



Statement of Corporate Intent

Meridian Energy Limited

Year commencing 1 July 2010

This Statement of Corporate Intent (SCI) is submitted by the Board of Directors of Meridian Energy Limited in accordance with section 14 of the State-Owned Enterprises Act 1986 (the Act). It sets out the Board's overall intentions and objectives for Meridian Energy (and any subsidiary companies) for the year commencing 1 July 2010 and the succeeding two financial years.



Nature and Scope of Activities

Meridian Energy's nature and scope of activities are the generation of electricity (including the ownership and operation of related assets), the management of water related infrastructure, and the marketing, trading and retailing of energy and wider complementary and adjacent products, solutions and services, primarily within New Zealand.

Consistent with these principal activities, Meridian will pursue activities designed to ensure:

- the safe and effective utilisation of its assets and human resources
- the prudent management of its business risks across markets and geographies.

All activities will be carried out with the objective of protecting and growing shareholder value.

Activities outside Meridian's business plan and outside those areas described above will not be undertaken without prior consultation with shareholding Ministers.

Objectives

Meridian's principal objective, as set out in Part I of the Act, is to operate as a successful business and to be:

- as profitable and efficient as comparable businesses not owned by the Crown
- a good employer
- an organisation that exhibits a sense of social responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage those interests when able to do so.

In setting and reviewing this SCI, and in particular the performance measures and dividend policy, the Board and shareholding Ministers have agreed that taking a long-term view of performance and capital structure is essential. This reflects the very long-lived nature of generation assets and development projects, the revenue volatility of the Group, and New Zealand's need for sustainable and timely investment in new generation and efficiency projects.

To achieve these objectives, Meridian will maximise long-term shareholder value by:

- seeking sustainable competitive advantage from excellence in generating electricity at optimal value through to meeting customer needs for energy and wider complementary and adjacent products and solutions
- actively developing and participating in competitive energy markets to provide customer demanded products and services and to enable Meridian to optimise its risk position
- undertaking new investments that over their lives are:
 - aimed at yielding a positive risk related net present value
 - managed in a manner that will maximise the commercial value of the business
- undertaking prudent risk management in relation to its business activities
- minimising operating costs
- acting with a sense of social responsibility and reporting on its actions
- providing healthy and safe places of work for its people
- building and maintaining relationships through partnering with Māori
- building and maintaining relationships with communities in which it operates
- pursuing its commitment to the environment and the sustainable management and development of the natural, physical and human resources utilised in the business
- taking such other strategic and operational measures as Meridian considers appropriate to best protect and grow the value of the Crown's investment in Meridian.

Performance Measures

Meridian will be operating in a dynamic and competitive external environment during this planning period where:

- demand for electricity is expected to be soft over the short term, reflecting lower levels of economic activity domestically and globally
- our core markets are regulated at all levels (e.g. transmission investment and pricing, customer dispute resolution) and there is ongoing potential for significant regulatory change
- there is intensifying competition for the development of new renewable generation projects
- strong competition in the retail electricity market is expected to continue
- our renewables-led operations and growth strategies are dependent on our ongoing access to the “public” resources of water, wind, space and transmission. This makes the following key matters fundamental to Meridian’s ability to protect and increase its value:
 - resource regulation
 - planning and consenting practices and outcomes
 - transmission policy and regulation.

Over the planning period all of these matters are expected to be subject to regulatory change.

- transmission constraints, in particular the operation of the HVDC in monopole until 2014, is expected to continue to impact price levels and price volatility for generators and retailers of electricity
- funding for new projects may reflect constrained debt markets.

The financial targets below represent Meridian’s current reasonable estimates based on Meridian’s current business and its current expectations as to the future. Meridian may revise these financial targets throughout the year if the context changes or Meridian reasonably determines that revised targets are more appropriate.

The process of developing Meridian’s business plan and financial performance targets included benchmarking our performance to ensure Meridian is as profitable and efficient as our competitors.

