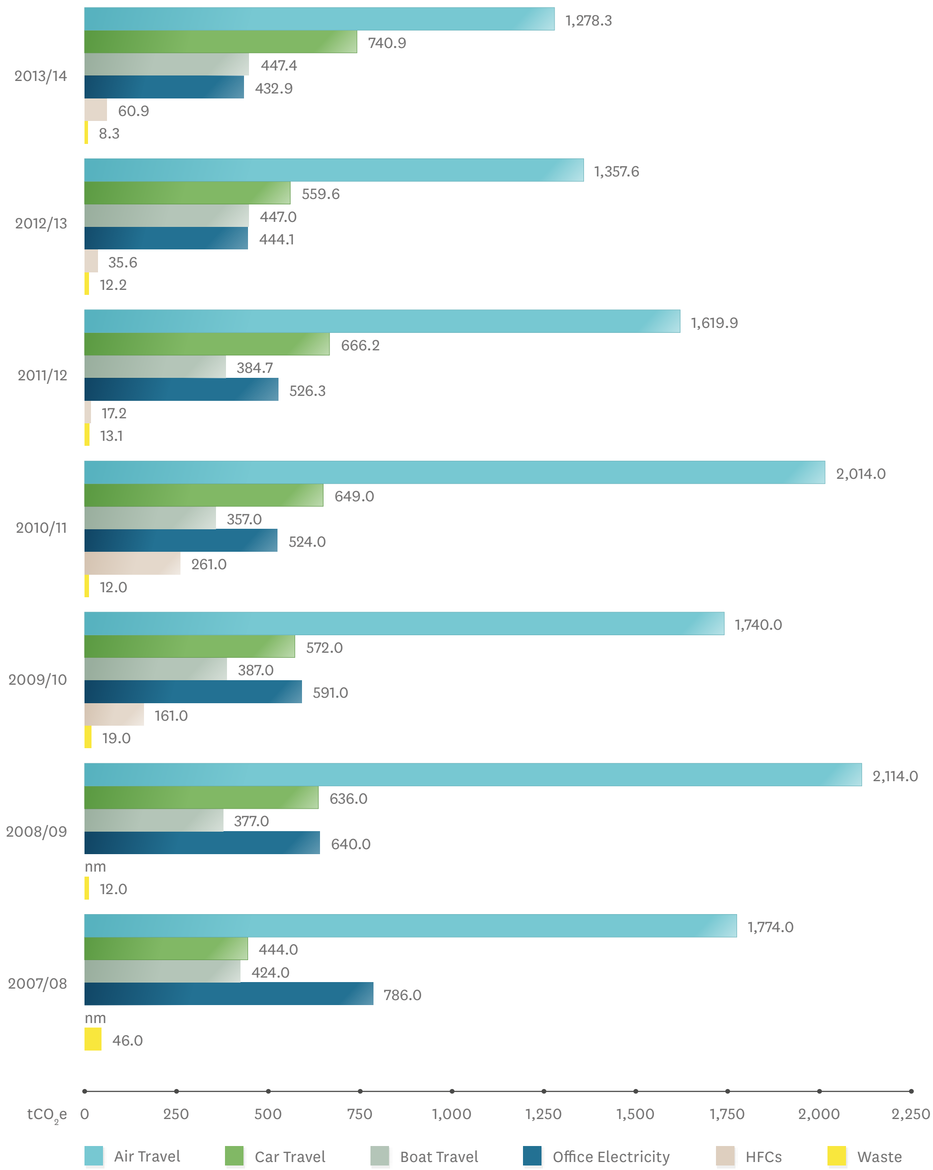
25. Greenhouse gas emissions

Efficient resource use – managing emissions

Meridian's electricity generation from the renewable sources of wind and water does not produce greenhouse gas (GHG) emissions.

