IT'S OUR FUTURE.

As a 100% renewable energy generator, and as a retailer, our business has always walked hand in hand with the environment.

But building a sustainable future is much more than that...

meridian

MERIDIAN ENERGY LIMITED

INTEGRATED REPORT FOR THE YEAR ENDED 30 JUNE 2017

We understand the value of collaboration over conflict, of long-term plans over short-term plays, of striving to do the right thing by people *and* the planet.

Last year the United Nations set out goals for global sustainability. We're already playing a significant role for New Zealand.

World-leading investors are asking for evidence of integrated sustainable thinking. That's how we've always thought.

They know, like we know, that creating value for others is the best way to create value for our business.

Our success depends on building a better tomorrow, for everyone.

That's why we're working to build a better future for our team, customers, communities, New Zealand and beyond.

IT'S ALL CONNECTED.

ABOUT THIS REPORT

This integrated report is a review of our financial, economic, social and environmental performance for the financial year ending 30 June 2017 (FY17).

The financial information in this report has been prepared in accordance with appropriate standards, details of which can be found on page 62, and has been audited by Deloitte on behalf of the Auditor-General (see the Independent Auditor's Report on page 90).

The non-financial information in this report has been prepared in accordance with the Core requirements of the Global Reporting Initiative's (GRI's) G4 Sustainability Reporting Guidelines.

A broad list of topics was generated from a review of the United Nations Sustainable Development Goals (SDG) (see the sustainability framework on page 9), stakeholder engagement (see the stakeholder mind map on page 12), media, Meridian's risk register, Board reporting, and other sources. Topics were considered material for reporting if they were relevant and significant, reflected the legitimate needs and interests of stakeholders and/or substantially affected our ability to create value over time. See the GRI Content Index at the back of this report for details of the material topics that have been reported.

Included in this report is a summary of the Meridian Group's greenhouse gas accounts, part of a more detailed Meridian Group inventory (audited by Deloitte and available online[1]). Apart from these accounts, Meridian has not sought external assurance for the non-financial information in this report and we have no current policy on this.

For FY17 the Meridian Group included the parent company Meridian Energy Limited and all its operational subsidiaries (note the Group structure in the financial statements). Dam Safety Intelligence Limited was split from the Damwatch Group in November 2016 and now reports to General Counsel, with the remaining Damwatch entities sold on 1 December 2016. Flux Federation (the software division of Powershop New Zealand) was created in FY17 and began trading on 1 July 2017.

Non-financial data and commentary are reported for the Meridian Group where possible, and referred to as 'Meridian' (the parent company), 'Powershop New Zealand' and 'Powershop Australia' when only parts of the Group are being discussed ('Powershop Australia' refers to our retailing operations in Australia; the generation activities in Australia are included in the Generation section). In both the commentary and data, Dam Safety Intelligence is included in the parent company, and the four employees of Powershop UK are included in Powershop New Zealand, unless specifically mentioned.

Care has been taken to ensure that all data in this report is as accurate as possible. Where assumptions or estimations have been made, they are clearly stated and explained. The scope of this report differs from the non-financial information contained in last year's annual report, dated 23 August 2016, due to our updated sustainability policy (available online[2]) and adoption of integrated reporting. Any restatements of data or changes in methodology are noted as relevant throughout the report.

1 meridianenergy.co.nz/about-us/sustainability/green-house-gas-emissions-reports
2 meridianenergy.co.nz/investors/governance/policies

IN THIS REPORT

DIRECTORS' STATEMENT

This year's annual report has been prepared using the International Integrated Reporting Council's Integrated Reporting Framework. It reflects our view that the way in which Meridian takes care of its customers, people, local communities, iwi and the environment supports our ability to continue delivering shareholder returns.

The Board has established processes to ensure the quality and integrity of this integrated report, and has entrusted management with preparing and presenting it accordingly.

Meridian complies with all the recommendations in the NZX Corporate Governance Code and has also adopted the corporate governance principles of the New Zealand Financial Markets Authority and the Australian Stock Exchange. Our Corporate Governance Statement, which is available on Meridian's website,[3] reports on our practices and processes against each of the NZX Corporate Governance Code recommendations.

Recognising our significant retail shareholder base, Meridian's Chief Executive ran a series of investor briefings in eight regional centres in December 2016. The Board has a policy of rotating the location of the annual shareholder meeting between Auckland, Wellington and Christchurch, and the 2017 meeting will be held in Wellington. More information will be provided closer to the time in the Notice of Meeting.

We hope you're able to attend the 2017 annual shareholder meeting in person, but if you can't, Meridian's website will have a link to a live webcast.

In the meantime, shareholders may at any time ask questions, request information or comment on this report via Meridian's website[4] or by directly contacting the Investor Relations Manager at investors@meridianenergy.co.nz.

CHRIS MOLLER
Chair

PETER WILSON
Deputy Chair

3 meridianenergy.co.nz/investors/governance
4 meridianenergy.co.nz/contact-us

About Meridian

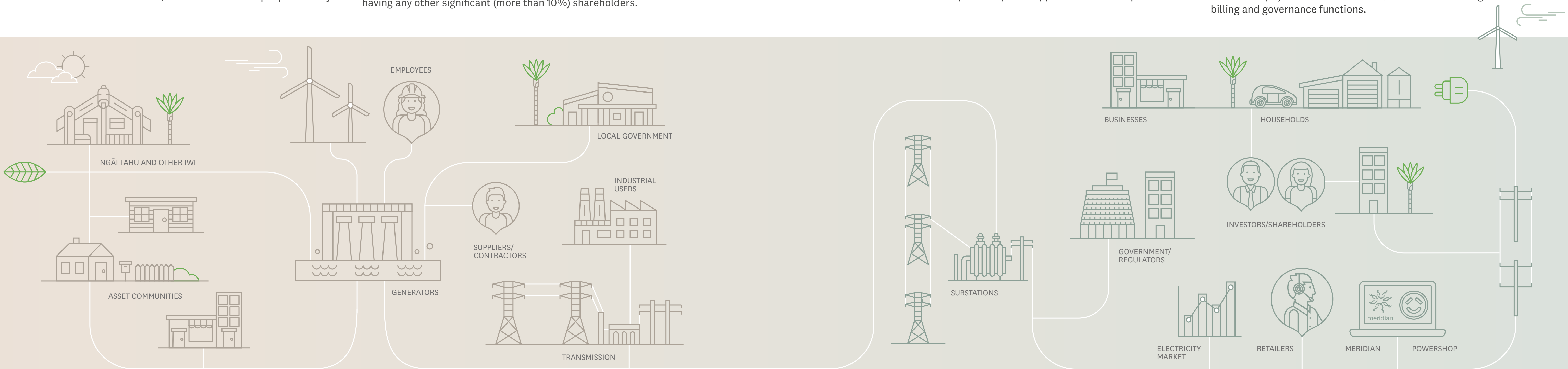
Meridian's core business activities are the generation, trading and retailing of electricity and the sale of complementary products and services, in New Zealand and Australia.

The Meridian Energy Group is one of New Zealand's largest organisations, with $2,319 million in revenue in FY17, EBITDAF[5] of $653 million, a total market capitalisation of $7.5 billion which makes us the second largest company on the New Zealand Stock Exchange (NZX), and net assets of $5,082 million. We have a small workforce relative to our size, with more than 950 people directly employed by or contracted to us, and third parties providing us with ICT, facilities management and meter reading services.

Meridian is a public company, listed on both the NZX and the ASX (Australian Securities Exchange). It's majority owned by the New Zealand Government and is precluded by legislation from having any other significant (more than 10%) shareholders.

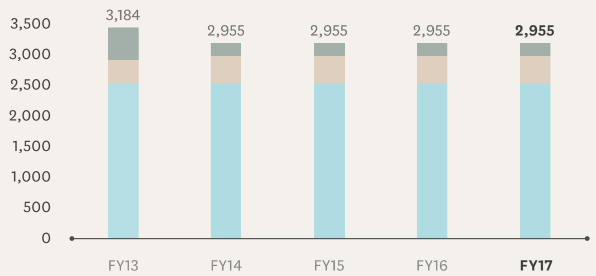
Our supply chain for generating electricity principally relates to the parts and components used to build and maintain our generation assets. Our supply chain risk is limited to a small number of components supplied by local and global suppliers, with the balance supported by a mix of general engineering consumable and specialist parts suppliers and service providers.

Meridian's energy retailing business—in New Zealand and Australia—has a negligible supply chain as the physical assets used to distribute electricity and meter its use are managed by national and local lines and metering companies. Our retail operations' requirements are typical of corporate offices, and include the physical facilities and ICT, sales and marketing, billing and governance functions.

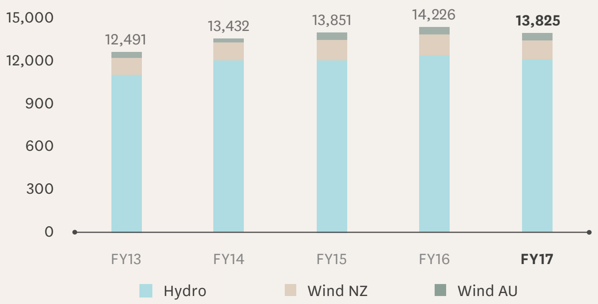


Generation[6]

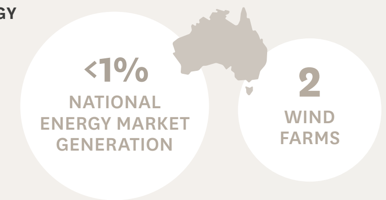
CAPACITY (MW[7])



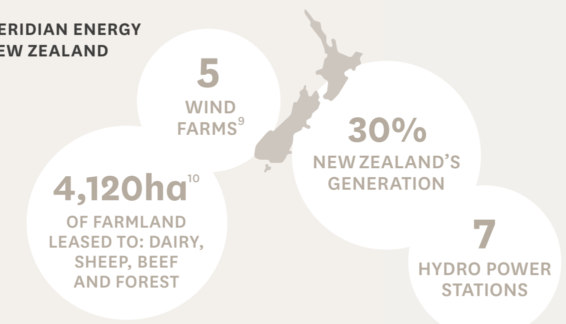
GENERATION (GWh[8])



MERIDIAN ENERGY AUSTRALIA



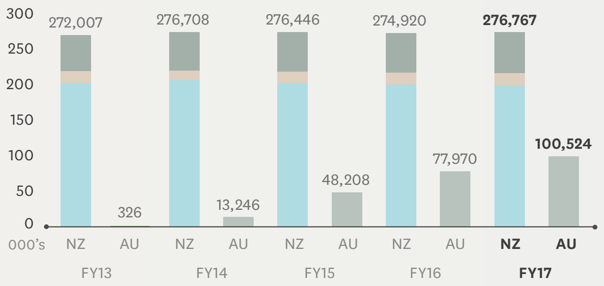
MERIDIAN ENERGY NEW ZEALAND



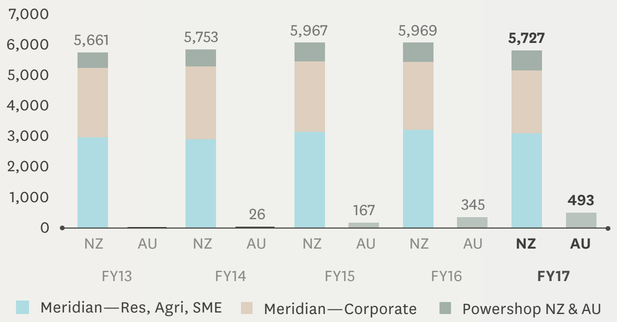
5 Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items.
6 Map of Meridian assets: meridianenergy.co.nz/assetmap
7 Megawatts: measure of generating capacity (power).
8 Gigawatt hours: measure of generating output (energy).
9 Excludes the Brooklyn wind turbine.
10 As at 30 June 2017.

Retail

CUSTOMER CONNECTIONS* (ICPs[11])

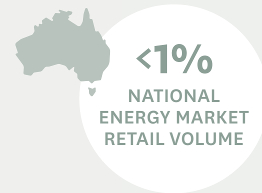


RETAIL SALES VOLUME (GWh)



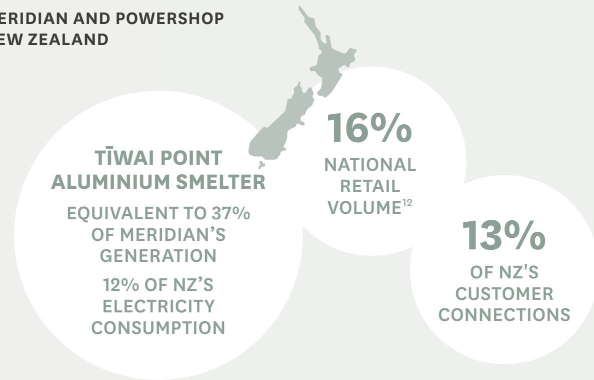
* Excludes the Tīwai Point Aluminium Smelter, <10 of the above ICPs are connected to the transmission network, around 4,000 customer connections have distributed generation metering.

POWERSHOP AUSTRALIA



POWERSHOP UNITED KINGDOM

MERIDIAN AND POWERSHOP NEW ZEALAND



11 Installation control points (ICPs).
12 Excluding Tīwai Point Aluminium Smelter.

Mark joined Meridian for the challenge of preparing the company for what would be New Zealand's largest initial public offering (IPO). The process was an outstanding success and, on behalf of the Board, I would like to thank Mark publicly for the excellent job he has done in leading Meridian through this transformative period. While the Board was disappointed to be advised of Mark's retirement, we are pleased to have unanimously appointed Neal Barclay (Meridian's current General Manager of Retail) as Meridian's new CE. Neal's credentials for the job are very strong and the Board is looking forward to working with Neal as CE from the beginning of 2018.

CHRIS MOLLER
CHAIR

It was with a degree of sadness that I advised the Board in June of my decision to retire at the end of the year after six years as CE. I consider it a privilege to have had the opportunity to play my part in the partial privatisation of Meridian and its growth to be the second largest company on the New Zealand Stock Exchange by market capitalisation. It has been a process that I believe has sharpened our focus and delivered for all stakeholders, whether they be customers, shareholders, tangata whenua or our communities. I am proud that the company is in such great shape and I have been able to hand over the reins to such a highly respected internal candidate as Neal Barclay. I know Meridian will continue to perform strongly.

MARK BINNS
CHIEF EXECUTIVE

Creating value through sustainability

A VIEW FROM OUR CHAIR AND CHIEF EXECUTIVE.

Sustainability is what Meridian is all about. That we're a sustainable business is increasingly important to all our stakeholders, and offers significant benefits for New Zealand and Australia. And we know that taking care—of the environment and our people, communities, customers and shareholders—is what has led to our financial success.

For the past two years Meridian has been one of only three New Zealand companies listed on the Dow Jones Asia-Pacific Sustainability Index. This achievement recognises Meridian's sustainable business practices and how they assist in generating long-term shareholder value.

In FY17 we reinforced the importance of sustainability to our business by refreshing our sustainability framework, taking inspiration from the UN Sustainable Development Goals to which the New Zealand Government (our majority shareholder) has committed, along with 192 other countries[13] including Australia. We have also adopted the International Integrated Reporting Council's Integrated Reporting Framework.

This fresh approach to sustainability enables us to articulate our view that **through creating value for others we create value for our shareholders**. Sustainability isn't a philosophy that sits alongside our business strategy; it's an integral part of our approach to business, and one of the keys to our success in our 18 years of existence.

Our strategy focuses efforts on four key areas: maximise **generation** value, grow **retail** value, maintain open **markets** and develop new opportunities for **growth**. Our sustainability framework reinforces for us the long-term results we're trying to achieve in each of these areas, and the resources we depend on to achieve them. We expand on these linkages in the Generation, Retail, Markets and Growth sections of this integrated report.