	2010 FORECAST	2011 PLAN	2012 PLAN	2013 PLAN
Financial Performance Measures				
Equity to Total Assets	56.8%	56.6%	56.2%	54.6%
Return on Ave Equity	5.1%	3.9%	4.0%	5.8%
Underlying Return on Ave Equity (excl Revals)	18.5%	18.3%	19.9%	23.5%
Underlying Return on Ave Capital Employed (incl Revals)	7.2%	4.7%	5.4%	6.3%
EBITDAF/MWh Generation (\$/MWh)	45.2	46.4	49.6	55.3
Net Debt/(Net Debt+Equity) Gearing	24.6%	25.6%	25.3%	27.9%
FFO Interest Cover (# of Times)	5.9	4.6	4.5	4.7
EBITDAF Interest Cover (# of Times)	6.9	5.4	5.3	5.6
Solvency	54.0%	54.6%	53.1%	48.7%

	2010 FORECAST	2011 PLAN	2012 PLAN	2013 PLAN
Non Financial Performance Measures				
Business Customer Satisfaction	50.5%	58.0%	62.0%	65.0%
Residential Customer Satisfaction	54.2%	55.0%	58.0%	62.0%
Rural Customer Satisfaction	51.4%	52.0%	55.0%	58.0%
Hydro Forced Outage Factor	1.34%	0.34%	0.34%	0.34%
Number of Lost Time Injuries	4	0	0	0

Treatment of the Electricity Industry Bill in this SCI

The financial targets have been prepared on the basis of ‘business as usual’ and do not include the impact of any change in Meridian’s asset base or resulting long-term strategy as a result of the Electricity Industry Bill, which legislates for the government’s decisions from the Ministerial Review on improving electricity market performance.

The key impacts on Meridian’s operation from the Electricity Industry Bill are:

- sale to Genesis Energy of the Tekapo A & B power stations and associated infrastructure – the generation volumes from these two power stations average 1,000 GWh per annum
- agreement with Mighty River Power and Genesis Energy of a long-term swap of South Island/ North Island generation
- purchase by Meridian of the 155 MW Whirinaki power station unencumbered from any reserve energy scheme obligations
- participation in creating a liquid hedge market with all other generators
- a new scarcity pricing regime to be implemented by the Electricity Authority.

Although the reform package has significant implications for Meridian’s operation it does not fundamentally impact Meridian’s renewables-led growth strategy. However, the reform package has clear implications for the execution of Meridian’s strategy, particularly its retail strategy, and its ability to fund its growth strategy. The timing and value impact of the above changes and Meridian’s response in the wholesale and retail electricity markets are too uncertain at this time to provide an indication of the impact on financial performance or company valuation.

Capital Expenditure

Meridian operates an Investment Portfolio process to ensure the most valuable employment of capital is made in line with the company’s strategic direction. As part of this process it regularly reviews and can reprioritise planned capital expenditure. Funding availability, fit with strategic direction and commercial viability are major considerations in capital expenditure decisions which change over time.

Projected capital expenditure across the three-year period exceeds \$1.2 billion, principally in new renewable generation projects, including completion of the Te Uku wind farm near Raglan. Meridian currently holds a resource consent for the Central Wind project near Taihape and has applications relating to New Zealand wind and hydro generation projects in the consenting process. Capital expenditure exceeding \$100 million will also be made refurbishing and upgrading existing generation assets, with a further tranche of capital expenditure exceeding \$400 million supporting development of Meridian’s subsidiary portfolio, including wind and solar developments in Australia, the United States of America and the Pacific Islands.

	2010 FORECAST	2011 PLAN	2012 PLAN	2013 PLAN
Capital Expenditure				
Total Capital Expenditure (\$m)	585.7	326.3	305.4	606.3

Economic Return on Assets

Economic Value Added (EVA™) is a measure of economic profit. It is calculated as the difference between the Net Operating Profit After Tax and the opportunity cost of Invested Capital. This opportunity cost is determined by the Weighted Average Cost of Capital (WACC) and the amount of Capital Employed.

The nature of Meridian's business means its investment profile is characterised by large, lumpy capital expenditure on new generation assets. Short-term measures of economic return are influenced by the timing of this new generation investment and the sources of funding available to finance such growth. This introduces a degree of variability in economic returns across the three-year plan horizon, as evidenced by the forecast economic return in 2011, which is suppressed compared to 2010, as a result of recognition of increased debt levels from the expected acquisition of wind assets in Australia in late 2010.

Meridian's infrastructure investment decisions are made on a long-term basis focusing on future performance and delivery of its renewables-led growth strategy.