Meridian's total GHG emissions this year were 34,158 tonnes of carbon dioxide (CO_2) equivalent (tCO_2e). The majority of these emissions were 'one time' as a result of building the Mill Creek wind farm. Using thermal fuel such as coal or gas to produce a similar amount of electricity would result in millions of tonnes of CO_2 emissions every year. Meridian has voluntarily calculated the company's 'carbon footprint' since 2001 and our reporting processes are consistent with international standards[30].

CORPORATE EMISSIONS



	2014	2013	2012
Direct Emissions (Scope 1)	1,546	964	1,102
Indirect Emissions (Scope 2)	2,040	2,408	3,641
Indirect Emissions (Scope 3)	30,572	7,759	44,092
Total Emissions (S1, 2 and 3)	**34,158**	**11,132**	**48,835**

Our performance

Meridian focuses on reducing the corporate GHG emissions resulting from activities over which the company has the most control. These include business travel (air, car and boat), waste and office electricity. The corporate emissions portion of our overall footprint of was 2,969tCO_2e. Relative to the number of full-time employees, this is a 3.8% increase from last year. This increase was primarily due to a high use of car travel between Christchurch and the Waitaki Valley for major maintenance and generation control projects. On a positive note, air travel and waste emissions continue to reduce ahead of targets.

Continuing reductions

Meridian has developed a five-year emission reduction plan, which has an overall target of reducing corporate GHG emissions per full-time staff member by 10%. Efficiencies will be gained through a range of initiatives, including building a new Twizel office that will significantly reduce electricity use together with air, car and taxi travel reductions.

Initiatives such as featuring staff with sustainability stories on our internal website encourage staff to think about sustainability in the workplace. This has resulted in changing behaviours, with 61%[31] of staff reporting that Meridian's focus on sustainability has changed their behaviour at work or at home. In addition, 75% of staff consider the person they report to supports and encourages sustainability within Meridian. These are small decreases from 63% and 77% respectively in 2013.

Meridian adopted the GHG Protocol Corporate Value Chain Standard in 2012, substantially increasing Scope 3 emission sources and requiring a change of base year from 2008 to 2012. This year we reassessed the Scope 3 emissions measurement and returned to the previous methodology. Purchased goods and services made up a large proportion of the Scope 3 emissions. As the methodology for calculating emissions was based on dollars spent, the only effective way to reduce these emissions was to reduce the purchase of goods and services necessary to the business.

Emissions for the Scopes 1, 2 and 3 categories have been quantified using a calculation method based on activity data multiplied by GHG emission factors. Emission factors have been primarily sourced from the New Zealand Ministry for the Environment or, where these were not available, from the United Kingdom's Department of Environment, Food and Rural Affairs.

To minimise uncertainties in accuracy, data has been sourced from verifiable sources wherever possible. Detailed GHG emission information is provided at www.meridian.co.nz/greenhousegas.

30 These include the International Standards Organisation ISO 14064.

31 2014 Employee Engagement Survey managed by IBM Kenexa.

26. Sustainability framework

Meridian's sustainability framework highlights the things that matter most to us and our stakeholders. We set targets and monitor and reportour progress across a range of economic, social and environmental goals.

Performance against the key framework indicators is reported throughout the relevant sections of this report. This table provides a summary of our performance for 2012–2014.