Contributing to climate change action

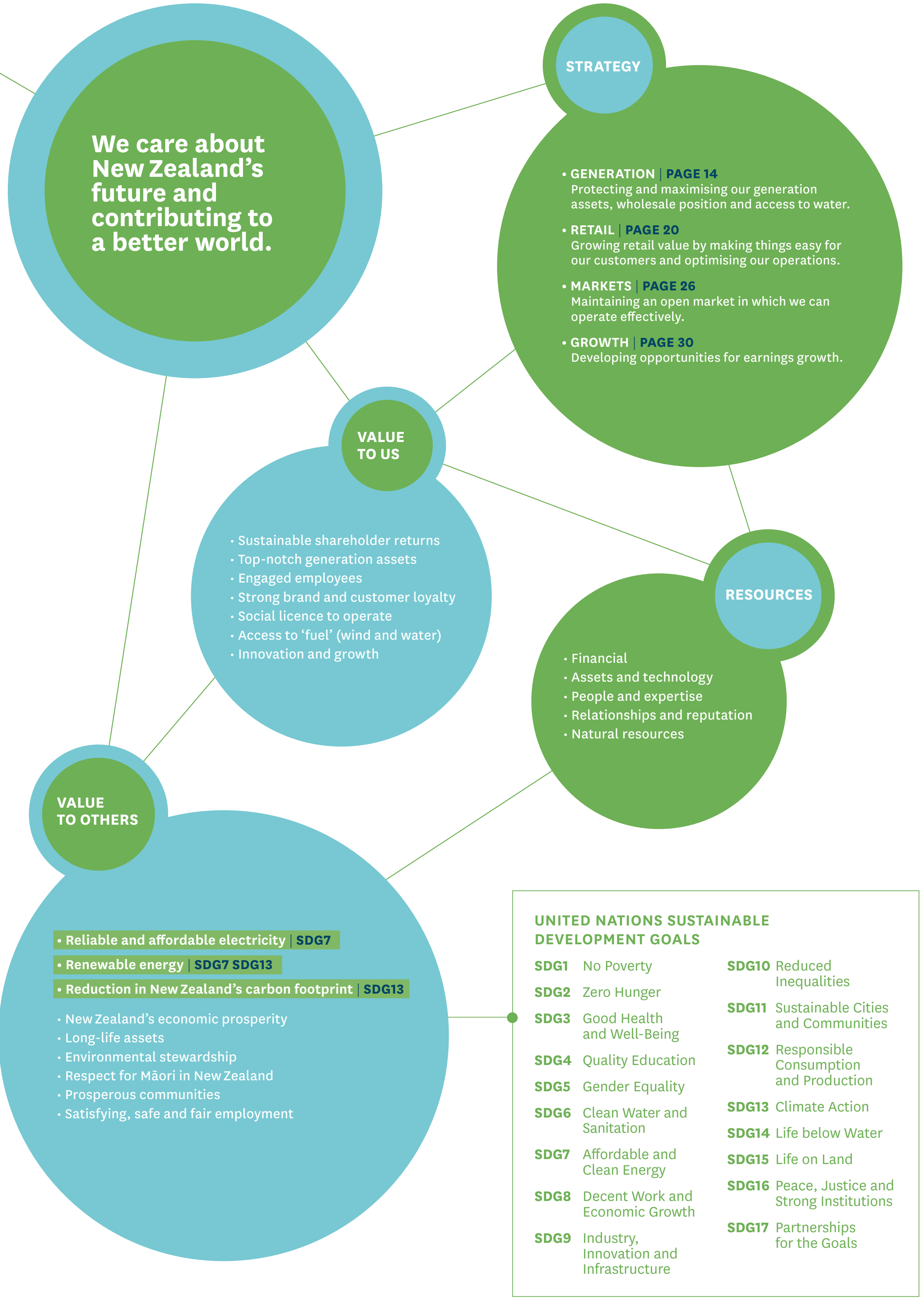
As a company that generates all of our electricity from renewable resources, we contribute meaningfully in New Zealand to two of the UN Sustainable Development Goals that are focused on climate change and renewable energy: SDG13 Climate Action and SDG7 Affordable and Clean Energy.

At an international level, a combination of reducing wind and solar energy costs, the global commitment to taking action on climate change through the use of renewable energy resources, and customer demand for this technology, is expected to see wind and solar supplying a third of global energy by 2040.[14] The election of President Trump in the United States and his adoption of fossil-fuel-friendly policies are not expected to reverse this trend—we've already seen a decrease in the cost of wind generation in New Zealand to the point where it's cost-competitive with other generation technologies.

In countries such as Australia, consumers are increasingly appreciating the benefits of continuing government support for, and lower costs to install, solar systems and increasingly batteries. Solar is also growing strongly at utility scale. Lower costs, expected higher electricity prices, and the Renewable Energy Certificates that are issued for each megawatt hour of renewable generation are expected to continue to encourage the development of renewable sources of electricity generation in the next three or four years. However, without long-term regulatory stability it seems unlikely that the 2020 Australian Renewable Energy Target will be achieved. While many countries are experiencing significant disruption to their electricity industries, each has unique economic and political challenges, making a one-size-fits-all approach to the future inappropriate.

Meridian's contribution to affordable and clean energy includes supporting New Zealand customers who wish to adopt new technology. We understand that those wanting to install solar systems are often driven not only by pure economics but by the opportunity to contribute to the continuing push for clean energy, notwithstanding New Zealand's already significant generation of renewable electricity.

Recognising that our commercial customers are part of this move, we've identified users and networks where solar is a viable option and are already negotiating the installation of solar arrays at customers' facilities. These would be owned by Meridian and, if successful, would provide a model for other customers with similar usage profiles. Similarly, we're encouraging the use of electric vehicles by offering customers the sharpest tariffs in the country, and with that helping to reduce New Zealand's carbon footprint.



13 un.org/sustainabledevelopment/blog/2015/09/historic-new-sustainable-development-agenda-unanimously-adopted-by-193-un-members/
14 New Energy Outlook 2017 by Bloomberg New Energy Finance.

A view from our Chair and Chief Executive

It was a dry year, so we called on our agreement with Genesis Energy (Genesis)

In FY17 New Zealand felt the impacts of the ever-changing climate and the challenges that can arise in a country that relies on hydro generation for 55% of its electricity production in an average year. The lack of rain in the Waitaki and Waiau catchments since the beginning of February 2017 resulted in the driest February to June period since records began 84 years ago. The year was a 'game of two halves'. Up to January our profit was more than $20 million ahead of last year's result, but after that we had successive months of lower profitability as generation was constrained. In June, we called on our swaption with Genesis, which is our more expensive option for providing financial cover for our sales position (you can read more about this in the Markets section of this report). This move validated our decision to renegotiate the swaption with Genesis in 2016, despite criticism that we were supporting the continued running of the Huntly units, which operate on fossil fuels.

While we're seeing the deployment of batteries in a number of geographies to provide security of supply, the cost of providing energy of a quantity and duration equivalent to what is available with the swaption is currently prohibitive. Given current technologies and costs, no renewable energy electricity system can operate in New Zealand without a small amount of thermal generation to cover dry years, as this would expose New Zealand consumers and the economy to significantly higher electricity costs. We expect this to change as future demand-side management tools and storage technologies evolve in the coming decades.

Despite the challenges, New Zealand produced around 80% of its electricity from renewable resources in FY17, with Meridian contributing just under half that amount. This is a significant achievement compared to other electricity systems around the world, and in sharp contrast to Australia, which is still reliant on fossil fuels for about 90% of its electricity generation.

All the supporting pieces count

The UN Sustainable Development Goals also provide a foundation for Meridian's pursuit of leadership in areas where our efforts may not of themselves 'shift the dial' at national or international levels, but demonstrate our commitment to being a good corporate citizen. This applies particularly to areas in which New Zealand's performance needs to improve, such as health and safety, gender equality and environmental performance.

Keeping these goals front of mind keeps us focused on managing the resources that are key to our long-term success. You can read about our approach to and performance against these goals throughout this report.

Our largest customer

Meridian's (and New Zealand's) largest electricity customer is the New Zealand Aluminium Smelter.

While electricity pricing, given its impact on the smelter's costs, is always a point for debate, we believe the retention of the smelter is the best outcome for Meridian, the electricity industry and New Zealand. So we were pleased to see that the key factors in the smelter's profitability on balance moved in its favour in FY17, with international aluminium prices up 16%, the NZD/USD cross rate marginally up 3%, and its relative position to Australian smelters improving given the security of supply issues and price volatility being experienced by energy-intensive industries across the Tasman.

While we're an outside observer, we're confident of the smelter's future, and maintain a positive working relationship with its owner. We look forward to the time when aluminium manufactured at Tīwai Point enjoys a price premium for being 'green metal' because it is manufactured with such a high percentage of electricity supplied from renewable sources.

New markets for growth

Having successfully franchised the Powershop platform as 'software as a service' to nPower in the United Kingdom, we separated out the software development business of Powershop New Zealand and created a separate entity called Flux Federation (Flux), effective 1 July 2017. Powershop New Zealand (now solely an electricity retailer) will report to the General Manager of Meridian Retail.

Flux is currently working on delivering gas retailing functionality to nPower, which will go live in early 2018. Its ability to deliver the Powershop platform to nPower has given us the confidence to investigate other potential international growth markets.

Almost 50% of our employees are also shareholders

The first tranche of the Meridian-wide share scheme, *MyShare*, vested in FY17, and it was gratifying to see participating employees enjoy a 90% return on their investment in the three years to June 2017. For FY18 nearly 50% of our New Zealand permanent staff are Meridian shareholders. We remain committed to helping all employees to understand the importance of saving for their retirement, whether through KiwiSaver, *MyShare* or otherwise.

The financial results

We're pleased to report another good financial result for Meridian, achieved despite testing weather conditions, owing to the ability of our people to manage our assets, technology, reputation and natural resources effectively and responsibly.

The team as a whole did an excellent job in delivering an EBITDAF[15] result of $653 million, which is a slight improvement on last year. This was reached through achieving a very good result in the first half of the year and undertaking astute risk management, given the weather conditions, in the second six months of FY17.

Net cash from operating activities was at a record level, up $18 million on last year. While customer revenue was down, so was the amount paid for the electricity supplied, and this together with tight control of costs delivered another satisfactory result.

The Board has declared a final ordinary dividend of 8.70 cents per share, which takes the total ordinary dividend to 14.03 cents per share, a rise of 4% for the year. Under the Dividend Policy this represents 84% of free cash flow and a higher point in the range than in previous years. As we have noted in the past, it is important to maintain a conservative balance sheet, as it allows the company to ride the cyclical vagaries that renewables-only companies expect owing to changes in weather patterns. This is well illustrated by our ability to increase our dividend despite the past six months of poor catchment inflows.

Similarly, the directors see no need to deviate from the capital management programme—so after considering the company's financial position, future trading prospects and alternative uses of excess capital, the Board has declared a final special dividend of 2.44 cents per share, bringing the total amount distributed under the five-year capital management programme to $312.5 million.

Meridian's share price performed strongly, ending the year up 10%. This performance, combined with the dividends paid during the year, generated a total shareholder return (TSR) of 17% for the year.

Near-term outlook

The weather pattern that led to the low inflow sequence in the second half of FY17 has showed signs of improvement, with July 2017 inflows 93% of average; however, our storage is still low. At the time of this report's release, Lake Pūkaki storage was 71% of the historical average, and 46% of the storage held at the same time last year.

We maintained the use of the swaption with Genesis through July 2017, although more recently we have been able to cease calling volume under the contract. If spring inflows fall short of expectations, we may need to recommence the use of this option.

On the regulatory front, we were disappointed to see the Electricity Authority delay the transmission pricing review, albeit for understandable reasons. While it now seems likely that the review will be delayed well into the next financial year, we remain supportive of its purpose, logic and goals.

As at the date of publishing this integrated report, the New Zealand general election is less than a month away. While refinements can always be made to further improve, the market as a whole has worked well for the benefit of all New Zealanders in the past three years. Accordingly it is pleasing to see that there are no political proposals to fundamentally change the market structure.

On behalf of the Board and the Executive Team, we want to thank our shareholders for entrusting us with their money, our customers for doing business with us, all of our stakeholders for collaborating with us, and our staff for their dedication and loyalty to help Meridian create a sustainable future through renewable energy.

15 Earnings before interest, tax, depreciation, amortisation and changes in fair value of hedges and other significant items.

Meridian stakeholders

We know that strong stakeholder relationships are key to Meridian's success, and affect our ability to create value. We are committed to understanding their interests and concerns, responding accordingly, and providing honest and transparent communication.

We care about New Zealand's future and contributing to a better world.

Important issues for all stakeholders.

WANT MERIDIAN TO BE A GOOD CORPORATE CITIZEN—AN ETHICAL AND FAIR COMPANY THAT CARES ABOUT NEW ZEALANDERS AND IS WELL-MANAGED

- 100% renewable energy company
- Environmentally responsible
- Adhere to a strong Code of Conduct
- Operate our business responsibly
- Listed on the Dow Jones Asia-Pacific Sustainability Index
- Strong governance structure and processes
- People strategy
- Sponsorships and local community funds
- Good relationships with iwi
- Provide additional support for vulnerable customers

See this report and the Corporate Governance Statement on our website

GOOD COMMUNICATION AND TRANSPARENCY

- Commitment to annual reporting, market releases, media releases, operational reports that provide transparency and latest company information

See this report and our website

MERIDIAN'S CONTRIBUTION TO CLIMATE CHANGE AND PROTECTING THE ENVIRONMENT

- Commitment to 100% renewable energy generation
- Reduction target for our corporate emissions
- Support transition to electric vehicles
- Biodiversity projects related to our assets and local communities

See this report

SUPPLIERS/CONTRACTORS

A fair and robust process for the tendering and selection of suppliers

- Maintain a policy, specific rules and detailed guidelines for tendering, selecting and managing suppliers and contractors

See our Code of Conduct on our website

CUSTOMERS

Fair price for electricity

- Competitive pricing and support for an open and efficient market
- Support to customers in financial hardship above and beyond regulatory requirements

See the Retail, Growth and Markets sections

Want an easy customer experience

- Invest in delivering outstanding customer experience

See the Retail section

NGĀI TAHU AND OTHER IWI

Value long-term relationships and work to long timelines (intergenerational)

- Have engaged with iwi for many years
- Work on relationships and agreements that are more than transactional
- Show we understand and respect the importance of Māori to New Zealand

See the Generation section

Want to foster understanding of Māori perspectives for their people and want their people to prosper

- Respect and value the role of Māori in Aotearoa—work closely with Ngāi Tahu on topics of mutual interest and ensure their interests are reflected in management and decision-making
- Delivered a Māori language app to build Meridian staff knowledge of Māori culture and protocols with the help of Ngāi Tahu

See the Generation section

Deep cultural interest in the environment, ecology and cultural elements of the New Zealand landscape

- Work with Ngāi Tahu to recognise the kaupapa of Ki Uta Ki Tai (from the mountains to the sea)

See the Generation section

Rights to and interests in fresh water and water quality

- Manage our own impacts and contribute to the debate when it affects our ability to operate our hydro power stations
- Work with Ngāi Tahu to shape a joint project to recognise iwi cultural values in the Waitaki catchment

See the Generation section

GENERAL COMMUNITY/PUBLIC

CENTRAL GOVERNMENT/REGULATORS

ELECTRICITY SECTOR

Support for the openness and efficiency of the New Zealand and Australian markets

- Support regulators in their efforts to ensure open and efficient markets

See the Markets and Growth sections

Security of supply

- Support regulators in their efforts to create efficient markets that deliver security of supply
- Maintain our portfolio of generation options with a disciplined and appropriate expenditure of capital
- Focus on process safety to ensure continued operation of plant

See the Markets, Growth and Generation sections

EMPLOYEES

Growth and career development opportunities, fair pay, a good culture and a safe working environment

- Care about what matters to Meridian staff through addressing issues and working to improve our business

See the Generation and Retail sections

ASSET COMMUNITIES

Trust that our assets are safe for their communities

- Work closely with local communities from the time of consent to address concerns when it comes to building new assets

See the Generation section

Want Meridian to invest in prosperity of their communities—jobs, facilities and people

- Contribute to asset communities as a local employer, through our staff as community members and through our community fund model 'Power Up' (in the past 10 years Meridian has provided $6.4 million to around 850 community-led projects)

See the Generation section

INVESTORS AND CENTRAL GOVERNMENT AS THE MAJOR SHAREHOLDER (51%)