	2010 FORECAST	2011 PLAN	2012 PLAN	2013 PLAN
Economic Return on Assets				
Economic Return (excl Revaluations) (\$m)	127.2	120.3	161.5	211.0
Growth in Economic Return (excl Revaluations)		-5.4%	34.2%	30.7%
Economic Return (incl Revaluations) (\$m)	-265.3	-307.7	-265.4	-214.5
Growth in Economic Return (incl Revaluations)		-16.0%	13.7%	19.2%

Dividend Policy

Meridian will distribute all funds surplus to its investment and operating requirements, subject to meeting the solvency requirements of the Companies Act 1993. The actual dividend payments are subject to an annual review by the Directors of Meridian.

In determining the level of surplus funds, the Directors will take into consideration:

- Meridian's maintenance of a sustainable financial structure having regard to the risks from predicted short- and medium-term economic, market and hydrological conditions and projected financial performance and position
- appropriate financial policy settings in order to maintain a sufficiently strong credit rating
- working capital requirements, the asset investment programme and the targeted credit rating.

Subject to the above considerations, Meridian aims to pay two dividends each year with the interim dividend payment made no later than the last business day of April and the final dividend payment made no later than the last business day of October. The payment ratio on a long run basis is targeted to be 75% of net profit after tax having excluded the post-tax impact of movements in the fair value of derivatives under International Financial Reporting Standards (IFRS).

Information to be Supplied to Ministers

Meridian will provide any information required by shareholding Ministers pursuant to section 18 of the Act including any information that would normally be supplied to a controlling private shareholder to enable shareholding Ministers to assess the value of their investment in Meridian.

In addition the following information will be submitted to shareholding Ministers:

- an annual report in accordance with section 15 of the Act
- a half-yearly report in accordance with section 16 of the Act. This report will include statements of financial performance, financial position and cash flows, and such details as are necessary to allow an informed assessment of Meridian's performance during that reporting period

- quarterly reports comprising summarised financial statements together with a brief commentary on key events for the previous quarter and prospective highlights for the succeeding quarter
- a draft SCI together with a summary of Meridian's business plan for discussion prior to the start of the financial year to which they relate.

Other Business Management Objectives

Responsibility for Dam Safety

Meridian is conscious of its obligations as the owner and operator of many of New Zealand's largest dams. Meridian is committed to public safety and asset protection and will implement dam safety assurance programmes consistent with international best practice through its own operational practices and through its subsidiary Damwatch Services Limited.

Asset Management

Meridian will maintain and operate its assets in a manner and to a level that optimises the value that can be obtained from those assets.

Procedures for Share Acquisitions

Meridian will consult with shareholding Ministers before it or any member of its Group:

- acquires, by way of one or more related transactions, shares or an equity interest or otherwise makes a significant investment in a business that is outside the nature and scope of business activities outlined in this SCI
- acquires, by way of one or more related transactions, shares or an equity interest or otherwise makes a significant investment in a business (either onshore or offshore) that is material in the context of the Group.

The procedure for the establishment and management of subsidiary companies and disposal of shares and assets is set out in Appendix I.

Activities involving Crown Compensation

If the Government wishes or requires Meridian to provide goods or services or assume obligations in a manner which constrains the Company from acting in a normal, businesslike manner or which will or could result in a reduction in Company value, Meridian will seek compensation from the Crown in accordance with section 7 of the Act.

Meridian does not currently seek compensation from the Crown for any non-commercial activities.

Other Matters agreed by Shareholding Ministers and the Board

No other matters have been agreed by shareholding Ministers and the Board for inclusion in this statement pursuant to section 14(2)(j) of the Act.

Commercial Value of the Crown's Investment

The value of the Crown's investment in Meridian as at 30 June 2010 (as required under section 14(3) of the Act) is estimated to be \$6,700 million, which is a \$1,200 million increase from the value estimated as at 30 June 2009. The estimate of value is determined using a combination of a discounted cash flow (DCF) approach and a capitalisation of earnings approach cross-checked and supported, where appropriate, with other valuation techniques. This work is undertaken by independent valuation expert, PricewaterhouseCoopers.

The DCF valuation estimate is derived by summing estimates of value for each economic business unit (including subsidiaries) after identifying the key assumptions about Meridian's future operating cash flows and capital expenditure and developing a financial forecast and value for each economic unit. The cash flows are post-tax, pre-financing cash flows and discounted at the Board-approved Weighted Average Cost of Capital. PricewaterhouseCoopers have applied an assessed post-tax nominal Weighted Average Cost of Capital of 9.1% to discount the cash flows.

