



MERIDIAN CONDENSED INTERIM

Financial Statements

FOR THE SIX MONTHS ENDED
31 DECEMBER 2011

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Income Statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

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

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

Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

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

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

Statement of Financial Position

AS AT 31 DECEMBER 2011

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

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



Chris Moller
Chairman, 15 February 2012



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

Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	GROUP - UNAUDITED									
	SHARE CAPITAL \$'000	REVALUATION RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	CASH FLOW HEDGE RESERVE \$'000	AVAILABLE FOR SALE RESERVE \$'000	RETAINED EARNINGS \$'000	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT \$'000	SHARE OPTIONS VESTED \$'000	NON- CONTROLLING INTEREST \$'000	TOTAL \$'000
Balance at 1 July 2011	1,600,000	3,392,516	(655)	(217)	162	(61,402)	4,930,404	997	(99)	4,931,302
Profit for the Period	-	-	-	-	-	9,563	9,563	-	(332)	9,231
Revaluation Gain on Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-
Cash Flow Hedges:										
Net Gain Taken to Equity	-	-	-	7,215	-	-	7,215	-	-	7,215
Available for Sale Reserve:										
Net Gain Taken to Equity	-	-	-	-	159	-	159	-	-	159
Exchange Differences Arising from Translation of Foreign Operations	-	-	9,850	-	-	-	9,850	-	-	9,850
Buy out of Whisper Tech Limited Minority Shareholders	-	-	-	-	-	(421)	(421)	(997)	402	(1,016)
Asset Revaluation Reserve Transferred to Retained Earnings	-	(113)	-	-	-	113	-	-	-	-
Income Tax Relating to Other Comprehensive Income	-	32	-	(2,021)	(45)	(32)	(2,066)	-	-	(2,066)
Total Comprehensive Income for the Period	-	(81)	9,850	5,194	114	9,223	24,300	(997)	70	23,373
Dividends Paid	-	-	-	-	-	(69,406)	(69,406)	-	-	(69,406)
Balance at 31 December 2011	1,600,000	3,392,435	9,195	4,977	276	(121,585)	4,885,298	-	(29)	4,885,269
Balance at 1 July 2010	1,600,000	3,686,651	(2,720)	659	387	(215,998)	5,068,979	1,098	607	5,070,684
Profit for the Period	-	-	-	-	-	85,012	85,012	-	(340)	84,672
Cash Flow Hedges:										
Net Loss Taken to Equity	-	-	-	(470)	-	-	(470)	-	-	(470)
FECs Reclassified to Profit or loss	-	-	-	1,634	-	-	1,634	-	-	1,634
Available for Sale Reserve:										
Net Loss Taken to Equity	-	-	-	-	(274)	-	(274)	-	-	(274)
Exchange Differences Arising from Translation of Foreign Operations	-	-	7,221	-	-	-	7,221	-	-	7,221
Asset Revaluation Reserve Transferred to Retained Earnings	-	(843)	-	-	-	843	-	-	-	-
Deferred Tax Transferred to Retained Earnings on Tekapo A and B Sale	-	133,419	-	-	-	-	133,419	-	-	133,419
Effect of Corporate Tax Rate Reduction on Deferred Tax	-	-	-	23	(5)	-	18	-	-	18
Income Tax Relating to Other Comprehensive Income	-	253	-	(349)	81	(253)	(268)	-	-	(268)
Total Comprehensive Income for the Period	-	132,829	7,221	838	(198)	85,602	226,292	-	(340)	225,952
Dividends Paid	-	-	-	-	-	(68,495)	(68,495)	-	-	(68,495)
Balance at 31 December 2010	1,600,000	3,819,480	4,501	1,497	189	(198,891)	5,226,776	1,098	267	5,228,141

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

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

Cash Flow Statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

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

Notes to the Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

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1. Summary of Accounting Policies

REPORTING ENTITY AND STATEMENT OF COMPLIANCE

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

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

The condensed interim financial statements comprise those of Meridian Energy Ltd (the 'Parent') and its subsidiaries (together referred to as 'Meridian' or 'Group'). The reporting period for these financial statements is the six months ended 31 December 2011.

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

BASIS OF PREPARATION

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

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

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

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

JUDGEMENTS AND ESTIMATIONS

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses, and these are consistent with those applied in the preparation of the Group's financial statements for the year ended 30 June 2011. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

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

Notes to the Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

2. Segment Reporting

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

The Chief Executive assesses the performance of the operating segments on a measure of EBITDAF. Segment EBITDAF represents profit earned by each segment without the allocation of equity accounted earnings of joint ventures, amortisation, impairments, depreciation, change in fair value of financial instruments, gain on sale of Property, Plant and Equipment, finance costs, interest income and tax expense.

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

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

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

The accounting policies of the reportable segments are the same as Meridian's accounting policies applied in the preparation of the Group financial statements for the year ended 30 June 2011.