Dividends

- Generate solid financial returns for our shareholders

See the Value created for our shareholders section

Commercial rationale for use of capital

- Maintain our portfolio of generation options with a disciplined and appropriate expenditure of capital

See the Growth section

Generating long-term value, and increasingly associate long-term value with sustainability

- Incorporate sustainability, stakeholder views, ethical behaviour and integrated thinking principles in our business

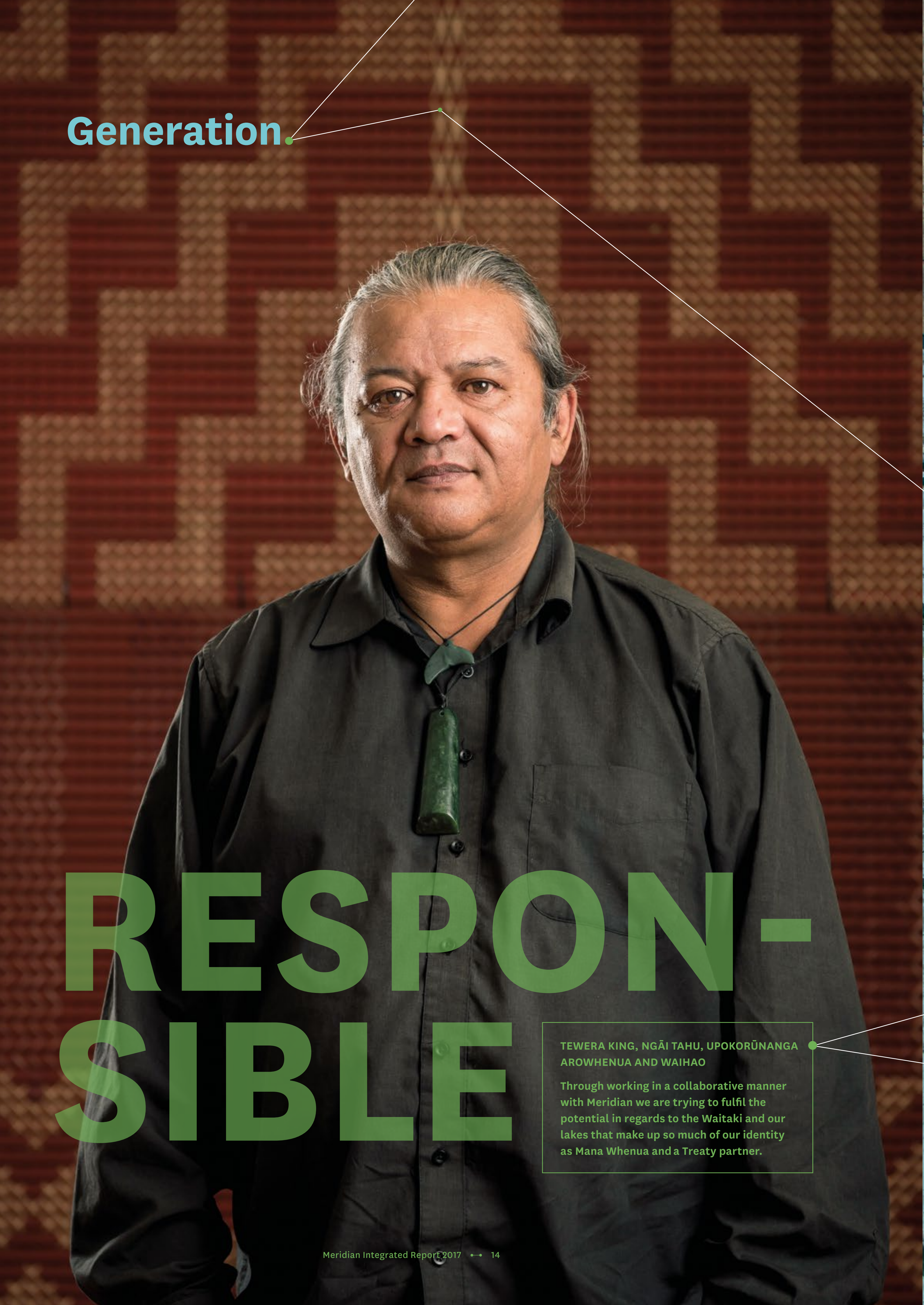
See the View from our Chair and Chief Executive and The role of governance in creating value sections

LOCAL GOVERNMENT

Long-term planning and environmental management

- Long-term consents and operational management plans
- Environmental compliance with consents

See the Generation section



Generation

RESPON-
SIBLE

TEWERA KING, NGĀI TAHU, UPOKORŪNANGA AROWHENUA AND WAIHAO

Through working in a collaborative manner with Meridian we are trying to fulfil the potential in regards to the Waitaki and our lakes that make up so much of our identity as Mana Whenua and a Treaty partner.

POWER-
FUL

STRATEGIC THEME

Protecting and maximising our generation assets, wholesale position and access to water (we generate 90% of our electricity from hydro power stations).

Generation

Renewable energy is the right decision for our climate and our shareholders

As New Zealand's largest renewable energy generator, producing around 30% of New Zealand's electricity, Meridian played a significant role in the country generating over 80% of its electricity from renewable resources in FY17. This high percentage, together with the fact that New Zealand's renewable generation options are cost-competitive with coal and gas, creates a renewable energy advantage for New Zealand.

Meridian's commitment to generating solely from renewable resources is not only a commercially sound strategy that delivers value for shareholders; it contributes to a better future for our country and helps us to support the urgent need to combat climate change **(SDG13)**. We're also achieving success in Australia, where our commitment to renewable energy and a more sustainable future is proving increasingly attractive to consumers in an environment of uncertainty about the government's path to cleaner energy.

In the past few years we've chosen to not build any new power stations (see the Growth section), instead allocating much of our financial and human resources to maximising the efficiency of our hydro and wind assets and maintaining them for the long term. To support this, our approach is to ensure that we have the right people and expertise to look after our power station infrastructure.

We're also working closely with other water users, communities, Ngāi Tahu and local authorities that have an interest in the water on which we rely for around 90% of our electricity generation. We appreciate that strong relationships are crucial to maintaining our access to water, and are an essential part of being a good corporate citizen and neighbour in our hydro and wind generation communities.

Strategic maintenance ensures long-life, high-quality renewable energy assets

We see our role in operating some of New Zealand's iconic renewable energy assets as a privilege—and are committed to ensuring that these assets both contribute to New Zealand's electricity supply and provide a firm foundation for generating financial returns for shareholders.

This commitment is underpinned by a rolling 20-year asset management plan for our hydro assets, which guides us in maintaining, repairing and future-proofing our dam infrastructure and operations. The plan includes a consideration of the risk of earthquakes, and our analysis that major flood events are likely to be more frequent in the future due to climate change. Our approach to wind asset maintenance is a combination of our own expertise and contracts with wind turbine suppliers.

During FY17 our key areas for investment were the Waitaki station refurbishment programme and the Manapōuri ventilation replacement project. We also began refitting and repairing the bearings and generators at our oldest wind farm, Te Āpiti in Manawatū, and refitted and upgraded the turbine blades at Te Uku wind farm near Raglan, a project that will deliver a 2% increase in annual production from this wind farm.

STRENGTH OF OUR ASSET MAINTENANCE

We conduct an independent benchmarking exercise of our hydro portfolio assets every three years, providing a comparison to an international database of hydro generators of a similar size and age.

In the 2016 report our hydro assets were top-quartile performers for 'cost vs results achieved' (Availability, Forced Outage rate and Energy Output being key performance metrics). In addition the Benmore, Manapōuri and Ōhau B and C power stations were recognised as 'Leading Performers' within their peer groups.

Plant availability is a measure of the amount of time a power station is available to generate power, not including the amount of time the assets have been taken out for planned maintenance activities.

%	FY13	FY14	FY15	FY16	**FY17**
Wind AU*	97.5	89.3	95.5	91.0	**92.6**
Wind NZ	95.4	95.1	92.8	88.9	**85.4**
Hydro	89.1	90.7	88.4	93.4	**91.3**

* FY13 and FY14 data is for Mt Millar only.

GENERATION STAFF APPROACHING RETIREMENT AGE*

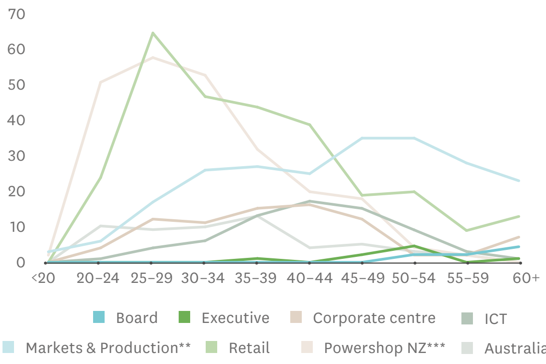
5 YEARS **10%**

10 YEARS **23%**

Meridian's apprenticeship and graduate programmes—developed to address the impacts of senior technical staff potentially retiring in the next five to 10 years—are proving successful in attracting new talent to the generation team. At any one time, six or seven apprentices and six graduates work with us on a fixed-term basis, and in the past year we've appointed two apprentices and two graduates to permanent roles.

The challenge of ensuring technical expertise and diversity is shared throughout the industry; programmes like these help us to play our part in growing a youthful and diverse workforce.

DIVERSITY BY AGE (HEADCOUNT)



* Based on entitlement to Government Superannuation

** Includes Dam Safety Intelligence

***Includes Powershop UK staff

GENDER DIVERSITY AND EQUAL PAY (SDG5)

Achieving gender balance continues to be a challenge: our generation team is 80% male and 20% female, compared with 56% and 44% respectively in the wider business. This is representative of the industry—we know that women are less likely to enter technical professions (although this is changing) and are also underrepresented at our most senior levels. Due to a lower number of women in senior, higher-paying roles, the average salary across the organisation for men is higher than the average salary for women. This can only be addressed when we can achieve greater gender representation at every level of the business—and we are striving for this.

In the meantime, we're committed to achieving pay equity for male and female employees in similarly-sized roles, with similar skills, experience and accountabilities.

We want to support women who want to work at Meridian, and particularly in our generation business, so we've delivered and are continuing to develop programmes to try to improve our gender balance. As part of this, Meridian has introduced a company-wide use of gender-balanced recruitment panels, and training that supports managers to build collaborative teams, create succession plans, and understand the benefits of a diverse team. Our graduate and apprentice programmes are successfully attracting a balance of male and female candidates, reflecting the continuing improvement in the number of women choosing technical careers.

We also want to support women who would make great leaders—we have a target for achieving better gender balance at the senior leadership level, with the aim of increasing the number of women in people leadership and senior specialist positions to 40% by 30 June 2020. In FY17 we achieved a figure of 33.5%.

Technology brings new challenges

The control of our generation assets has become increasingly automated—bringing with it all the benefits of greater efficiency and accuracy, but also a requirement to manage the risks to our everyday operations.

During FY17 we received a stark reminder of the need for constant vigilance: a minor maintenance repair triggered a series of events in our automated systems that put Manapōuri power station into 'ramp-down' mode—causing a steep decline in South Island frequency. Fortunately the error was identified and remedied within seconds, as it could have led to power cuts in parts of the South Island.

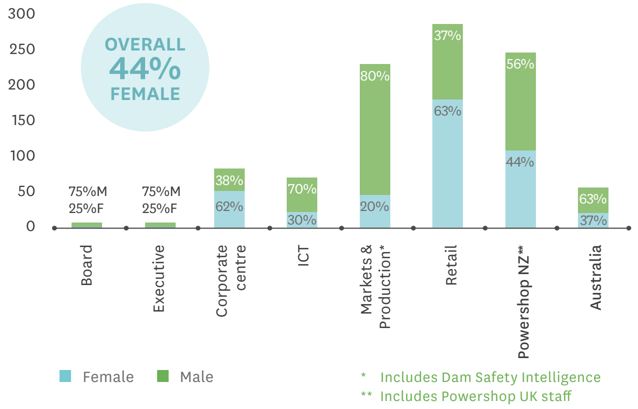
We immediately conducted an internal and external review that looked specifically at the potential failures arising from our generation control system and processes, and helped us to identify and prioritise ways to prevent incidents like this happening again. The review also scrutinised our cross-business safety processes and how we encourage an open culture and collaboration among all Meridian teams.

Growing and maintaining expertise is a long game

The role of technology—and how we manage, maintain and upgrade it—is just one challenge for the generation side of our business: we also need significant and varied expertise to maintain and operate our hydro and wind assets. We understand that while we have a highly experienced and qualified team of experts with us today, we need to manage the risk of losing their extensive institutional knowledge as they retire.

Our current generation team is also largely male. We believe that increasing gender diversity will help bring diversity of thought and better outcomes overall. The relatively remote locations of our generation assets combined with low staff turnover (under 3%) means we see growth in gender and age diversity as a long game, and we continue to make gradual progress each year.

DIVERSITY BY GENDER (HEADCOUNT)



* Includes Dam Safety Intelligence

** Includes Powershop UK staff

PAY RATIOS WOMEN TO MEN BY JOB SIZE

SALARY BAND	RATIO OF AVERAGE FEMALE SALARY TO AVERAGE MALE SALARY
A–B	102.4%
C–D	97.3%
E–F	95.9%
G–H	99.9%
I–J	99.6%
K–L	102.8%
Average	**99.0%**

Generation

A strong culture is key to keeping us safe

Delivering effective asset management depends on having engaged employees and a safety culture that extends beyond our legal and moral obligations.

We operate a formal health and safety structure that includes site-specific health and safety committees in which all staff in the Group, including the contractors who work on our sites, are represented. To create a culture of safety, we also use training programmes to raise health and safety awareness and encourage consistent behaviour and attitudes towards safety at work.

During the year we introduced an updated Drug & Alcohol Policy for the Group that focused on our people's fitness to work (excluding Powershop NZ and Flux Federation, which are both reviewing their policies in FY18). As our generation staff had been operating under the policy for a number of years, our goal was to get the rest of the business aligned. The policy, which involves random drug and alcohol testing, came into effect on 1 July 2017 and applies to all our people, not just staff and contractors working at generation sites.

Involvement in regional New Zealand benefits both local economies and our business

Our employees value the support we provide to the communities of which they are a part.

We contribute to the communities located close to our wind and hydro operations in our role as a local employer, through encouraging our staff to support and take part in local initiatives, and in New Zealand through our investment in the 'Power Up' community fund. In FY17 we celebrated a decade of funding, and a contribution of almost $6.4 million to around 850 community-led projects.

During FY17 we re-established our Christchurch office in the central business district after five years in temporary premises post the Canterbury earthquakes. This, and moving our Twizel office into the town centre at the end of FY16, demonstrates our commitment to providing safe, modern workplaces for our staff, and to recognising and supporting the communities that help our business to thrive.

In addition to the operational staff who need to be located near our assets, we've grown our Twizel workforce by creating four new customer call centre roles, and our Powershop call centre is located in Masterton, with approximately 100 people servicing New Zealand and Australian customers. Locating call centre staff in regional centres has allowed us to offer employment in areas that often struggle to create jobs.

Strong relationships support our ability to create value

Community initiatives like these reflect our determination to be a responsible, respectful business and a good neighbour, as we periodically need to seek resource consent or re-consent for activities that are key to our hydro and wind operations.

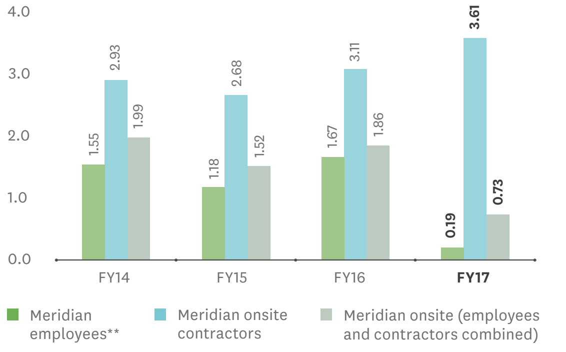
We also focus on understanding the values and motives of, and building strong relationships with, local communities, iwi, farmers, the Department of Conservation, local government and other groups who have an interest in the recreational, environmental and cultural value of the canals, lakes, rivers and wind farm sites on which we rely.