The capitalisation of earnings approach compares the sharemarket valuations for listed market participants and derives multiples which may include, but are not limited to, EBITDAF and EBIT multiples which are in turn adjusted for a control premium where relevant. The market derived multiples are compared to Meridian's maintainable earnings to derive a valuation. In essence, the independent valuer uses market data to test the underlying assumptions in a range of DCF scenarios to arrive at an estimate of enterprise value.

The valuation approach used, where both DCF and capitalisation of earnings are compared, is consistent with that used in prior years with key assumptions updated to reflect the Business Plan (2010-2013). It is not a fair value market assessment of the Company.

The significant assumptions that have resulted in an uplift in value include the acquisition of the Mt Millar wind farm in South Australia, completion of the CaIRENEW-1 solar facility in California, a reduction in ongoing operating expenditure as a result of Meridian's Fit for Purpose initiative and the change in the corporate tax rate.

Material external factors that are relevant to the determination of this valuation and which form a risk that can impact the valuation include but are not limited to:

- competitive wholesale and retail markets for electricity charges
- the volatility of spot electricity prices and generation volumes
- factors such as the introduction of carbon pricing and the possibility of new economical gas discoveries
- uncertain hydrological inflows and transmission constraints in the South Island
- uncertain quantum and timing of future major capital expenditure
- HVDC link availability and capacity
- any future changes to industry structure or regulation.

Comparison with Targets from Last Year's Statement of Corporate Intent

SCI Performance Measures	2010				2009			NOTES
	2010 FORECAST	2011 PLAN	2012 PLAN	2013 PLAN	2010 TARGET	2011 TARGET	2012 TARGET	
Financial Performance Measures								
Equity to Total Assets	56.8%	56.6%	56.2%	54.6%	54.2%	53.5%	52.4%	
Return on Ave Equity	5.1%	3.9%	4.0%	5.8%	5.6%	5.2%	5.7%	
Underlying Return on Ave Equity (excl Revals)	18.5%	18.3%	19.9%	23.5%	20.1%	20.7%	22.0%	
Underlying Return on Ave Capital Employed (incl Revals)	7.2%	4.7%	5.4%	6.3%				1
EBITDAF/MWh Generation (\$/MWh)	45.2	46.4	49.6	55.3	45.1	49.0	53.3	
Net Debt/(Net Debt+Equity) Gearing	24.6%	25.6%	25.3%	27.9%	27.4%	28.4%	29.5%	2
FFO Interest Cover (# of Times)	5.9	4.6	4.5	4.7				3
EBITDAF/Interest Cover (# of Times)	6.9	5.4	5.3	5.6	6.7	6.1	5.5	
Solvency	54.0%	54.6%	53.1%	48.7%				
Total Capital Expenditure (\$m)	585.7	326.3	305.4	606.3	\$1,200-\$1,300m over 3 years			4
Ventures Portfolio Total Revenue					Average 30% CAGR			5
Non Financial Performance Measures								
Business Customer Satisfaction	50.5%	58.0%	62.0%	65.0%	58.0%	62.0%	65.0%	6
Residential Customer Satisfaction	54.2%	55.0%	58.0%	62.0%	55.0%	58.0%	62.0%	6
Rural Customer Satisfaction	51.4%	52.0%	55.0%	58.0%	52.0%	55.0%	58.0%	6
Hydro Forced Outage Factor	1.34%	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%	
Number of Lost Time Injuries	4	0	0	0	0	0	0	
Hydro Plant Availability					92.7%	92.3%	93.8%	7
ACC Workplace Safety Programme					Tertiary Status at all sites			8
Report Greenhouse Gas Emissions					Yes	Yes	Yes	9
Customer Perception of Meridian					50.0%	55.0%	60.0%	10
Economic Return on Assets								
Economic Return (incl Revaluations) (\$m)	127.2	120.3	161.5	211.0	170.3	184.5	221.6	
Growth in Economic Return (excl Revaluations)		-5.4%	34.2%	30.7%	59.0%	8.0%	20.0%	
Economic Return (excl Revaluations) (\$m)	-265.3	-307.7	-265.4	-214.5	-167.5	-153.3	-130.0	
Growth in Economic Return (incl Revaluations)		-16.0%	13.7%	19.2%	73.0%	8.0%	15.0%	