KEY AREA	OVERALL GOAL	KEY INDICATOR	2014 PERFORMANCE		
Water Stewardship	To collaborate with stakeholders to manage water catchments effectively	Collaboration with stakeholders on water use	Collaborated with all levels of government and/or relevant stakeholders in government and hydro sectors re economic impacts of flow change freshwater reform and RMA amendment Independent report recommending Waitaki water remain in catchment Proposed Plan Change 3 to the Waitaki Catchment Water Allocation Regional Plan		
Renewable Energy	To maintain and develop renewable energy assets, and help minimise the electricity industry's contribution to climate change	Habitat enhancement and restoration	Project River Recovery, Waiau River Restoration, Te Uku wetlands		
			PERFORMANCE		
			2012	2013	2014
		Net energy output	10,996GWh	12,071GWh Mill Creek underway	13,148GWh Mill Creek first power
Energy Services	To provide our customers with good service, value for money and the opportunity to lower their impacts on the environment	Sustainable offering uptake	66,000 customers taking up at least one sustainable offering	131,000 customers taking up at least one sustainable offering	155,000 customers taking up at least one sustainable offering
Engaged Communities	To support and connect with the communities in which we operate and interact	Community funding and sponsorships	$1.96 million	$1.25 million granted to community organisations and sponsorship partners incl KidsCan sponsorship	$1.42 million granted to community organisations and sponsorship partners incl KidsCan sponsorship
Working Sustainably	To incorporate sustainability in our culture, policies, processes and systems, and engage our people in sustainability issues, supporting them to make business decisions with a long-term view	Lost-time injuries	2	0	1
		Employee engagement	76%	78.9%	76.1%
		Corporate greenhouse gas emissions	3,227tCO_2e	2,856tCO_2e	2,969tCO_2e
Financial Return	To provide shareholders with a financial return that meets their expectations, given the risks associated with its business	Total shareholder return	N/A	N/A	21.8%*

* *Based on Meridian's final IPO share price and cash dividends declared for FY2014.*

Where any data methodology changes have occurred during the 2012–2014 period, data has been adjusted to enable accurate year-on-year comparisons.

27. Memberships and commitments

Membership Organisation
Australian Stock Exchange User Group
Business New Zealand
The Sustainable Business Council
EA Wholesale Advisory Group
EA Retail Advisory Group
EA Security and Reliability Council
EA Locational Price Risk Technical Group
EA Multiple Frequency Keeping Technical Steering Group
Electricity and Gas Complaints Commissioner Scheme
New Zealand Institute for the Study of Competition and Regulation
StayLive (industry sector safety forum)
New Zealand Business and Parliament Trust
Commitments
ASX Corporate Governance Principles
Zero Harm Pledge
Carbon Disclosure Project

28. Carbon trading

As a renewable electricity generator, Meridian has no direct obligations under the Emissions Trading Scheme (ETS) for fossil fuel generation. Meridian's Te Āpiti and White Hill wind farms were allocated Kyoto-compliant carbon credits under the Government's Projects to Reduce Emissions Scheme until last year when the first commitment period of the Kyoto Protocol ended.

Meridian received 24,713 New Zealand Units this year (13,663 from the current year and 11,050 additional units received this year for the 2008-2012 period) under the ETS (ETS Forestry post 1989) relating to the Rototuna forest in Northland.

29. Supply chain

As an electricity generator and retailer, Meridian's supply chain includes sourcing products and services to build and maintain generation assets and to run the retailing and corporate business functions. In 2014 the Meridian Group had direct orders with around 5,000 vendors from more than 50 countries, which included non-buying services (paying local authorities or landowners for example). Our main supply activities this year included:

- the majority of the 26-turbine and tower components during construction of the Mill Creek wind farm, near Wellington, which came from China and Europe through Siemens NZ Ltd
- the majority of the 64-turbine and tower components during construction of the Mt Mercer wind farm in Victoria, Australia, which came from China, Korea and India through Senvion SE (formerly REpower Systems SE)
- Steel for our Waitaki refurbishment project which came from the Netherlands.

30. Stakeholders

Meridian undertakes comprehensive strategy development and implementation planning to enable us to identify, understand and engage effectively with our stakeholders. We recognise that effective relationship management is a core component of success for any organisation. We identify stakeholders that can influence our success and work to develop and manage those relationships at a corporate level and through community and stakeholder engagement. Stakeholder relationships are the responsibility of staff across the organisation and recognised as an essential part of our business.

The diverse nature of our business as both an electricity generator and a retailer means our stakeholders are also diverse. We engage with different stakeholders as required depending on current work programmes and stakeholder need. For example, during the construction of a wind farm we have intense engagement with the local community, during a statutory plan development process we engage widely with stakeholders and if making changes to residential tariffs or billing we will focus on residential customer communications. No specific engagement was undertaken to prepare this report.