HEALTH AND SAFETY PERFORMANCE

In FY17 94.1% of staff who responded to the engagement survey agreed with the statement "This organisation is committed to the health and safety of its people", providing a pleasing indicator of our dedication to an organisation-wide culture of safety. In addition, 92.3% of respondents agreed with the statement "The person I report to takes health and safety seriously", which was a strong endorsement of our focus on this topic throughout the Group.

In FY17 we had no significant harm injuries and reduced our overall workplace injury statistics. Injury prevention initiatives included Meridian's continuing involvement in the industry safety group StayLive, a robust review of all areas where people work at heights, the establishment of more robust engineering controls to reduce the risk of personal injury, and the inclusion of safety culture thinking in other training and development programmes.

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR*)



* TRIFR is calculated per 200,000 hours and includes all lost time, medical treatment and restricted work injuries. While we have incident numbers for Powershop New Zealand, Powershop Australia and offsite contractors, the TRIFR cannot be calculated as the number of hours worked for those periods has not been recorded.

** Includes Meridian Australia generation staff.

LOCAL VOLUNTEERING

We encourage and enable our teams to participate in vital community services such as the Fire Service and as St John first responders. In February 2017 the Governor-General, the Rt Hon Dame Patsy Reddy, awarded Meridian the 'St John Priory Vote of Thanks' for the exceptional contribution that our Twizel people had made to St John.

COMMUNITY FUNDS

Through the 'Power Up' community fund, communities close to our wind and hydro operations have been able to: support the restoration of habitat for the Haast tokoeka kiwi (New Zealand's rarest kiwi) on Rona Island in Lake Manapōuri; develop an ambulance bay and helipad at Twizel Medical Centre; and restore waterways in Mākara near Wellington with riparian planting.

'Power Up', which Meridian offers over and above its consenting obligations, provides funding for initiatives chosen by local communities, who work in long-term partnerships with nominated Meridian staff. Representatives decide which projects will be funded according to agreed criteria that support their communities' sustainable development programmes.

NGĀI TAHU

Meridian has a unique and special relationship with Ngāi Tahu. We recognise their mana whenua (as having authority over the land), particularly in relation to our hydro schemes in the Ngāi Tahu takiwā. Together we work to recognise and respond to the kaupapa of Ki Uta Ki Tai (from the mountains to the sea).

Given Ngāi Tahu's intergenerational focus, we're committed to maintaining a long-term relationship with Te Rūnanga o Ngāi Tahu (Ngāi Tahu's governing body) and work closely with local rūnanga (Arowhenua, Awarua, Hokonui, Moeraki, Ōraka Aparima, Waihao and Waihōpai) as partners in the Waitaki and Waiau catchments.

Ngāi Tahu's interests span government, private and community sector activities with a view to enhancing the quality of life and preserving the culture and environment of their people. Their influence in local governance and decision-making around natural resources is strengthening, so a deep understanding of their values and perspectives is important for our business.

During FY17 Meridian and Ngāi Tahu collaborated on a joint project that acknowledges iwi cultural values in the Waitaki catchment. Meridian also provided its own staff with a Māori language app, which helps them to pronounce words and waiata and build their knowledge of Māori culture and protocols. Two staff members attended Ngāi Tahu's Aoraki Bound hikoi, a unique programme that blends physical and cultural components to deliver a once-in-a-lifetime personal development experience.

HYDRO ELECTRICITY INFRASTRUCTURE

We operate two hydro generation schemes, in the Waitaki and Waiau catchments. In Waitaki, over a period of more than 40 years, three natural lakes (Tekapo, Pūkaki and Ōhau) have been dammed and their flow diverted into canals. Below the lowest canal there are three dams, with power stations built on the former riverbed that created artificial lakes at Benmore, Aviemore and Waitaki. All flows in the Waitaki catchment are released into the Waitaki River below the Waitaki dam.

The Waiau catchment takes the water that flows into Lakes Te Ānau and Manapōuri and passes it through Manapōuri power station, which sits within a designated World Heritage Site, and discharges it into Doubtful Sound, a marine environment.

ENVIRONMENTAL COMPLIANCE

Local government bodies exercise discretion when they apply regulatory frameworks to our operations (such as the Resource Management Act 1991) through their role in granting and enforcing consents. We work closely with local and regional councils during consenting processes, but also through making submissions on local planning rules, through participating in working groups and committees, and in reporting on our compliance with resource consent conditions. In FY17 there were 10 minor breaches of our resource consent conditions, with none resulting in any fines or actions taken against us.

We respect and value the role of waterways and landscapes in communities' lives, and know that the stronger our relationships, the greater the likelihood that we will get the best from our hydro and wind operations in generating renewable energy for New Zealand.

For a full review of our key relationships and their interests, see our diagram of Meridian stakeholders on page 12.

Looking after life on land **(SDG15)** is our responsibility, and essential to maintaining our access to water

Meridian's stakeholders require an assurance that we take our guardianship as a generator seriously and do our best to manage the impacts of hydro generation on the environment.

In FY17 three independent reports highlighted the issue of water quality in New Zealand,[16] sparking robust public debate and concern about the environmental health of New Zealand's rivers in terms of recreational use (swimming, fishing, boating and rowing), domestic water supply, the increasing nutrient load from agricultural production and the impacts on biodiversity.

Meridian is also interested in the impacts of agriculture on water quality, especially the potential algal growth and weeds that need to be filtered from the water before passing through our hydroelectricity turbines.

It's important to ensure that impacts on water quality don't lead to a reduction in New Zealand's ability to generate electricity through renewable resources. As a significant user of water we manage our own impacts, and contribute to the debate as and when it affects our ability to operate our hydro power stations.

Hydro generation doesn't consume water as such or alter its quality. However, it does change river systems through diverting water, creating lakes and canals and altering the timing and volume of river flows, and our infrastructure can affect the ability of native fish to move through the catchments.

The key biodiversity impacts of these schemes are on eels (tuna) and braided river habitats. Impacts are mostly managed through projects funded by Meridian, that were designed in collaboration with local authorities and other interested parties when the consents were originally granted. These projects are designed to preserve environmental biodiversity in areas affected by our hydro generation operations and include eel 'trap and transfer', Project River Recovery (which is restoring braided river habitats in the Waitaki catchment in association with the Department of Conservation) and the Waiau Fisheries and Wildlife Habitat Enhancement Trust.

We also undertake environmental projects that are additional to those required in our resource consents. For example, in FY17 we added 110 hectares to the 40 hectares of red tussock at White Hill wind farm that we were required to place under a QEII covenant. Our work in providing fencing and predator-reduction to protect the habitat of New Zealand's native falcon was seen as the best use of this land.

Today the biodiversity values at Lakes Te Ānau and Manapōuri are very similar to those that existed previously. In the Waitaki we work to mitigate the adverse impacts of hydro scheme construction and operation. We also have agreements, both voluntary and compulsory, with various groups that dictate flow regimes, for recreational and environmental benefits.

16 New Zealand's fresh waters: Values, state, trends and human impacts: Office of the Prime Minister's Chief Science Advisor by Professor Sir Peter Gluckman.
Environmental pressures rising in New Zealand by OECD.
Our fresh water 2017: Ministry for the Environment, New Zealand.

Retail.

HELP-FUL

KIMA LIAO, BUSINESS DEVELOPMENT SPECIALIST, RETAIL

Helping our customers to get the best deal always makes me feel good, whether I'm answering questions about their bills, helping them out of tough financial spots or setting them up on our new electric vehicle pricing structure.

It's great working in Auckland. Our office is super energy efficient, and I love how we're really authentic about the environment. Working for a company that generates its energy from 100% renewable resources means a lot to me, and I know it's important to a lot of my team, and to our customers.

SUSTAIN-ABLE

STRATEGIC THEME

Growing retail value by making things easy for our customers and optimising our operations.

Retail

Supporting a renewable energy company is important to our customers

We all want to be able to live comfortable and connected lives, with access to reliable, affordable and clean energy, and these same elements are important globally **(SDG7)**. New Zealanders have the added benefit of knowing that over 80% of our country's electricity comes from renewable resources such as water, geothermal and wind.

Customer research tells us that Meridian customers value knowing that they are supporting a 100% renewable energy generator and that we care deeply about the environment and the people of New Zealand. In Australia—a country highly dependent on coal—our Powershop customers also appreciate our sustainable approach; Powershop is the only electricity retailer to be certified carbon neutral by the Australian Government, and Greenpeace has ranked us the greenest power company in Australia for two consecutive years.

Customers want good service, an easy experience, a fair price and a great company

Success in electricity retailing isn't always about growing customer numbers. As discussed further in the Markets section, the optimum balance of customer load to generation capacity can shift with time, but the need for us to deliver value from our retail business remains. We're a small retailer relative to our size as a generator, primarily because of our commitments to our key customer, the New Zealand Aluminium Smelter (NZAS).

Having a strong brand and offering great customer service provides us with the flexibility to grow retail customers when market conditions permit—and we also have an opportunity to achieve modest growth as a result of recent contracts with other generators, where we've effectively bought 500–1,000GWh of electricity that we can contract to customers if we wish to. In addition, we aim to continue growing our customer base in Australia, provided we can source adequate wholesale cover (see the Growth section).

Above all else, customers want electricity at a fair price and from a retailer that makes managing electricity easy. We invest in delivering a great customer experience—friendly and knowledgeable New Zealand-based staff, accurate billing and easy-to-use online tools—at a competitive price.

Investing in people delivers a better customer experience

Staff costs are a significant proportion of the retail business's operational expenditure, reflecting the fact that people are at the heart of delivering a better customer experience.

Our customers expect our staff to be knowledgeable about Meridian, Powershop, the electricity market, energy efficiency and new technologies. To ensure that we can respond quickly and accurately to their questions, we provide training for all our call centre, sales and account management staff. Our call centre training provides staff with the tools to manage calls and increase the number of customers who join Meridian through our phone and email channels.

BRAND EFFECTIVENESS

In New Zealand we retail through two brands—Meridian and Powershop—and in Australia we retail through the Powershop brand. We measure the effectiveness of our brands in a number of ways to allow us to track how we're doing as a business.

In June 2017 Meridian's residential customer commitment score was 26%,[17] largely driven by customers strongly associating us with being a "straight up" and "proven" provider, as well as "committed to protecting the environment" and "supporting the community".

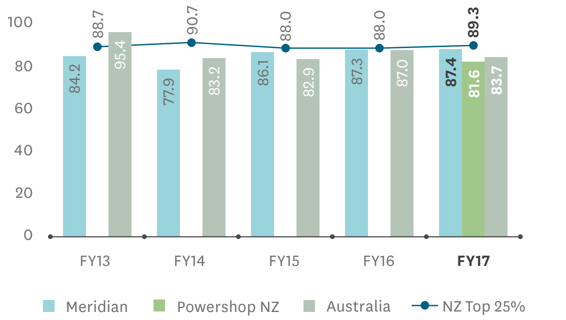
Both Powershop New Zealand and Powershop Australia measure their relationships with their customers using NPS[18] (net-promoter-score). For June 2017, Powershop New Zealand's NPS was 54.6 and Powershop Australia's was 47.9—these are both very high scores. The industry NPS benchmark is 14.91[19]—which tells us that our Powershop brands have highly satisfied and engaged customers.

17 Calculated from a survey undertaken by Clarity Research asking customers using a 0–10 scale "Imagine you don't have an electricity provider, and were deciding which one to use… how likely would you be to choose Meridian?". A 9–10 response classifies customers as 'Committed'.

18 Calculated from a survey asking customers using a 0–10 scale "How likely is it that you would recommend Meridian/Powershop to a friend or colleague?" and then subtracting the percentage of detractors from the percentage of promoters. A positive value indicates that more customers are promoters versus detractors (and vice versa).

19 Perceptive Group Limited; New Zealand NPS Industry Benchmarks 2017 Report.

EMPLOYEE ENGAGEMENT



Measured by "level of agreement"—the percentage of staff who 'agree' or 'strongly agree' with the six questions that collectively determine our Engagement Index (previously calculated as a weighted mean, FY13 to FY16 values have been restated using the new methodology).

Our staff are proud of who we are and feel that we care about what matters to them. They consistently report that the people they work with, and our supportive and inclusive culture, are the things that make Meridian a great place to work. We have an outstanding response rate, with 94.3% of all employees taking the time to complete the engagement survey in 2017. 2016 was the first year in which we entered the IBM Kenexa Best Places to Work survey, and we were a finalist in the 'large organisations' category.

GROWING THE CAPABILITY OF OUR STAFF

We know that the talents of our people give us an edge, and we recognise that for most employees, the ability to continue to learn, develop and progress is a big driver of their engagement. In recent results, 72.7% of employees agreed that they received regular feedback on their performance (all employees in the Meridian Group have performance reviews at least once a year) and 77.3% agreed that there were learning and development opportunities for them in our organisation.

The cornerstone of our culture, learning and development efforts is the 'Growing the Blue' programme, conceived in 2013, which focuses on building constructive styles of thinking and behaving. 75% of our current Meridian employees have completed the Life Styles Inventory and participated in one or more of the programmes offered.

Our subsidiary businesses increased their focus on learning and development in FY17, and we're now investigating strategies to manage workloads and wellbeing given our reliance on a small number of people in key roles. Powershop New Zealand is working closely with Meridian retail, as well as the software development part of our business, to create opportunities for growth and career progression for frontline staff.

Customers also expect our employees to be ethical and trustworthy, so when Meridian decided to start door-to-door selling again, we employed permanent employees to give us greater control over the quality of our sales methods.

And customers want high-quality service, so we strive to retain good people and create brand ambassadors who deliver an outstanding customer experience. To do this successfully we need to ensure high employee engagement levels among our retail employees, which starts with their feeling supported with fair pay and good employer practices.

Another component of employee engagement is diversity and inclusion (see the Generation section), which for Meridian retail staff includes celebrating significant cultural events, providing flexibility in the workplace, and giving them the opportunity to grow and develop their careers.

We encourage staff to progress from the Meridian call centre to other areas in the business, as this means we retain their skills and knowledge. In any one year we expect at least 20 employees to have shown their mastery of the retail process and demonstrated the right interpersonal skills and energy to move on to other positions in the company.

Digital, online and easy are now expected

Customers are increasingly expecting to engage with retailers on their terms and via their communication channels of choice. In the past few years Meridian has made a significant investment in improving online processes, the customer portal and social media engagement, enabling customers to connect more easily and through a variety of channels. In the long term this shift to digital is expected to deliver better value to customers.

Already 73% of Meridian customers receive communications via email and around a third use our online portal, an increase of 58% on FY16 (Powershop customers receive the bulk of communications from us digitally, through email and the Powershop 'shop' and app). FY17 was the second of a three-year, $24 million investment programme to ensure that every customer's journey is seamless—part of our ongoing effort to reduce our cost to serve and provide customers with more environmentally friendly ways to interact with us.

Smart meters improve billing accuracy and give control to customers

Another significant component of Meridian's retail costs are the third-party costs associated with metering services.

In FY17 around 27,000 smart meters were installed, with 86% of Meridian's customers now using smart meters. 87% of Powershop customers in New Zealand use smart meters, and in Australia, a growing number of Powershop's New South Wales customers and almost all of our Victorian customers have them.

Smart meters enable us to create more accurate bills and give our customers access to detailed data on their electricity consumption, which should in time provide them with more control of their electricity use and expenditure. Gathering billing data with smart meters is inherently more efficient, which has a positive impact on our cost to serve.

Retail

Reaching the right customers involves data analytics and targeted marketing

An increasing focus on data is helping our teams to gain insights into the customer segments that provide the most value for our business. Once we identify the customers in those segments, we develop insights into what's important to them and marketing strategies to attract and retain them.

We use a variety of channels to connect to Meridian customers. For example, we use integrated marketing campaigns to grow general brand awareness among all customer groups, and marketing and sales campaigns to target prospective customers—on the phone, in person (through our direct sales teams and account managers), online or through the use of partnerships, third-party advocates and buying groups that enable us to reach a wider group of potential customers cost-effectively.