Notes

1. Underlying Return on Average Capital Employed measure introduced this year
2. Equity component of gearing adjusted to remove the net effect of the fair value of financial instruments after tax
3. FFO interest cover measure introduced this year
4. Capital Expenditure Plan spend by year now disclosed
5. Ventures Portfolio measure removed this year
6. Customer satisfaction measures are a 6-month rolling average
7. Hydro Plant Availability dropped from last year
8. ACC Workplace Safety Programme status dropped from last year
9. Reporting of Greenhouse Gas Emissions dropped from last year
10. Perception measure dropped from last year

Supporting financial definitions are included in Appendix III.

Appendix I - Subsidiaries and Associate Companies

The terms “share”, “shareholding Minister”, and “subsidiary” have the same meanings as in section 2 of the Act.

Subsidiaries

In the event Meridian has any subsidiary, it will ensure that:

- control of the affairs of any subsidiary of Meridian is exercised by a majority of the directors of that subsidiary
- a majority of the directors of every subsidiary of Meridian are persons who are also directors or employees of Meridian or who have been approved by the shareholding Ministers for appointment as directors of the subsidiary.

Without the prior consent of shareholding Ministers, neither Meridian nor any of its subsidiaries shall sell or otherwise dispose of, whether by a single or any series of transactions, and whether by a sale of assets or shares, the whole or any substantial part of the business or undertaking of the Company and its subsidiaries (taken as a whole).

Associates

Where Meridian or its subsidiaries hold 35% or more of the shares in any company or other body corporate (not being a subsidiary of Meridian), it will not sell or otherwise dispose of any shares in that company without first giving written notice to shareholding Ministers of the disposition.

Appendix II – Statement of Significant Accounting Policies

Reporting Entity and Statement of Compliance

Meridian Energy Ltd is domiciled in New Zealand and registered under the Companies Act 1993. The registered office of the Company is Level 1, 33 Customhouse Quay, Wellington. 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 Energy Ltd’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 consolidated financial statements comprise those of Meridian Energy Ltd (the “Parent” or the “Company”) and its subsidiaries (together referred to as “Meridian” or the “Group”).

Financial statements are prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and are prepared in accordance with the requirements of the Financial Reporting Act 1993. For the purposes of financial reporting Meridian is a profit-oriented entity.

These consolidated financial statements comply with International Financial Reporting Standards (IFRS). The Parent entity financial statements also comply with IFRS.

Basis of Preparation

The consolidated financial statements of Meridian have been prepared in accordance with NZ IFRS. 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.

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 adoption of NZIFRS 8 Operating Segments and NZ IAS 23 (Revised) Borrowing Costs in advance of their effective dates (refer accounting policies below, note 3 Segment Disclosures and note 23 Borrowings). There is no effect on presentation and measurement on application of these standards.

The accrual basis of accounting has been used unless otherwise stated.

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

Adoption Status of Relevant Financial Reporting Standards

The additional new standards adopted since the preparation of the Group’s financial statements for the year ended 30 June 2009 are as follows:

- NZ IAS 1 (Revised) *Presentation of Financial Statements* – effective for annual reporting periods beginning on or after 1 January 2009
- NZ IAS 23 – *Borrowing Costs* – effective 1 January 2009
- Amendments to NZ IFRS 2 *Share Based Payments* – effective 1 January 2009
- NZ IFRS 3 – *Business Combinations* – effective 1 July 2009
- NZ IAS 27 – *Consolidated and Separated Financial Statements* – effective 1 July 2009
- Revised Amendments to NZ IAS 32 *Financial Instruments: Presentation of Financial Statements* – effective 1 January 2009.

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 price path estimates, including electricity, aluminium and estimates for inflation and discount rates, which have been used to fair value the generation structures and plant assets and energy derivatives. In addition, accounting judgements are made in respect of the hedge designation of certain financial instruments and assessment of hedge effectiveness.

Where material, information on the major assumptions is provided in the relevant accounting policy or in the relevant note.

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 the power to govern the financial and operating policies of an entity so as to obtain benefits from its activity.

The purchase method is used to account for the acquisition 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.