STAKEHOLDER	KEY INTERESTS AND CONCERNS	MERIDIAN'S RESPONSE	ENGAGEMENT METHOD
Generation communities	• Honest and open communication and engagement • Consequences of our role as a generator – environmental, commercial, social and cultural	• Ongoing participation in the community where appropriate • Early engagement and consultation • Compliance with resource consent conditions • Community Funds • Project websites	• Newsletters • Community meetings • Open days and drop-in hubs • Community liaison groups • Dedicated community liaison staff • Participation in community events • Community surveys • Asset-based event sponsorship eg White Hill Classic
Iwi	• Tangata whenua – guardians of the natural resources within their rohe • Consequences of the company's role as a generator – environmental, commercial, social and cultural • Honest and open communication • Strategic engagement • Commercial partnership opportunities	• Partnership approaches that recognise iwi aspirations • Sponsorship opportunities • Capability building • Working groups for management of natural resources • Memoranda of understanding • Mitigation responses	• Iwi engagement • Participation in iwi events • Regular meetings/hui • Event hosting
Customers	• Affordable power • Customer service • Accurate billing • Access to data to help understand energy use • Security of supply • Energy efficiency and sustainability	• Assistance to customers during state of emergency • Unbundling of network and energy costs in billing • Improved disconnection process • Smart meters and regular meter reads • Energy efficiency advice and sustainability offerings	• Customer contact centre and account managers • Newsletters • Website and customer portal • Customer satisfaction surveys • Direct mail and email • Sponsorship
Employees	• An employment experience that meets expectations • An employer who genuinely cares for the wellbeing of staff • An employer who is well respected in the community	• Focus on leadership, capability development and performance • Management development programme • Graduate and apprenticeship programmes • Health and safety at work focus, including wellness programme • Recognition of staff requirements during uncertain times • Credible approach to sustainability	• Employee engagement surveys. • Intranet • Senior management updates to staff • Staff events • Competency-based learning modules • Leadership and capability development programmes • Individual development plans for employees • one-on-one performance reviews and feedback
Shareholders	• Commercial performance • Efficient delivery of services, transparency on drivers of performance and profit • Responsible employer	• Sound business planning based on long-term financial objectives • Improved reporting including quarterly operational reports and material disclosures • Commitment to health and safety and corporate social responsibility	• Consistent communications that adhere to the principles of continuous disclosure and include: – material market updates – annual shareholder meetings – annual and half-year reports – earnings and dividend announcements – monthly operating reports – investor presentations

STAKEHOLDER	KEY INTERESTS AND CONCERNS	MERIDIAN'S RESPONSE	ENGAGEMENT METHOD
Government and electricity sectors	• Contribution to economic growth through development • Efficient use of resources • Environmental responsibility • Competitive market outcomes	• Engagement with the Government electricity regulator and electricity sector on key energy policy issues • Development of cost-competitive renewable energy generation • Commitment to sustainability and environmental stewardship • Submissions supporting competitive and rational market outcomes	• Policy submissions • Open engagement • Participation in appropriate forums
Suppliers and contractors	• Insights into timing and certainty of future work programmes and initiatives • Accurate and timely service request data • Fair and open procurement	• Promotion of early notification of significant work programmes • Active application of supplier relationship management practices • Fair, open, transparent and reasonable market engagement processes • Development of clear and well defined requirements • Encouragement of local business participation wherever possible	• Market engagement documentation • Contract negotiations • Supplier meetings to discuss ongoing relationships • Supplier briefings • Conferences/speaking engagements
General community	• Security of supply • Leader in sustainability and renewable generation • Contributor to communities from social, economic and environmental perspectives	• Management of water resources • Development of cost-competitive renewable energy generation • Commitment to renewable energy generation, sustainability and corporate social responsibility • Sustainable procurement policy	• Brand advertising campaigns • Website • Sponsorship • Annual Report • Media releases • Educational material • Public meetings
Local government	• Responsible developer of infrastructure • Security of supply • Contribution to the local economy • Sustainably manage resources	• Participation in processes to support best practice • Commitment to sustainability and environmental stewardship	• Meetings • Submissions • Hearing presentations • Working group and committee participation
Non-governmental organisations	• Impacts on natural resources and local community initiatives • Open and honest communication	• Engagement and consultation as appropriate • Support for projects as appropriate • Sustainability framework to reduce impacts of operations	• Meetings • Correspondence • Joint memberships of forums • Presentations • Membership of organisations • Responses to information requests
Investors (lenders)	• Profitable, good employer • Socially and fiscally responsible • Return on investment • Ability to meet interest and principal obligations on debt • Open and honest communication	• Sound business planning based on long-term financial objectives • Clear and regular operation reports and material disclosures	• Regular meetings and open engagement • Asset tours • Prospectus • Investment statement • Rating reports • Investor briefings • Clear and regular operation reports and material disclosures