Powershop New Zealand and Australia connect to customers mainly through advertising, and primarily online. Powershop Australia has a unique brand proposition in its market, with 35% to 40% of our customers joining after campaigns with organisations such as GetUp!, Environment Victoria and Oxfam, all of which recommend Powershop as the greenest power company based on the Greenpeace Australia Green Electricity Guide.

Customers want us to help them protect the environment

There are customers in every market for whom sustainability is the primary reason for purchasing a company's product or service. However, once the service and price have been judged acceptable, who we are and how we behave become very important to all of our customers.

Our research shows that Meridian customers value highly our commitment to the environment and protecting the future of New Zealand. Both Meridian and Powershop help our customers to reduce their environmental footprints through promoting online tools and e-billing, offering energy efficiency advice (and facilitating energy audits for business customers such as Whittaker's), and providing online tips to help Kiwi households, businesses and farms to save energy. Customers can also benefit from special tariffs if they choose to buy electric vehicles or install solar panels.

In Australia, the preponderance of coal-burning thermal power stations means that many consumers are looking to power companies for innovative ways to increase the country's uptake of renewable energy. Through Powershop Australia Meridian is providing maintenance and market service expertise to Hepburn Wind, Australia's first community-owned wind farm. In doing so we're helping a local group to take action on climate change and deliver long-lasting economic and social benefits to their community.

Powershop Australia has also introduced:

- 'Your Neighbourhood Solar', the first at-scale, peer-to-peer energy product launched in Australia. It allows customers to buy excess energy produced by solar panels owned by others in their community, encouraging further uptake of solar and providing an avenue for customers to take more action on climate change.
- 'Your Community Energy', which through customer contributions has raised more than $200,000 for seven community green energy projects in Australia.

ELECTRIC VEHICLES TO CLEAN UP TRANSPORTATION

An increase in the number of electric vehicles on our roads has the potential to make a significant contribution to action on climate change through decarbonising New Zealand's transport sector, which is currently responsible for 40%[20] of the country's emissions.

We offer a special pricing plan to customers who own electric vehicles, which enables them to charge their cars overnight on tariffs lower than they would otherwise pay. The tariffs are available from 9pm instead of the standard 11pm offered by other retailers and aim to optimise the additional load on the electricity system as the number of electric vehicles grows. People charging their cars at the end of a standard working day will in the long term increase peak demand and the need for infrastructure upgrades, while delaying charging to later in the evening and the early hours of the morning makes good use of a time of day when there is ample electricity supply and lines capacity in the system.

As a member of Drive Electric, we're committed to using electric vehicles in our own business too, and reducing the number of vehicles we own through a smarter use of our fleet. Our passenger car fleet is currently 30% electric vehicles, and we've committed to increasing this to 50% by June 2018. We're also planning to trial electric vans suitable for some maintenance activities in FY18, with the hope of further reducing our environmental impacts.

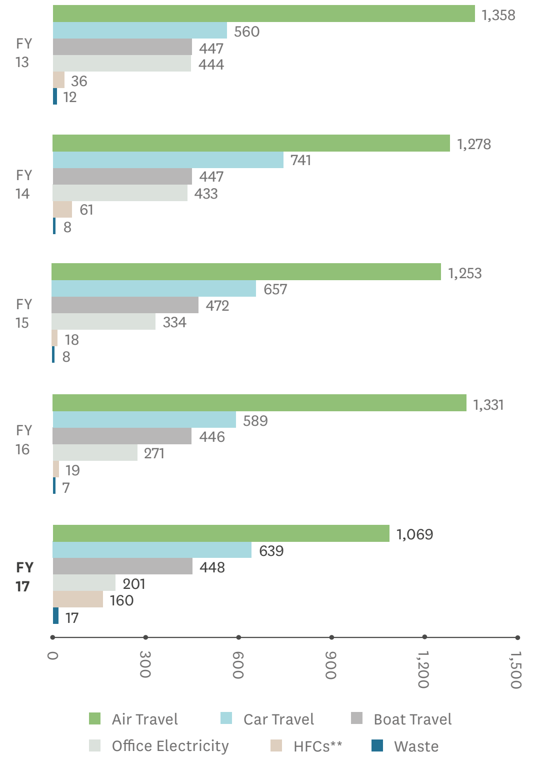
20 Ministry of Transport: Climate Change and Energy.

GREENHOUSE GAS EMISSIONS

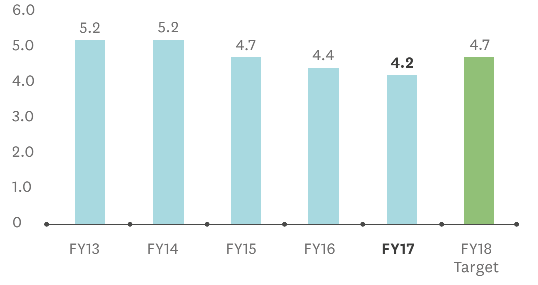
The Meridian Group produces very few greenhouse gas emissions as we don't use fossil fuels to generate our electricity. If we were to generate electricity from modern gas-fired power stations, it would equate to over five million tonnes of carbon dioxide equivalent (tCO_2e), or the same as putting an extra one million cars on the road.

Our emissions are limited to office-based activities and some minor emissions that result from maintaining generation assets and servicing customers.

CORPORATE EMISSIONS (tCO_2e)*



CORPORATE EMISSIONS' INTENSITY (tCO_2e/FTE)



Meridian in New Zealand is a participant in the Emissions Trading Scheme as we use small amounts of a greenhouse gas called sulfur hexafluoride (SF_6), which is used in transformer and switching gear; we are required to surrender carbon credits (New Zealand Units) for any losses of this gas to the atmosphere (15 New Zealand Units for the 2016 calendar year). We also have received 12,888 New Zealand Units from the New Zealand Government for our Rototuna Forest in Northland, in recognition of the forest's ability to store carbon.

In Australia we are a participant in the Government's National Carbon Offset Standard, which is a market mechanism that allows us to sell carbon-neutral electricity (this type of mechanism is not available from the New Zealand Government) through the purchase of carbon credits equivalent to our greenhouse gas emissions in that country.

* Meridian parent company only
** Hydroflourocarbons (air-conditioning gases)

Reducing our impacts and sponsoring charities resonates with customers and staff

Part of being trusted comes from the actions we take as a business. Customers want to know that we're an ethical company, and so do our staff. We know that people want to work for successful companies that have strong environmental and social responsibility credentials.

Meridian's three main offices in Wellington, Christchurch and Twizel are all modern, energy-efficient buildings that meet the New Zealand Green Building Council's 5-star standard—and in addition to growing our electric vehicle fleet we're taking actions such as reducing travel, increasing video-conferencing and reducing waste, which all help to reduce our greenhouse gas emissions. We're on track to deliver on our goal of a 10% per person reduction in the parent company's corporate emissions by 2018.

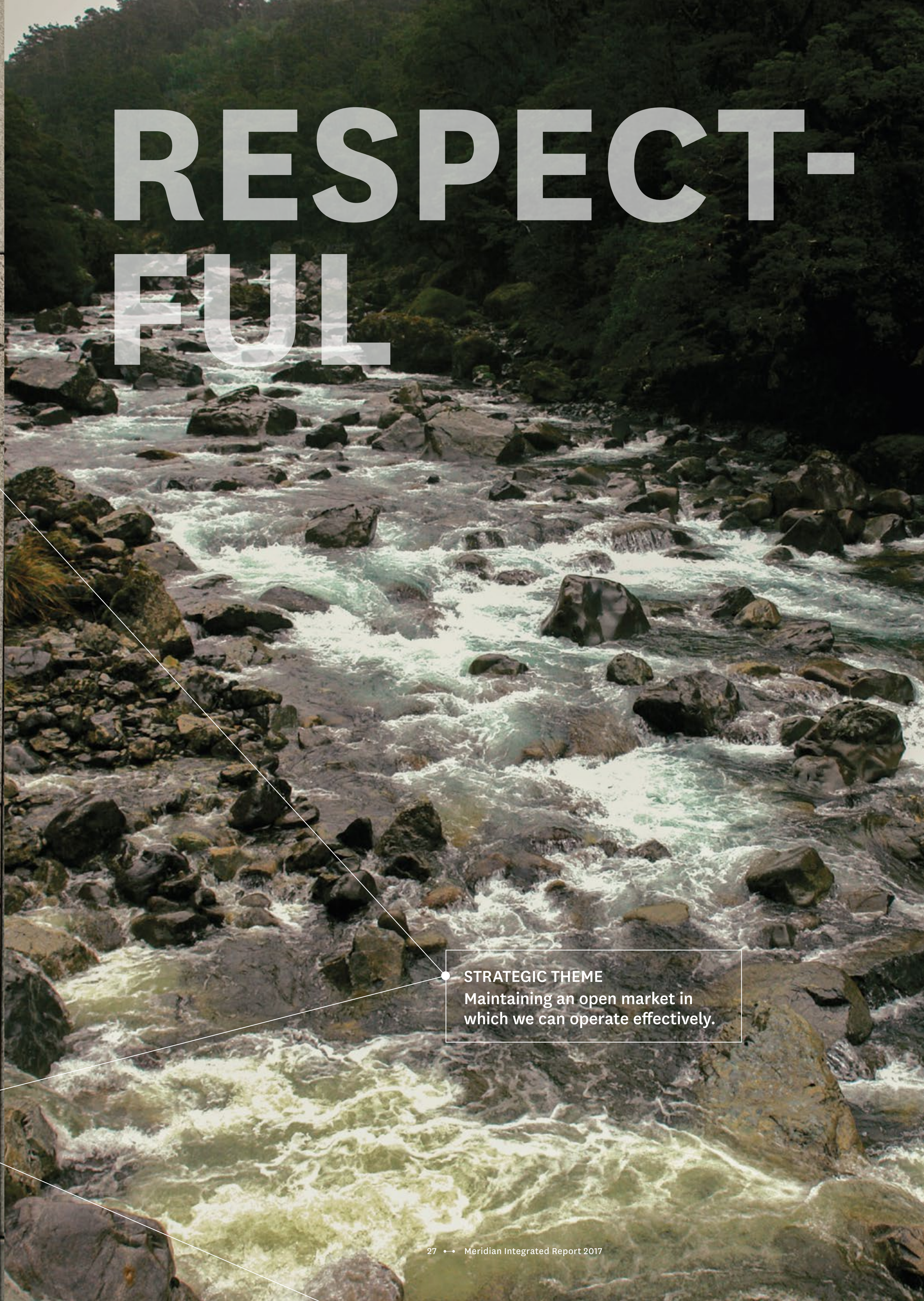
Integral to being a good corporate citizen is supporting other organisations that make a difference—and it's something that our staff and customers value. We've been the Principal Partner of KidsCan since 2013, and in 2016 we became a National Partner of the Department of Conservation's Kākāpō Recovery Programme. We're also continuing to help power future champions by sponsoring South Island Rowing.

Meridian's support has contributed to KidsCan reaching more children, enabling 61 schools to come off the waiting list in 2013. KidsCan continues to grow, supporting 675 schools as at 31 July 2017, providing them with basic necessities in the form of food, clothes and footwear, so that they can better focus on education. And our partnership with the Department of Conservation has contributed to critical research paving the way for the recovery of the kākāpō species. It has had a real impact in raising awareness, with a steady increase in donations via kākāpō 'adoptions', including one week during a Meridian advertising campaign when the programme received more adoptions than it would usually have received in a month.

MERIDIAN GROUP GREENHOUSE GAS EMISSIONS (tCO_2e)

tCO_2e	FY13	FY14	FY15	FY16	**FY17**
Direct emissions (Scope 1)	964	1,546	1,040	936	**1,308**
Energy indirect emissions (Scope 2)	2,408	2,040	1,611	1,528	**1,953**
Other indirect emissions (Scope 3)	7,759	30,572	2,699	2,422	**2,448**
Total emissions (Scope 1, 2 and 3)	**11,131**	**34,158**	**5,350**	**4,886**	**5,709**

Our full inventory, which has been audited by Deloitte, is available online: meridianenergy.co.nz/about-us/sustainability/green-house-gas-emissions-reports



Markets.

RELI-ABLE

RESPECT-FUL

DR JEN PURDIE, FUELS ADVISOR, MARKETS AND PRODUCTION

We've done a lot of thinking about how climate change will affect our business, particularly whether there'll be an impact on the amount and timing of water going into our catchments, which directly affects our financial results.

Overall the news is quite good. Research shows that we are likely to receive more water in our catchments over the next 50–100 years. Our modelling shows that the seasonal timing of that water is changing. We've incorporated this timing shift into our water modelling so that we can better manage our water resources. We've also looked at whether dry periods like the one we've just experienced are becoming more likely, and we've seen no significant change in this risk during the past century. Reassuringly, neither NIWA nor the Ministry for Primary Industries are projecting a change to the drought risk in our catchments in the next 50 years.

STRATEGIC THEME
Maintaining an open market in which we can operate effectively.

Markets.

An open and efficient electricity market is in the best interests of all New Zealanders

We believe that an open, efficient and fair market creates the best possible outcomes for New Zealanders. We're fortunate that the country's electricity market has been designed to operate efficiently—delivering the best possible prices, choice and innovation, good customer service and security of supply to consumers. The effectiveness of this market, combined with the cost-competitiveness of renewable energy electricity in New Zealand, allows New Zealand to make a significant contribution to the UN Sustainable Development Goal of affordable, reliable and clean energy **(SDG7)**.

From our perspective, the New Zealand market is operating well with independent regulation, an appropriate political focus and a high level of renewable energy sources. This view is shared by the International Energy Agency, which in its 2017 review stated that "New Zealand is a world leading example of a well-functioning electricity market, which continues to work effectively". However, we also think that, as a country, New Zealand may need additional policies for decarbonising other sectors of the economy to meet future emission commitments.

As the owner of long-term assets, we value the stability and certainty of the regulatory context in which we operate. It's in our best interests to have a market that operates efficiently, is fair to all participants and doesn't pick winners—in either technology or players—and that current issues are managed, such as those relating to efficient transmission pricing, the trading code of conduct and the impacts of new technologies on distribution networks.

TRANSMISSION PRICING METHODOLOGY

Meridian's primary focus in relation to the New Zealand electricity market is the long-awaited reform of the transmission pricing methodology. Currently, only South Island generators carry the cost of operating the high-voltage direct-current (HVDC) transmission link that connects the two islands' electricity networks into one national grid. South Island generators pay for the existence of that transmission link, irrespective of who benefits from it and whether electricity flows south or north over the link. This situation creates an unprincipled and unjustified distinction between the transmission assets that make up the HVDC link and the rest of the grid, the costs of which are more broadly shared.

Changing the way that charges for the link and other grid assets are allocated will be fairer for all participants—generators and consumers alike. Under the EA's most recently proposed reforms, the prices consumers pay for electricity will more accurately reflect the transmission costs associated with supplying them with that electricity.

The reforms also mean that Meridian will likely benefit significantly from an anticipated reduction in the transmission costs we pay to Transpower (the operator of the national electricity grid). The reforms should also significantly benefit the New Zealand Aluminium Smelter, and ultimately all consumers, through incentivising more efficient investment decisions on how the grid is used and expanded.

We're disappointed that the cost-benefit analysis commissioned by the EA in support of its proposal has been found to have errors, and that the need to repeat this analysis has further delayed the process.

Strong relationships with regulators enable us to address market issues

The key regulatory body for the New Zealand electricity industry is the Electricity Authority (EA), an independent Crown entity set up to promote competition, a reliable electricity supply and the efficient operation of the market. To support the EA's goals we're involved in industry working groups and regularly make submissions on the EA's programme of work to improve the efficiency of current rules and frameworks and ensure better outcomes for consumers.

We engage with government ministers, government agencies and parliamentary opposition parties to understand their long-term views on whether the market is working in the best interests of the New Zealand public, businesses and the economy. And we've joined various groups that share our goal of a fair and efficient market, such as the Electricity Retailers' Association of New Zealand (ERANZ), which was established in 2015 to promote and enhance a sustainable and competitive retail electricity market that delivers value to all New Zealand electricity consumers.

ERANZ has been useful in coordinating and championing our views on issues that matter, such as the need for distributors and retailers to work together when communicating charging changes to customers, and ensuring that we have the regulatory settings right to maximise the potential for new technologies, including solar photovoltaics, electric vehicles and batteries, to deliver more options and savings for consumers.