Business combinations that occurred prior to the date of transition to NZ IFRS have not been restated retrospectively.

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.

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.

Joint Ventures

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest and which are subject to joint control (unanimous decision-making) by the venturers are referred to as jointly controlled entities. Meridian reports its interest in jointly controlled entities using the equity method of accounting.

Under the equity method, investments in joint ventures are carried in the consolidated balance sheet 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 associate) are not recognised unless there is a legal or constructive obligation incurred by Meridian on behalf of the joint venture.

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.

Property, Plant and Equipment

Meridian’s generation structures and plant assets (including land and buildings) are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses. The basis of the valuation is the net present value of expected future cash flows. Revaluations are performed by an independent valuer 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 sheet date. The significant assumptions used in determining the fair value of the generation assets that require estimation and judgement include forecasts of the future electricity price path, sales volumes, operating and capital expenditure profiles, capacity and life assumptions for plant and discount rates.

Any revaluation increase arising on the 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 the 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 at the average cost of borrowing. 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 following depreciation and amortisation rates have been applied:

- Generation Structures and Plant Up to 80 years
- Other Freehold Buildings Up to 67 years
- Other Plant and Equipment Up to 20 years
- Resource Consents Up to 50 years

The residual value and the useful lives of assets are reviewed, and if appropriate adjusted, at each balance date.

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 and 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.

Intangible Assets

Customer Acquisition Costs

Customer acquisition costs are finite life intangibles and represent the capitalisation of costs incurred to acquire retail customers. Amortisation is calculated using the straight-line method to allocate the cost over a period not greater than ten years from the date of acquisition.

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. These costs are amortised over their useful lives (three years) on a straight-line basis.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs directly associated with the production of identifiable and unique software products that will generate economic benefits beyond one year are recognised as intangible assets and amortised over their estimated useful lives (not exceeding three years) on a straight-line basis.

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. The estimated useful lives are between seven and 20 years.

Licence Agreement

The value of a Licence Agreement has been recognised on acquisition of controlled entities. The Agreement is a finite life intangible and is recorded at fair value less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over a period of ten years.

Other licences are also amortised on a straight-line basis over their useful lives (six years).

Research and Development Costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense as incurred.

An intangible asset arising from Meridian's development activity is recognised only if all of the following conditions are met: an asset is created that can be recognised; it is probable that the asset created will generate future economic benefits; and the cost can be measured reliably.

Development costs that meet these criteria are amortised on a straight-line basis over their estimated useful lives. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Development costs incurred that cannot be separately identified from the physical asset are included in the item of property, plant and equipment being developed and depreciated over the useful life of the asset. If the recognition criteria are not met, development expenditure is recognised as an expense as incurred.

Impairment of Non Financial Assets other than Goodwill

At each balance date, Meridian reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 revalued amount, in which case the impairment loss is treated as a revaluation decrease. 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).

In determining the recoverable amount of customer acquisition costs management has exercised judgement in the following significant valuation assumptions: sales forecasts, customer numbers, customer churn, discount rates and forecast of future electricity prices.

In determining the recoverable amount of the license agreement, management has exercised judgement in the following significant valuation assumptions: sales forecasts (including volumes and pricing) and discount rates.

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.

The recoverable amount of goodwill is the net present value of expected future cash flows of the cash generating units. Key assumptions used in the valuation model that require management estimation and judgement include sales forecasts (including volumes and pricing) and discount rates.

Financial Instruments

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

Financial Assets

Meridian classifies its financial assets as either loans and receivables, or assets available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 separately from other changes in fair value.

Investments in shares that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost, less any impairment loss to reflect irrecoverable amounts.

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 joint ventures.

Trade Receivables

Trade receivables 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 the present value of estimated future cash flows.

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.

Financial Liabilities

Meridian classifies its financial liabilities as either borrowings and payables, or liabilities held for sale. Financial liabilities are classified as held for sale when the related business meets the requirements to be held for sale under NZIFRS 5. The classification of other financial liabilities depends on the purpose for which the financial liabilities were acquired. Management determines the classification of its financial liabilities at initial recognition.

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 subject to measurement under hedge accounting requirements.

Trade Payables

Trade and other accounts payable are recognised when Meridian becomes obligated to make future payments resulting from the purchase of goods and services, and are subsequently carried at amortised cost.