Global Reporting Initiative index

Meridian considers that this report has been prepared in accordance with the core option of the Global Reporting Initiative (GRI) index G4 guidelines. The principles of the GRI G4 Reporting Guidelines and AA1000 have been followed in determining the contents of this report. Meridian has not sought external assurance for this report.

G4	GENERAL STANDARD DISCLOSURE	PAGE
Strategy and Analysis		
G4-1	CEO statement regarding sustainability	6
Organisational Profile		
G4-3	Name of reporting organisation	front cover
G4-4	Primary brands, products and/or services	2
G4-5	Location of the organisation's headquarters	2
G4-6	Countries in which the organisation operates	2
G4-7	Nature of ownership and legal form	2
G4-8	Nature of markets served	2, 7
G4-9	Scale of the reporting organisation	2
G4-10	Employee statistics	31–32, 128
G4-11	Percentage of total employees covered by collective bargaining agreements	128
G4-12	The organisation's supply chain	131
G4-13	Significant changes in size, structure or ownership	2
G4-14	Precautionary approach or principle	23
G4-15	External charters, principles and initiatives	131
G4-16	Association or advocacy organisation memberships	131
Identified Material Aspects and Boundaries		
G4-17	Entities included in financial statements and this report	126–127
G4-18	Defining report content and implementing reporting principles	132, 135–136
G4-19	Listing material aspects	index
G4-20	Aspect boundaries within the organisation	135
G4-21	Aspect boundaries outside the organisation	135
G4-22	Report the effects of any restatements	no restatements to report
G4-23	Report any significant changes in scope and aspect boundaries	no significant changes to report
Stakeholder Engagement		
G4-24	List stakeholder groups	132–133
G4-25	Basis for identification and selection of stakeholders	132–133
G4-26	Organisation's approach to stakeholder engagement	132–133
G4-27	Key stakeholder topics and concerns and the organisation's responses	132–133
Report Profile		
G4-28	Reporting period	front cover, 136
G4-29	Date of most recent report	136
G4-30	Reporting cycle (annual, biennial etc)	annual reporting, 136
G4-31	Contact point for questions regarding the report	back cover
G4-32	GRI content index and 'in accordance' option	134–135
G4-33	External assurance policy and practice	external assurance has not been sought for this report, 134
Governance		
G4-34	Governance structure of the organisation	41–45
Ethics and Integrity		
G4-56	Description of the organisation's values, principles, standards and norms of behaviour	41–43

G4	GENERAL STANDARD DISCLOSURE	PAGE
Electric Utilities Sector Disclosures		
EU1	Installed capacity	3
EU2	Net energy output	2, 20
EU3	Number of customer accounts	2
EU4	Length of transmission and distribution lines	length insignificant
EU5	Allocation of CO_2 emission allowances	131

SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECTS	DMA AND INDICATORS	INDICATOR DETAIL	PAGE/LINK
Category: Economic			
Economic performance	G4-EC1	Direct economic value generated and distributed	financial section
Category: Environmental Performance			
Water	G4-EN9	Water sources significantly affected by withdrawal of water	23–25
Biodiversity	G4-EN12	Significant impacts on biodiversity	23–25
	EU13	Biodiversity of offset habitats	23–25
Emissions	G4-EN15	Direct GHG emissions (Scope 1)	129 – a more comprehensive emissions inventory can be found at www.meridian.co.nz/greenhousegas
	G4-EN16	Energy indirect GHG emissions (Scope 2)	129
	G4-EN17	Other indirect GHG emissions (Scope 3)	129
	G4-EN19	Reduction of GHG emissions	129
Category: Social			
Occupational health and safety	G4-LA5	Percentage of total workforce represented in formal Health and Safety Committees	32
Diversity and equal opportunity	G4-LA12	Breakdown of governance bodies and employees by diversity indicators	31, 128
Local communities	G4-SO1	Operations with local community engagement, impact assessments and development programmes	21, 28
	EU22	People physically or economically displaced and compensation	no displacement occurred
Pricing		Key issues from customers, media and industry	7, 13–15

MERIDIAN MATERIAL ISSUE	G4 CATEGORY AND ASPECTS	MATERIAL WITHIN THE ORGANISATION	MATERIAL EXTERNAL TO THE ORGANISATION	RELEVANCE OUTSIDE THE ORGANISATION
Financial return	Economic – economic performance	√	√	stakeholders are interested in wealth creation
Water stewardship	Environmental – water	√	√	collaboration with stakeholders to manage water catchment effectively
Renewable energy	Environmental – biodiversity		√	habitat enhancement and restoration
Energy service – customers – pricing	Meridian selected	√	√	this is important to our customers and those seeking to understand pricing across the industry
Engaged communities	Society – local communities	√	√	our community funding and support in the local communities where our assets are located is important to the communities and the staff who live in them
Working sustainably	Social – employment	√		
	Social – occupational health & safety	√		
	Environmental – emissions	√	√	reducing GHGs is an important contribution to global climate change mitigation

About this report

This report is a review of Meridian's sustainability performance in the financial year 1 July 2013 to 30 June 2014.

Last year, Meridian produced separate reports for financial and non-financial performance. This year we have returned to a combined Annual Report, including a review of financial and sustainability performance.

For the financial year, the Meridian Group included the parent company Meridian Energy Limited and its operational subsidiaries Damwatch, Powershop, Meridian Australia and Arc Innovations. Unless otherwise stated, statements of non-financial information refer to Meridian Energy Limited, the parent company, only. Care has been taken to ensure that all data in this report is as accurate as possible. Where assumptions have been made, they are clearly stated and explained.

Included in this report is a summary of the GHG inventory for Meridian Energy Limited (the parent company – a more detailed version of which has been audited by Deloitte) and a Global Reporting Initiative (GRI) index of reporting components covered. Meridian considers that this report has been prepared in accordance with the core option of the GRI G4 guidelines. The principles of the GRI G4 Reporting Guidelines and AA1000 have been followed in determining the contents of this report. Meridian has not sought external assurance for this report.

The issues discussed in this report reflect our most significant impacts and the key concerns and expectations of our stakeholders. They include economic, environmental and social issues. The issues have been gathered over the year from stakeholders, the Meridian Safety and Sustainability Committee, senior executives, employees, Ngāi Tahu, media, industry and sector commentary. The issues have then been analysed, prioritised and aligned with our key strategic themes and the G4 material aspects and standard disclosures. More information on key stakeholders, their interests and Meridian's response can be found in the stakeholder analysis table on pages 132 and 133.

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If you would like to comment on Meridian's Annual Report, or if you have questions you would like answered, please email investors@meridianenergy.co.nz.

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