In Australia, we're also a member of the Clean Energy Council, which advocates for effective policy to accelerate the development of all clean energy technologies.

CLARITY FOR THE WHOLESALE MARKET

On 2 June 2016, weather conditions, along with a number of transmission constraints and generation failures, combined to see high wholesale market prices for a short period. The EA board reviewed Meridian's market trading conduct on that day and decided that it didn't merit a reference to the industry's Rulings Panel, however they did issue a warning, and said that they didn't expect a repeat of Meridian's 2 June conduct.

The EA's process gave rise to divergent views on Meridian's trading conduct on that day. Given this, and the fact that conditions similar to those on 2 June could re-arise, Meridian believes it's essential that all market participants are provided with clear guidance on the code to ensure better market outcomes. We've asked the EA to provide greater clarity on the electricity industry's trading code of conduct and to make reforms to the code to address these issues.

Spot market volatility in the market is managed through vertical integration

The wholesale electricity market can be volatile, particularly in New Zealand due to the large amounts of hydro generation (about 55% of the total generation in an average year) and a relatively low lake storage capacity. Wholesale prices can be high or low; they're frequently determined by lake storage levels, but are also affected by factors such as transmission network availability.

Contracts at fixed-prices (retail sales, our contract with NZAS, hedge contracts with other market participants, and trades on the ASX) smooth out the peaks and troughs of revenue we would experience if we were solely a generation business. Conversely, having generation assets or fixed-price contracts with generators would limit the volatility in our earnings if we were solely a retailer.

As a vertically integrated business, when the electricity price is low on the spot market, we're still generating revenue at a fixed price from our retail customers. Conversely, when the spot market price is high (and our generation revenue is high, provided we have electricity to sell), our retail earnings are lower as we buy electricity from the spot market at higher prices to meet customer commitments. We aim for a volume of contracted retail sales that optimises our overall earnings relative to market risk.

The benefit of this approach for customers is price certainty, and most retailers offer fixed retail prices that allow them and their customers to manage their exposure to movements in the wholesale market price. In the past few years New Zealand has seen an increase in small retailers taking advantage of a competitive market. While the five big electricity companies are all generators and retailers, many retailers do not have generation businesses, and some offer their customers the opportunity to embrace wholesale market volatility with retail prices that are not fixed but rather directly reflect current wholesale prices.

Dry-year risk in our catchments is managed through portfolio management, financial instruments and flexible water arrangements

As a 100% renewable energy generator, our capacity to generate electricity is reduced in dry weather conditions, creating a commercial risk that revenue from selling into the wholesale market will not match the cost of buying electricity to meet customer commitments.

Despite the country's exceptionally high and growing renewable energy mix, we still need thermal generation of a scale that can be turned on in dry hydrological conditions and in periods of peak demand to ensure nationwide security of electricity supply. Given that thermal generation is more expensive to run than hydro generation, spot prices during these times are normally higher, exacerbating the commercial risk to us of dry weather conditions.

So in addition to using a vertical integration approach to smooth out revenue across the year, like other market participants we need mechanisms for ensuring that if weather conditions are particularly dry we're not too exposed to high spot market prices. One of our strategies to reduce this exposure is diversification into wind generation, which is less variable both by season and by year. We've also worked on agreements with stakeholders to increase flexibility in how we use lake water storage, and have a range of financial instruments that we can use, including 'dry-year' insurance in the form of a hedge contract (known as a swaption) with Genesis. This financial arrangement reduces the costs of dry-year conditions to both Meridian and the market as a whole.

We called on this arrangement with Genesis in June 2017 as we experienced our driest autumn inflows on record. According to our analysis, the risk of a dry-year in our catchments is not increasing; however, as the climate changes we expect wetter and more variable weather patterns in our catchments.

Growth

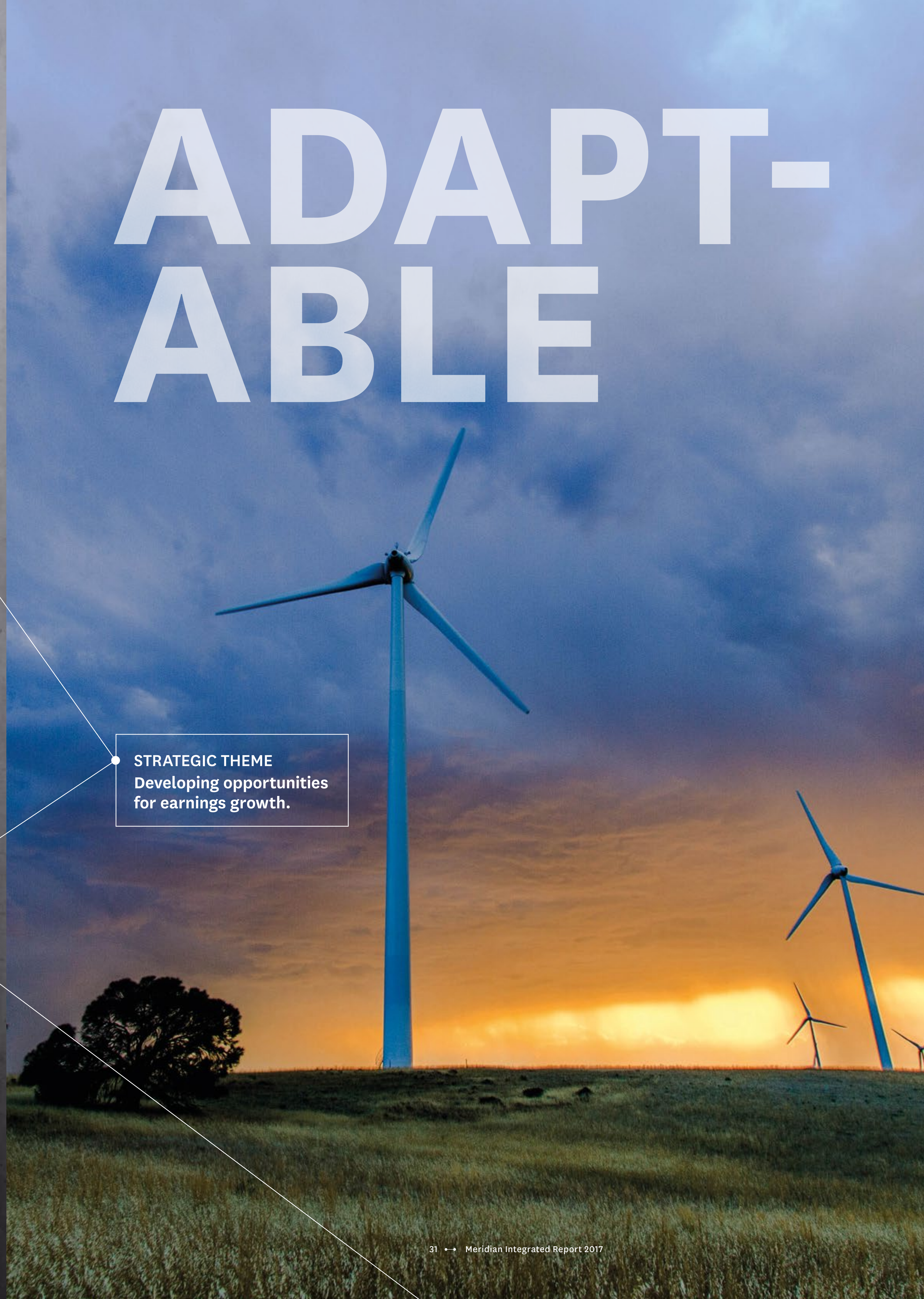
WATCH-
FUL

ED McMANUS, CHIEF EXECUTIVE, MERIDIAN ENERGY AUSTRALIA PTY LTD AND POWERSHOP AUSTRALIA PTY LTD

We're experts in running and maintaining world-class wind farms. It's great we've been able to provide our expertise to a local community wind farm, Hepburn Wind, near Meridian's Mt Mercer. Hepburn hosts two turbines, called Gale and Gusto, producing enough clean energy for 2,000 homes.

Community enterprises like this allow local groups to take control of where their energy comes from to make a significant contribution to reducing climate change, particularly as in Australia about 90% of the electricity is produced by burning fossil fuels.

We're proud to be part of Australasia's largest 100% renewable energy generator; I look forward to growing our business here. Customers are looking for more environmental options and there is a big gap in the market.



ADAPT-
ABLE

STRATEGIC THEME
Developing opportunities for earnings growth.

Growth

Australian consumer desire for renewables creates opportunities for retail growth

Meridian's Australian business currently represents less than 10% of our annual revenue. However, Australia has more growth potential than our retail business in New Zealand, as the challenge of transitioning to a low-carbon future is putting pressure on incumbent retailers, and creating consumer demand for 'green' electricity that aligns with our Powershop Australia brand proposition. This creates a significant opportunity to contribute positively to Australia's transition, and increase its proportion of renewable energy **(SDG7, SDG13)**.

Our business in Australia is vertically integrated, with generation from two wind farms, Mt Millar and Mt Mercer. While in the past year there has been some commitment to new renewables in the market, an ongoing commitment at scale will require more certainty on, and a durable political appetite for, a supported transition to a low-carbon economy. The recent Finkel[21] review has the potential to provide a framework for this policy certainty; should it come to fruition Meridian may be willing to commit further capital to a new, large-scale renewable energy development in this market.

In the meantime, our ability to enter Power Purchase Agreements with wind and solar farm developers is increasing our potential access to renewable generation volumes, and providing us with the opportunity to grow retail sales. Powershop Australia's customer numbers have grown significantly in Victoria and New South Wales, and in January 2017 we entered the market in south-east Queensland.

Other growth opportunities include commercial solar in New Zealand, and Powershop overseas

In Australia, where there is deep concern about carbon-intensive electricity supplies, there is a strong push from consumers for disruptive technologies such as solar, batteries and other 'smart' grid ideas. We see opportunity in this area and are exploring these technologies.

The New Zealand market is different, in that there's widespread awareness that electricity is primarily from renewable energy sources, which creates a steady but quite low-level uptake of new technologies. We're supporting customers with special tariffs for solar installations and electric vehicles, and we see opportunities in developing commercial solar installations; we're now investigating potential business models and pricing arrangements.

Our other opportunity to grow our business is in supplying the Powershop software platform to other electricity retailers in other markets. Building on the successful sale of the platform as 'software as a service' to nPower in the United Kingdom, we've taken the software development side of Powershop New Zealand and created Flux Federation (Flux), effective from 1 July 2017. The retail side of the business will report to the General Manager of Meridian Retail as a separate subsidiary.

There is a significant opportunity for Flux to sell the use of the software platform and/or the Powershop brand overseas. One potential market is Europe, although there are still challenges in customising the platform to connect to different markets' regulatory systems.

21 environment.gov.au/energy/publications/electricity-market-final-report

A PAINFUL TRANSITION

In contrast to New Zealand, Australia's high reliance on thermal generation means it faces significant challenges to decarbonise its electricity sector. After decommissioning several older coal-fired power stations, the use of gas-fired power stations has increased—and the timing has coincided with the commissioning of liquid natural gas export facilities in Queensland, which has reduced the amount (and increased the price) of gas available for domestic power generation.

As a result of all this, the electricity market is experiencing security of supply issues and sharp increases in wholesale power prices—which are now translating into high retail prices that are attracting significant public and political interest. An increase in power prices of up to 20% occurred across Australian households and businesses in July 2017, and this has intensified interest.

ATTRACTING THE RIGHT TALENT

New tech businesses such as Flux need talent and graduates to support their potential growth and business models. In New Zealand, Flux is a large technology company with more than 100 staff. It has found that not all expertise can be sourced locally, so its recruitment strategy includes bringing in talent from overseas. Flux also participates in programmes such as the 'Summer of Tech' programme, and hosted several interns this year. Most of the interns are retained on a part-time basis until they graduate and become permanent employees.

PORTFOLIO OF GENERATION OPTIONS

During FY17 we ensured that our portfolio of renewable options was appropriately sized.

Our view that demand growth will likely be moderate, combined with the cost of maintaining land access agreements, led us to discontinue Poutō wind farm, an option close to the Kaipara Harbour that was in the pre-consent phase, and put on hold Hurunui wind farm, a consented option in North Canterbury, both of which were less attractive than others in our portfolio.

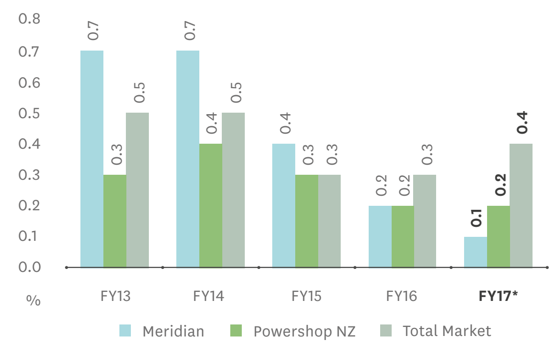
Two consented North Island wind farm projects, Central Wind (Taihape) and Maungaharuru (Hawke's Bay) remain the most attractive options. Combined, they would result in approximately 280MW of additional renewable electricity generation, providing about 800GWh of electricity per annum (equivalent to demand growth of 2%).

VULNERABLE CUSTOMERS

We do our best to support customers experiencing financial hardship. In all our retail businesses, we have credit specialists and support teams who are responsible for (among other things) helping customers to get through difficult times.

Our hardship programmes aim to reduce the number of disconnections and support us in meeting regulatory requirements and guidelines. In the past four years, Meridian has reduced the number of customers being disconnected by 85%, reflecting our practice of only using disconnection as a last resort. Powershop New Zealand's disconnection rate is also low, as is Powershop Australia's (0.1% in FY16; FY17 disconnection rates are not yet publicly available in Australia).

NEW ZEALAND DISCONNECTIONS



Data from the EA (emi.ea.govt.nz/Datasets/Retail/Disconnections).

* FY17 only includes three quarters of data.

Beyond our regulatory requirements, and unique to Meridian, we employ a Hardship Consultant to help customers in financial hardship get individualised support, with the goal of ensuring that they can manage any future bills and avoid a credit cycle. This support ranges from regular communication and discussions about improving energy management, heating and appliance use to recommending budgeting advice services. Meridian also helps customers to work with government support agencies such as Work and Income.

Our New Zealand portfolio of renewable generation options is ready for when demand increases

In keeping with the trend of the past five years, electricity demand in New Zealand continues to be relatively flat, with a decrease of 0.6% in FY17. This, combined with stable supply conditions, meant that we didn't commit to building any new generation in FY17. However, we continue to maintain our portfolio of generation options with disciplined and appropriate capital expenditure, and we expect demand to increase moderately in the medium term—by 3.5% to 7% above 2016 levels by 2023.

While overseas media are commenting on price declines for utility-scale solar, wind prices are also declining; a Bloomberg New Energy Finance outlook[22] study suggests that megawatt turbine prices have reduced by 26% since 2009. New Zealand's abundant wind resource relative to solar, and our highly skilled in-house team, mean that developing wind options remains the right strategy for Meridian.

Our approach to managing the commercial risk of spot market volatility has become more sophisticated over time, and we're now in a position to grow our retail business in New Zealand, supported by recent contracts with other generators. These contracts, and the availability of a deeper hedge market, are also enabling more retailers to enter the market and increasing retail competition.

New Zealand's electricity prices are currently stable, reflecting flat demand and strong competition

An effective open market enables the right price to be fairly set—one that is as competitive as possible for the consumer and sends the right signals on the timing of electricity use and how long-term electricity demand will be met with improved energy efficiency, demand management and/or lowest-cost generation options.

The New Zealand electricity market is more than 20 years old and serves around two million customer connections through 34 retail brands. A 'new normal' situation of intense competition means that customers have unprecedented choice in a market of downward pressure on pricing as retailers battle it out to win and keep customers, and remain profitable.

In the past year energy pricing has remained level, and for the past five years it has been fairly stable. An analysis of data from the Ministry of Business, Innovation and Employment put the real cost of electricity to the average residential customer at 28.1 cents per kilowatt hour in 2016, compared with 28.7 cents in 2015[23]—the first real fall in prices from one year to the next since the 1980s. The decline can be attributed to relatively flat demand growth, a steady investment in lines infrastructure, and increased retail competition.