Emission Rights

Meridian receives tradable emission rights from specific energy production levels of certain renewable generation facilities. The future revenue arising from the sale of these emission rights is a key matter in deciding whether to proceed with construction of the generation facility and is considered to be part of the value of the generation assets recorded in the balance sheet. Proceeds received on the sale of emission rights are recorded as deferred income in the balance sheet until the committed energy production level pertaining to the emission right sold has been generated.

Emission rights produced are recognised as inventory if the right has been verified, it is probable that expected future economic benefits will flow to Meridian, and the rights can be reliably measured. Inventory is measured at the lower of cost and net realisable value.

Derivative Financial Instruments and Hedge Accounting

Derivatives include cross currency interest rate swaps (CCIRS), interest rate swaps (IRS) including forward rate agreements and interest rate options, foreign exchange contracts (FEC) including currency options and electricity contracts for differences (CfDs).

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 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)
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Some derivatives are not in a designated hedging relationship. 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.

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 unrealised net (loss)/gain on financial instruments within other finance-related expenses in respect of CCIRS, 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 fair value hedges is recognised in finance costs.

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

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement in unrealised net (loss) gain on financial instruments within operating profit in respect of CfDs and FEC and unrealised net (loss) gain on financial instruments within other finance-related expenses in respect of CCIRS. Cash settlements on derivatives in a cash flow hedge relationship are recognised in the income statement as an adjustment to the selling price (or cost) of the hedged item.

Amounts accumulated in equity 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.

However, 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 equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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.

Other Derivatives

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting or for which hedge accounting is not actively sought are recognised immediately in the income statement within operating profit in respect of CfDs and FECs or within finance costs in respect of IRS. Cash settlements on such derivatives will adjust the price of the underlying item to which they relate.

Day 1 Adjustment

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 profit and loss as electricity volumes contracted in the derivative expire. The carrying value of the derivative is disclosed net of the Day 1 adjustment.

Deferred 'Day 1' Gains/Losses

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

Fair Value Estimation

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 (such as electricity futures traded on the energy hedge market) is based on closing market prices at the balance sheet date.

The fair value of instruments that are not traded on an active market (IRS, CCIRS, FEC, CfDs) is determined using various valuation techniques which include assumptions on both observable data when such data is available (IRS, CCIRS, FEC, some CfDs) and non-observable data (some CfDs) in all other instances. The fair value of IRS, CCIRS, FEC and CfDs is based on the discounted value of future cash flows. Assumptions on the determination of future cash flows are based on publicly available forecast prices where available and internal models approved by the Board when a forecast price is not available.

In relation to forecast prices used to determine future cash flows for 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 of the aluminium price (based on the London Metal Exchange (LME)) for the non-observable period using a historical trend analysis to form future price expectations
- forecast CPI or proxy for price inflation
- all CfDs run to full term.

The forecast electricity price path is used to determine a best estimate of the 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 a benchmark bank bill (BKBM) interest rate adjusted for additional risks including credit risk and the remaining term of the CfD. In relation to one CfD, the discount rate used is Meridian's weighted average cost of capital.

The fair value of 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 and in the case of one CfD, fair value can also vary based on the price of aluminium published on the LME.

Reserves

The revaluation reserve arises on the revaluation of generation structures and plant and from the revaluation of certain intangible assets as part of the step acquisition of the Whisper Tech Group on 3 July 2006. Where revalued generation structures or plant assets are sold, that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained earnings. Where a revalued intangible asset is sold that portion of the reserve which relates to that intangible asset, and is effectively realised, is transferred directly to retained earnings. Where a revalued intangible 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 independent 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.

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 associates, 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

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.

Goods and Services Tax

The income and cash flow statements are prepared on a GST exclusive basis. All items in the balance sheet are stated net of GST, except for receivables and payables, which include GST.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. Net realisable value represents the estimated selling price less estimated selling expenses.

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. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Warranties

A provision for warranties is recognised as a liability when the underlying products or services are sold. The amount of the liability is estimated using historical warranty data, management estimation of return rate, and industry information where available.

Restructuring

Restructuring is a programme planned and controlled by management 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 and to retail customers and for energy-related goods and services provided.

Revenue from a contract to provide 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.

Management have 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.

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 rate method.