Wholesale Segment

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

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

Retail Segment

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

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

International Segment

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

Other Segments

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

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

Unallocated

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

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

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

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

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

Notes to the Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

2. Segment Reporting (continued)

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

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

Information Relating to Geographical Area Operations

	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 \$'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 \$'000	AUDITED 12 MONTHS ENDED 30 JUNE 2011 \$'000
Total Revenue in:			
New Zealand	1,211,325	1,083,592	2,031,190
Australia	10,193	9,196	18,902
United States of America	1,677	1,641	2,895
	1,223,195	1,094,429	2,052,987
Non-Current Assets Held:			
New Zealand	7,401,750	7,381,249	7,444,938
Australia	521,669	365,001	352,321
United States of America	37,447	38,769	35,529
	7,960,866	7,785,019	7,832,788

Notes to the Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

2. Segment Reporting (continued)

Reconciliation of EBITDAF to Profit Before Tax provided as follows:

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

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

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

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

Notes to the Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

3. Finance Costs

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

4. Impairments

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

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

Notes to the Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

5. Income Tax Expense

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

Notes to the Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

6. Deferred Tax Liability

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

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

¹ This represents the reversal of the deferred tax liability previously recorded on the revaluation of Tekapo A and B power stations which were sold on 1 June 2011 (refer to note 13).

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

	GROUP		
	UNAUDITED 31 DEC 2011 \$'000	UNAUDITED 31 DEC 2010 \$'000	AUDITED 30 JUNE 2011 \$'000
Deferred Tax Liability	1,382,003	1,414,661	1,412,330
Deferred Tax Asset	(8,031)	(5,678)	(7,947)
	1,373,972	1,408,983	1,404,383

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

Notes to the Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

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

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

8. Borrowings

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

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

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

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

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

Notes to the Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

9. Financial Risk Management

Meridian's activities expose it to a variety of financial risks: market risk (including electricity price risk, currency risk, interest rate risk), credit risk and liquidity risk. Meridian's overall risk management programme focuses on the unpredictability of financial markets and the electricity spot price and seeks to minimise potential adverse effects on the financial performance and economic value of the group. Meridian uses derivative financial instruments including FECs, CCIRs, currency options, interest rate swaps ('IRs') and electricity and aluminium contracts for differences ('CfDs') to hedge certain risk exposures.

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

FOREIGN EXCHANGE RISK

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

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

In addition, Meridian incurs capital expenditure denominated in foreign currencies which exposes Meridian to foreign exchange risk primarily in respect of US dollars, Japanese Yen, Australian dollars and the Euro. Investments that are approved by the Board are hedged 100% whilst capital projects that are anticipated but not approved are hedged up to 50%

based on treasury limits. All committed foreign currency exposures of greater than \$100,000 NZD equivalent are hedged. Meridian hedges the foreign exchange risk through a combination of foreign exchange forward contracts and options and where appropriate has designated these as cash flow hedges.

INTEREST RATE RISK

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

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

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

ELECTRICITY PRICE RISK

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

CREDIT RISK

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

LIQUIDITY RISK

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

Notes to the Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

10. Financial Instruments

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

Notes to the Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

10. Financial Instruments (continued)

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

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

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

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

CASH FLOW HEDGE RESERVE

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedge reserve. The movement in the cash flow hedge reserve for the six months ended 31 December 2011 of \$5.2 million is net of tax (December 2010 \$0.8 million, June 2011 (\$0.9) million).

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

NZAS AGREEMENT

On 1 October 2007, Meridian and New Zealand Aluminium Smelters ("NZAS") entered into an electricity price agreement (which includes

a CfD) based on 572MW of continuous consumption at the smelter. The agreement is for a period of up to eighteen years and will take effect from 1 January 2013.

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

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

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

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

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

ACCOUNTING TREATMENT OF NZAS CONTRACT

The new agreement with NZAS includes a CfD which is accounted for at fair value in accordance with NZ IAS 39 Financial Instruments: Recognition and Measurement. Subsequent fair value changes are recognised in the Income Statement.

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

Notes to the Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

10. Financial Instruments (continued)

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

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

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

¹DAY 1 ADJUSTMENT – NZAS PRICING AGREEMENT

A Day 1 adjustment, arising when an electricity derivative is entered into at a fair value determined to be different to the transaction price, is amortised to the Income Statement as electricity volumes

contracted in the derivative expire. The carrying value of the derivative is disclosed net of the Day 1 adjustment.

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

11. Dividends Paid

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

12. Property, Plant and Equipment

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

Notes to the Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

13. Assets Classified as Held For Sale

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

14. Investments in Subsidiaries and Controlled Entities

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

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

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

Powershop Australia Pty Limited was incorporated in Australia as a wholly owned subsidiary of Three River Holdings No 2

Limited (a wholly owned subsidiary of Three River Holdings No 1 Limited, which is a wholly owned subsidiary of the parent) on 22 December 2011.

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

15. Commitments

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

GUARANTEES

Meridian Wind Macarthur Pty Limited has various obligations arising from the joint venture with AGL Energy Limited. These include performance and funding obligations under the joint venture deed, obligations to contractors in relation to the construction of

the wind farm, and obligations under various landowner agreements. Meridian Energy Limited has provided various guarantees and letters of comfort to the relevant parties that effectively guarantee the obligations of Meridian Wind Macarthur Pty Limited.

16. Subsequent Events

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

Notes to the Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

17 Contingent Assets and Liabilities

CONTINGENT ASSETS

There were no contingent assets at 31 December 2011.

CONTINGENT LIABILITIES

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

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

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

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

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

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of the condensed consolidated interim financial statements which present fairly the financial position of the Group as at 31 December 2011 and the results of its operations and cash flows for the six months ended on that date.

Independent Reviewer's Responsibilities

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

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

Basis of Opinion

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

We have reviewed the condensed consolidated interim financial statements of the Group for the six months ended 31 December 2011 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

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

Opinion

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

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



Michael Wilkes
Deloitte

On behalf of the Auditor-General
CHRISTCHURCH, New Zealand

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

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