The most recent international data shows that New Zealand's prices are lower than those of most OECD countries, with only 10 of the 31 having lower prices for residential supply.[24] However, we recognise that there are times when some customers are affected by financial hardship, and that electricity costs can contribute to the broader social issues of household income and housing affordability.

22 New Energy Outlook 2017 by Bloomberg New Energy Finance.
23 Sales-based electricity costs, March 2017, Ministry of Business, Innovation and Employment.
24 Ministry of Business, Innovation and Employment, International Comparisons web page.

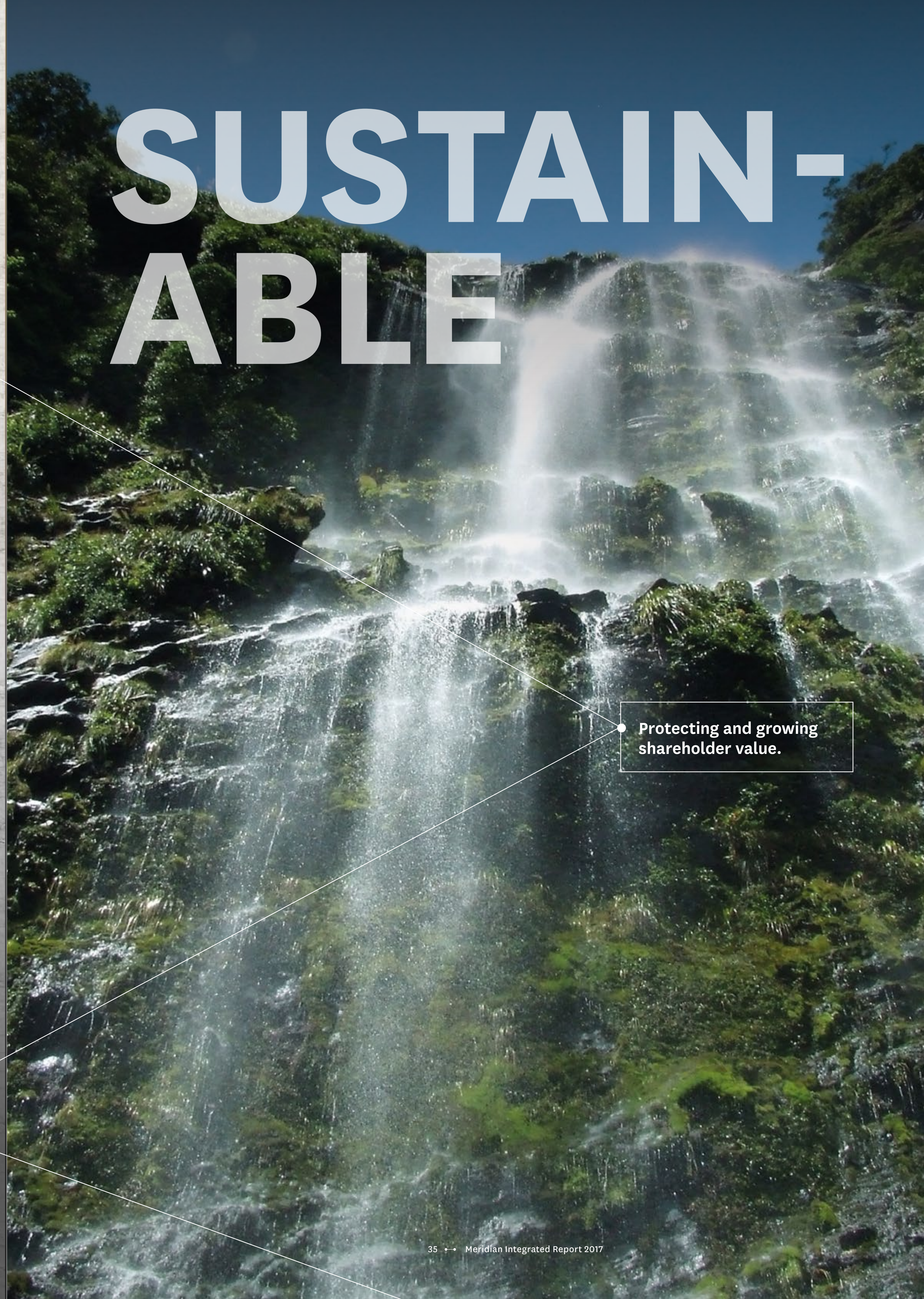
Value created for our shareholders.

VALU-
ABLE

JANE WILLIAMS, COMMERCIAL ANALYST, STRATEGY AND FINANCE

Making sure that our accounts are accurate and transparent helps Meridian provide value to our shareholders. Delivering good financial results to the many New Zealanders invested in Meridian is critical to our success.

I am proud to work for one of New Zealand's top-performing companies.



SUSTAIN-
ABLE

Protecting and growing shareholder value.

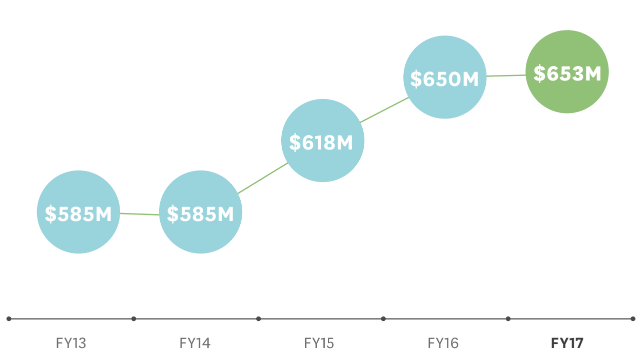
Value created for our shareholders

While dry conditions slowed profitability growth, higher cash flows supported continued dividend growth, with the company declaring a final dividend 4% higher than last year.

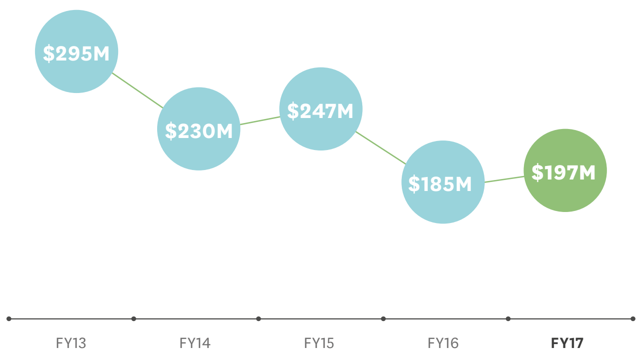
Five-year performance

for the financial year ended 30 June 2017

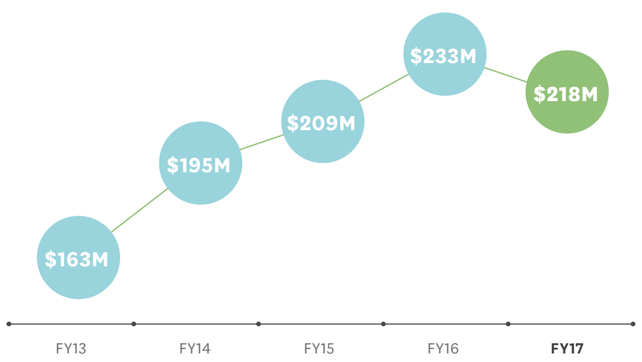
EBITDAF[25]



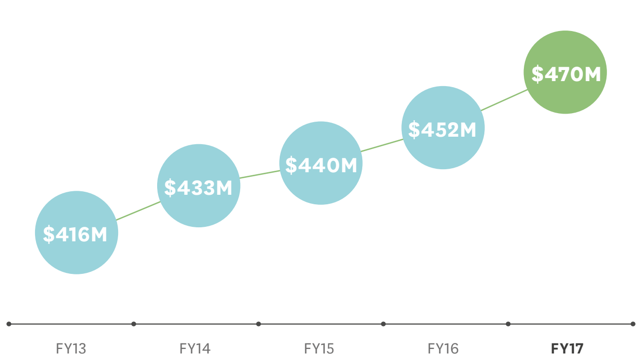
NPAT[26]



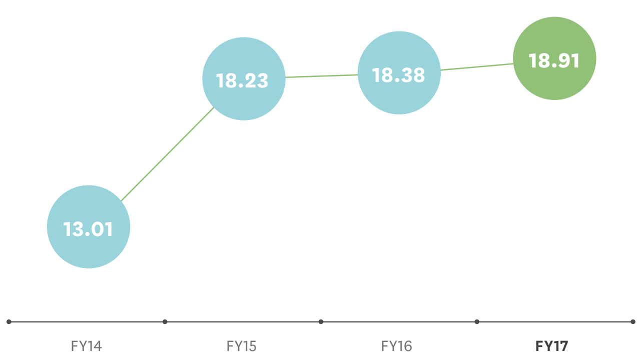
UNDERLYING NPAT[27]



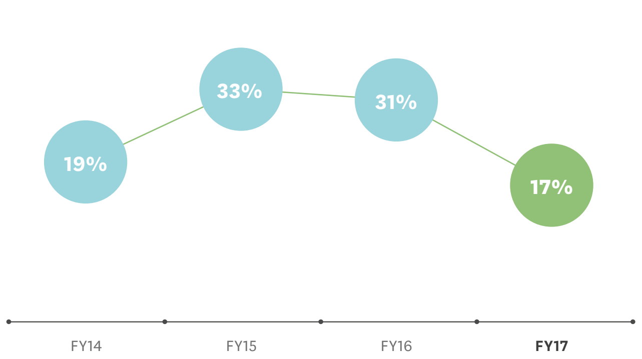
CASH FLOW FROM OPERATING ACTIVITIES



DIVIDENDS DECLARED



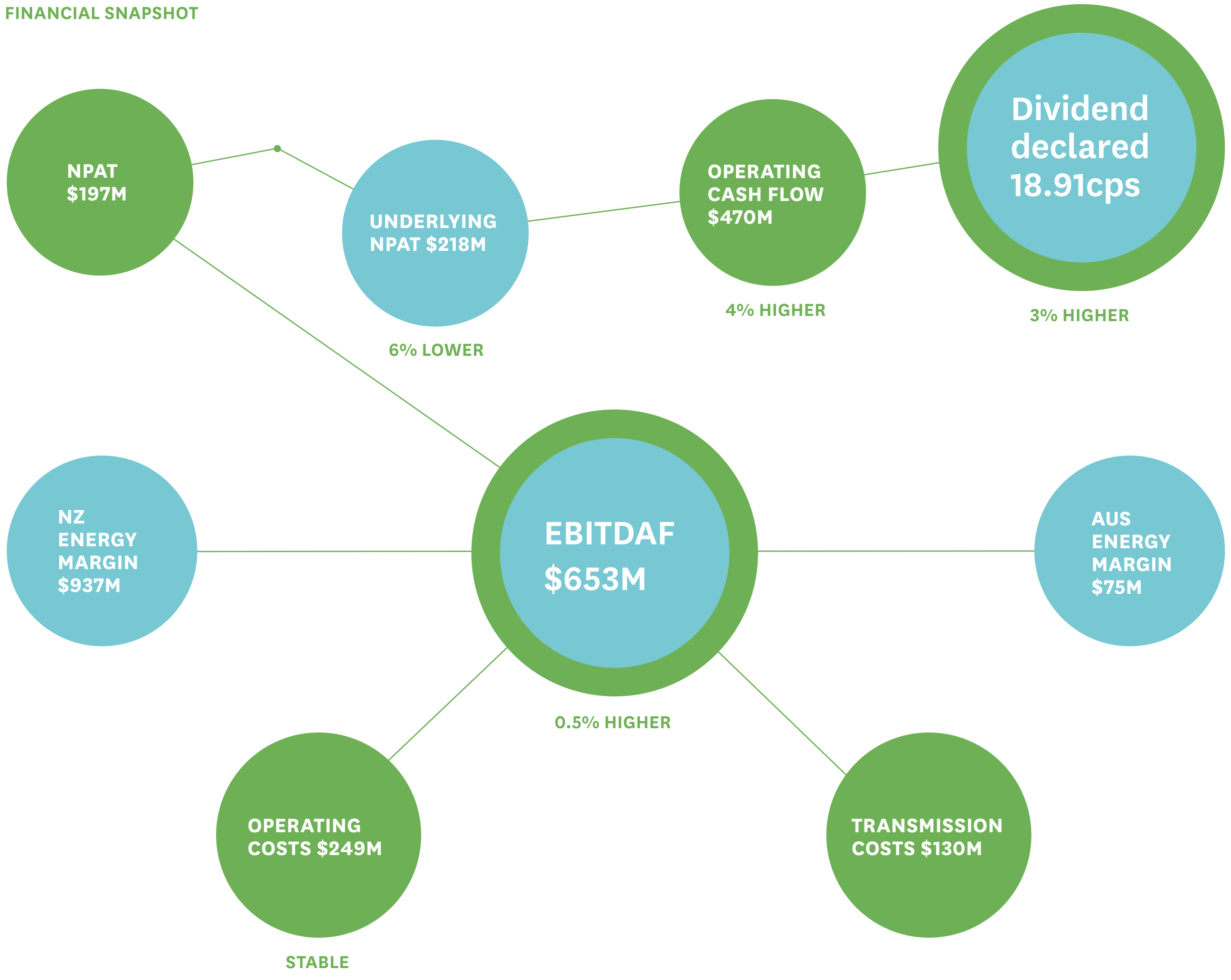
TOTAL SHAREHOLDER RETURN (TSR)



25 Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items.
26 Net profit after tax.
27 Net profit after tax adjusted for the effects of non-cash fair value movements and one-off items.

Overview

FINANCIAL SNAPSHOT



Meridian saw its profitability growth slow in the second half of FY17 as we experienced dry, calm weather conditions through autumn and early winter. Meridian responded to record low inflows between February 2017 and June 2017 by reducing its own generation and exercising its dry-year insurance hedge contract with Genesis in June 2017. Those actions and the use of other financial instruments helped reduce our exposure to the high spot market prices seen in recent months. The cost of acquiring higher levels of generation and the reduction in Meridian's own discretionary generation resulted in only slight growth in FY17 earnings.

While dry conditions slowed profitability growth, higher cash flows supported continued dividend growth, with the company declaring a final dividend 4% higher than last year.

Meridian has also declared a final special dividend of 2.44 cents per share ($62.5 million) under the company's five-year capital management programme to return $625 million to shareholders. This brings the capital management special dividend declared in FY17 to 4.88 cents per share, with $312.5 million now distributed since the capital management programme commenced in August 2015. To date this has all been paid as unimputed special dividends; however, a buyback remains a consideration.

Total dividends declared for the FY17 were 18.91 cents per share, 3% higher than in FY16.

Total dividends paid during the year were 18.61 cents per share, which combined with the 10% increase share in price during FY17, amounted to a TSR of 17% in the year to 30 June 2017.

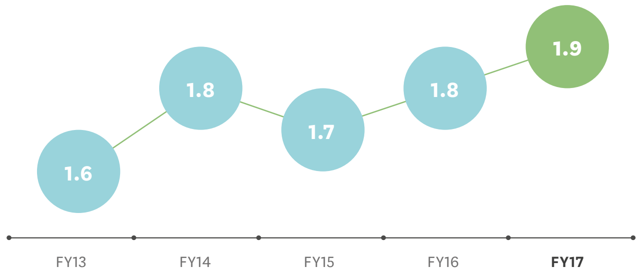
DIVIDENDS DECLARED

	ORDINARY DIVIDENDS	CAPITAL MANAGEMENT SPECIAL DIVIDENDS	OTHER SPECIAL DIVIDENDS	TOTAL
FY17	**14.03**	**4.88**	**-**	**18.91**
FY16	13.50	4.88	-	18.38
FY15	12.88	2.44	2.91	18.23
FY14	11.01	-	2.00	13.01

Value created for our shareholders

Meridian's balance sheet remains in a strong position, with the company credit metrics well within the limits used by rating agency Standard & Poor's to assess its BBB+ rating.