Energy-related Costs

Energy-related costs reported in the income statement include amounts payable for electricity purchased from the wholesale market and energy-related services purchased from suppliers.

Share-based Payments

Equity-settled share-based payments are measured at fair value at grant date. This value is expensed on a straight-line basis over the vesting period, based on Meridian's estimate of shares that will eventually vest.

Cash Flow Statement

The cash flow statement 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 operating cash flow.

The following are definitions of the terms used in the cash flow statement:

- Cash comprises cash on hand and demand deposits
- Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value
- Cash flows are inflows and outflows of cash and cash equivalents
- Operating activities are the principal revenue producing activities of Meridian and other activities that are not investing or financing activities
- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of Meridian.

Comparatives

Where necessary to facilitate comparison, comparative figures have been adjusted to conform with changes in presentation in the current year. These are disclosed in the relevant note to the accounts.

Appendix III: Supporting Definitions

Definitions of SCI Measures

Equity to Total Assets	Group Equity divided by Total Assets
Return on Ave Equity	Net Profit after Tax divided by Average Equity
Underlying Return on Ave Equity (excl Revals)	Underlying Return (excluding Revaluations) divided by Average Equity (excluding Revaluations)
Underlying Return on Ave Capital Employed (incl Revals)	Adjusted Operating Profit before Tax divided by Average Capital Employed (including Revaluations)
EBITDAF/MWh Generation	EBITDAF divided by MWh Generation
Net Debt/(Net Debt+Equity) Gearing	Net Debt divided by Capital Funding
FFO Interest Cover	FFO plus Net Interest divided by Net Interest (12-month rolling average)
EBITDAF Interest Cover	EBITDAF divided by Net Interest (12-month rolling average)
Solvency	Current Assets divided by Current Liabilities
Customer Satisfaction	Six month rolling average of survey scores measuring the percentage of Business/Residential/Rural customers that rate Meridian as Excellent or Very Good
Hydro Forced Outage Factor	Percentage of time that hydro assets are unavailable in a period due to forced unplanned outages
Number of Lost Time Injuries	Count of the number of times any staff member is absent from work for at least one full shift due to injury
Economic Return (excl Revals)	NOPAT less Capital Charge (excluding Revaluations)
Economic Return (incl Revals)	NOPAT less Capital Charge (including Revaluations)
Capital Expenditure	Total Group Capital Expenditure

Supporting Financial Definitions

Adjusted Equity	Period closing Group Equity less unrealised fair value movements on derivative financial instruments after tax
Adjusted Operating Profit before Tax	Operating Profit before Tax less unrealised fair value movements on derivative financial instruments
Average Capital Employed (incl Revals)	Average Equity plus Average Deferred Tax plus Average Debt
Average Capital Employed (excl Revals)	Average Group Equity less Asset Revaluations plus Average Deferred Tax (excluding Deferred Tax on Asset Revaluation) plus Average Debt
Average Equity	Group Equity averaged over opening and closing equity for the period
Average Equity (excl Revals)	Group Equity excluding asset revaluations averaged over opening and closing equity for the period
Capital Charge (incl Revals)	Average Capital Employed (including Revaluations) times Weighted Average Cost of Capital
Capital Charge (excl Revals)	Average Capital Employed (excluding Revaluations) times Weighted Average Cost of Capital
Capital Funding	Net Debt plus Adjusted Equity
EBITDAF	Group Earnings before interest, tax, depreciation, amortisation and unrealised fair value movements on derivative financial instruments for the period
Funds from Operations (FFO)	Group EBITDAF less net interest less tax paid
Group Equity	Period closing Group Equity attributable to shareholders
MWh Generation	Megawatt hours of New Zealand generated electricity
Net Debt	Face value of borrowings less cash and cash equivalents
Net Interest	Interest paid less interest received (excluding capitalised interest) for the period
Net Operating Profit after Tax (NOPAT)	EBITDAF less Doubtful Debts less tax at the applicable effective tax rate
Net Profit after Tax (NPAT)	Reported Net Profit after Tax
One-off Items	Items because of their nature or incidence should be adjusted in order to assist understanding of the underlying business performance
Total Assets	Period closing Group Total Assets
Underlying Return (excl Revals)	Net Profit after tax adjusted for one-off items and unrealised net (losses)/gains on derivative financial instruments and revaluation impacts

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