NET DEBT/EBITDAF



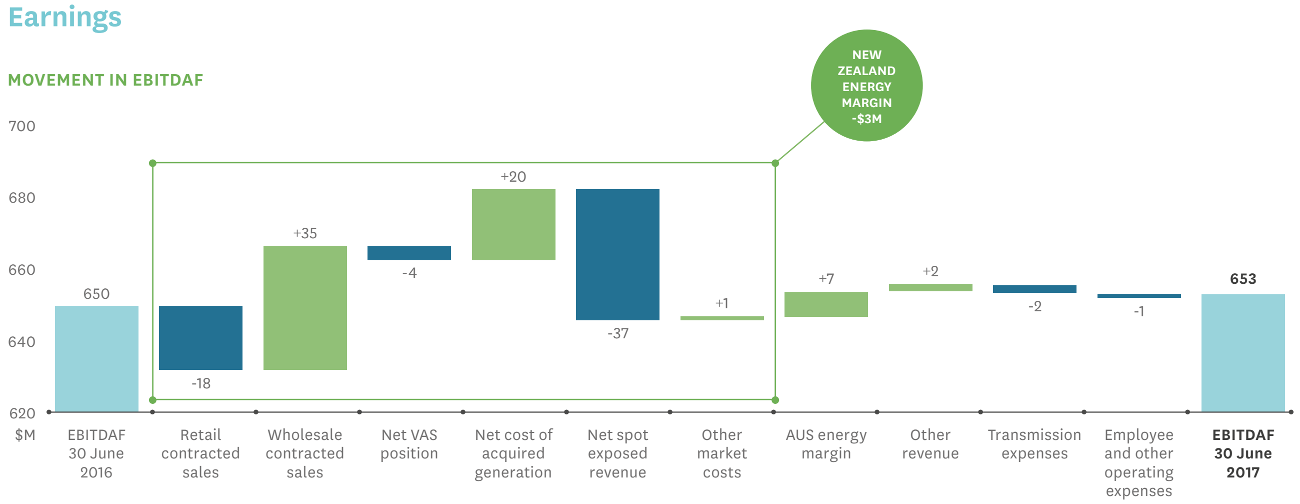
Cash flows

Operating cash flows were $470 million in FY17, $18 million (4%) higher than the same period last year, mainly as a result of higher EBITDAF through most of FY17.

Capital expenditure in FY17 was $55 million, of which $47 million was stay-in-business capital expenditure.

Earnings

MOVEMENT IN EBITDAF



EBITDAF was $653 million in FY17, $3 million (0.5%) higher than the same period last year.

New Zealand energy margin

		FY17 ($M)	FY16 ($M)
Retail contracted sales revenue	Revenue received from sales to retail customers net of distribution costs (fees to distribution network companies that cover the costs of the distribution of electricity to customers)	**612**	630
Wholesale contracted sales revenue	Sales to large industrial customers and fixed-price revenue from derivatives sold	**354**	319
Spot exposed revenue	Revenue from the volume of electricity that Meridian generates that is in excess of the volume required to cover contracted customer sales	**(23)**	14
Net cost of acquired generation	The cost of derivatives acquired to supplement generation and manage spot price risks, net of spot revenue received for generation acquired from those derivatives	**(4)**	(24)
Net VAS revenue	The net revenue position of virtual asset swaps (VAS) with Genesis Energy and Mercury New Zealand	**4**	8
Other	Other associated market revenue and costs, including EA levies and ancillary generation revenues such as frequency keeping	**(5)**	(6)
Total		**938**	941

New Zealand energy margin was $938 million in FY17, $3 million (0.3%) lower than the same period last year, with retail contracted sales revenue $18 million (3%) lower. Despite a slight increase (1%) in Meridian's New Zealand customer numbers during FY17, retail sales volumes were 4% lower. This reflected a 2% irrigation-driven decrease in residential, small and medium business (SMB) and agri sales volumes and an 8% decrease in corporate sales volumes.

Overall the average residential, SMB and agri sales price increased by 2%, while the average corporate and industrial sales price decreased by 2%.

Wholesale contracted sales revenue was $35 million (11%) higher in FY17. Wholesale derivative sales volumes were 25% higher at higher average prices than the same period last year. Sales volumes to the Tiwai Point Aluminium Smelter were slightly lower than the same period last year.

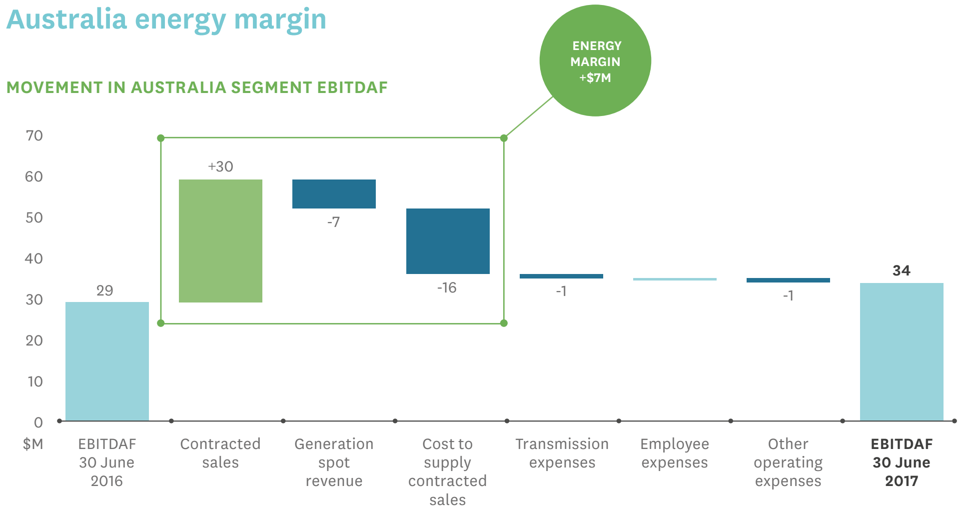
The net cost of acquired generation was $20 million (83%) lower in FY17 from a lower average net price, partly offset by higher acquired generation volumes (38%) than the same period last year.

Net spot exposed revenue was $37 million (267%) lower in FY17. Generation volumes were 3% lower than the same period last year and were affected by record low same-period inflows in the five months between February 2017 and the end of June 2017. Average generation prices were 10% lower than the same period last year and while wholesale spot prices rose in the second half of FY17, above-average storage in the first half of FY17 was reflected in lower spot prices. While overall generation revenue was 12% lower than it was last year, the lower wholesale market prices in FY17 meant Meridian paid lower average prices to supply contracted sales, 8% lower than the same period last year. Purchase volumes were 0.4% higher than the same period last year and the lower overall cost to supply contracted sales in FY17 (8% lower than the same period last year) only partially offset lower generation revenue.

Value created for our shareholders

Australia energy margin

MOVEMENT IN AUSTRALIA SEGMENT EBITDAF



Australia energy margin was $7 million (10%) higher than the same period last year, with Powershop Australia's retail sales volumes (493GWh in total) 148GWh (43%) higher than the same period last year. By 30 June 2017, Powershop Australia's customer numbers were over 100,000, growing by more than 22,000 (29%) in FY17. Wind generation (510GWh in total) was 2% lower than FY16, including some very poor wind months towards the end of FY17.

Transmission and operating costs

Transmission costs were $130 million in FY17, $2 million (2%) higher than the same period last year, due to higher Transpower charges on the New Zealand inter-island electricity transmission link.

Employee and other operating costs were $249 million in FY17, $1 million (0.4%) higher than the same period last year. Despite growth investment supporting an expansion of the Powershop Australia and United Kingdom businesses and continued customer acquisition pressure from the highly competitive New Zealand market, tight cost management in other parts of the business resulted in overall costs being largely flat compared with last year.

Net profit after tax

NPAT was $197 million in FY17, $14 million (6%) higher than the same period last year. While FY17 saw higher depreciation and amortisation ($28 million higher), largely as a result of last year's revaluation of assets, the net movement in the fair value of electricity hedges (negative) and treasury instruments (positive) during FY17 was a $21 million reduction in NPAT. These fair value movements relate to non-cash changes in the carrying value of derivative instruments and are influenced by changes in forward prices and rates on these derivative instruments.

Depreciation and amortisation totalled $264 million in FY17, $28 million (12%) higher than the same period last year, reflecting a $696 million net revaluation increase in generation and plant asset values from June 2016.

Meridian recognised $10 million of impairments in FY17, mainly related to the Poutū and Hurunui wind farm development options that the company elected not to pursue in FY17. This compares with $4 million of impairments recognised in FY16. These related to water use consents from Meridian's sale of its investment in Hunter Downs Development Company and a reversal of a previous impairment of Australian generation assets.

Meridian recognised a $4 million loss on the sale of assets in FY17, compared with a $1 million loss in FY16.

Fair value movements in electricity hedges reduced net profit before tax by $76 million in FY17, compared with a $15 million reduction in the same period last year, reflecting changes in forward electricity prices.

Fair value movements in treasury instruments increased net profit before tax by $55 million in FY17, compared with a $68 million reduction in the same period last year.

Forward interest rate curves increased during FY17, affecting the fair value of treasury instruments. Despite rising rates, net financing costs were $1 million (1%) lower than the same period last year. Meridian has maintained its BBB+ (stable outlook) credit rating from Standard & Poor's.

Income tax expense was $80 million in FY17, $9 million (13%) higher than the same period last year, reflecting higher net profit before tax.

After removing the impact of fair value movements and other one-off or infrequently occurring events, Meridian's underlying NPAT reconciliation (on page 41) was $218 million in FY17. This was $15 million (6%) lower than the same period last year, largely reflecting higher depreciation and amortisation.

SUMMARY GROUP INCOME STATEMENT

Financial year ended 30 June

	2017 $M	2016 $M	2015 $M	2014 $M	2013 $M
New Zealand energy margin	**938**	941	900	891	865
Australia energy margin	**75**	68	54	33	51
Other revenue	**19**	17	25	27	30
Energy transmission expense	**(130)**	(128)	(123)	(129)	(115)
Employee and other operating expenses	**(249)**	(248)	(238)	(237)	(246)
EBITDAF	**653**	650	618	585	585
Depreciation and amortisation	**(264)**	(236)	(239)	(220)	(220)
Impairment of assets	**(10)**	4	(38)	-	(25)
Gain/(loss) on sale of assets	**(4)**	(1)	19	7	107
Net change in fair value of electricity and other hedges	**(76)**	(15)	(1)	(9)	51
Net finance costs	**(77)**	(78)	(78)	(73)	(114)
Net change in fair value of treasury instruments	**55**	(68)	(32)	27	43
Net profit before tax	**277**	256	249	317	427
Income tax expense	**(80)**	(71)	(2)	(87)	(132)
Net profit after tax	**197**	185	247	230	295

UNDERLYING NPAT RECONCILIATION

Financial year ended 30 June

	2017 $M	2016 $M	2015 $M	2014 $M	2013 $M
	197	185	247	230	295
Underlying adjustments					
Hedging instruments					
Net change in fair value of electricity and other hedges	**76**	15	1	9	(51)
Net change in fair value of treasury instruments	**(55)**	68	32	(27)	(43)
Premiums paid on electricity options net of interest	**(12)**	(12)	(15)	(20)	(18)
Assets					
(Gain)/loss on sale of assets	**4**	1	(19)	(7)	(107)
Impairment of assets	**10**	(4)	38	-	25
Total adjustments before tax	**23**	68	37	(45)	(194)
Taxation					
Tax effect of above adjustments	**(2)**	(20)	(13)	10	62
Release of capital gains tax provision	-	-	(28)	-	-
Tax depreciation on powerhouse structures	-	-	(34)	-	-
Underlying net profit after tax	**218**	233	209	195	163

Our Board.

> Effective boards put in place the right people, strategy, culture and ethics to support the organisation's success, and understand that creating value for others is essential to being able to create value for shareholders.

STEPHEN REINDLER *Director*
MEG MATTHEWS *Future Director*
MARK CAIRNS *Director*
MARK VERBIEST *Director*
CHRIS MOLLER *Chair*
JAN DAWSON *Director*
MARY DEVINE *Director*
PETER WILSON *Deputy Chair*
ANAKE GOODALL *Director*

The role of governance in creating value

Effective governance starts by having the right people on the Board and the right person as CE

Meridian recruits Board members for a range of skills and experience, and following Sally Farrier's retirement in 2016 the Board was pleased to appoint Mark Verbiest as a director, recognising and welcoming his experience and expertise in telecommunications retail and investor relations. Biographies of our Board members (and the Executive Team) are available on our website at meridianenergy.co.nz.

While the company's Constitution does not require it, this Board has a collective view that Ngāi Tahu, as tangata whenua, is such an important stakeholder that a position on the Board should always be offered to a suitably qualified person with an association with Ngāi Tahu. This role is currently taken by Anake Goodall, the former Chief Executive Officer of Te Rūnanga o Ngāi Tahu.

During the year we also appointed Megan Matthews as our first 'Future Director'. The Future Directors initiative, developed by the Institute of Directors in New Zealand, supports the development of the next generation of directors by giving candidates exposure to public company boards for a year.

Strategy days and regular meetings allow the Board to share their thoughts, and challenge management, on the direction they wish to take the business and how they're managing the various long-term drivers of value (such as retaining access to water, building employee engagement, decisions to build new assets, environmental performance, customer satisfaction, reputation and brand).

The Board also sets Meridian's overall appetite for risk and its approach to risk management. The key risks are discussed in this report and covered in this year's Corporate Governance Statement, which you can find on our website at meridianenergy.co.nz.

Meridian's culture and ethics have an important role in ensuring that the company behaves responsibly, and support our reputation as a good corporate citizen. The Board has approved a wide range of policies that management are expected to adhere to and incorporate in the company's operations, including a Code of Conduct, the content of which all employees agree to follow. The code provides guidance to staff on the behaviours that are expected and how to handle the issues and challenges they may face.

Committees support the Board by providing detail on specific issues and having subject matter experts provide insights and advice. The following committees, and the Board as a whole, cover the spectrum of resources on which we depend for our business success, and feed into the company's overall strategy and direction. They also keep the Board well informed of day-to-day operations.

RESOURCES	BOARD OVERSIGHT
Financial and manufactured capital (our cash and assets)	Audit & Risk Committee
Technology	Full Board
Human capital	
· Our people and expertise	Remuneration & Human Resources Committee
· Health and safety	Safety & Sustainability Committee
Relationships and reputation	
· Our people	Remuneration & Human Resources Committee
· All other groups	Safety & Sustainability Committee and full Board
Natural resources	Safety & Sustainability Committee
Significant risks around resources	Audit & Risk Committee

No strategic goals, policies or processes would be achievable if it weren't for Meridian's people, who are our most important resource. They work hard to create value for Meridian, so it's essential that they are aligned with the company's strategy and are well supported and rewarded appropriately for their efforts. Our approach to remunerating our people is on page 48.

Overall, Meridian's governance approach is best practice. I'm very proud to be the Chair of such a committed and effective Board.

Chris Moller

CHRIS MOLLER
Chair

Approved director remuneration for FY17 and FY18

Director remuneration is paid from the total director fee pool that was approved by shareholders at the annual shareholder meeting of 28 October 2016. At this time shareholders gave their approval to the total annual director fee pool increasing over two years.

SHAREHOLDER-APPROVED ANNUAL DIRECTOR FEE POOL

	FY17	FY18
Board fees	$909,500	$1,000,000
Committee fees	$85,000	$100,000
Total pool	$994,500	$1,100,000

INDIVIDUAL BOARD-APPROVED ANNUAL FEE BREAKDOWN

POSITION	FY17	FY18
Chair	$182,500	$200,000
Deputy Chair	$127,000	$140,000
Director	$100,000	$110,000
Audit & Risk Committee Chair	$18,200	$22,500
Audit & Risk Committee member	$9,100	$10,000
Safety & Sustainability Committee Chair	$15,000	$15,000
Safety & Sustainability Committee member	$6,200	$9,200
Remuneration & Human Resources Committee Chair	$15,000	$15,000
Remuneration & Human Resources Committee member	$6,200	$9,100

DIRECTOR REMUNERATION RECEIVED IN FY17

DIRECTOR	BOARD FEES	AUDIT & RISK COMMITTEE	REMUNERATION & HUMAN RESOURCES COMMITTEE	SAFETY & SUSTAINABILITY COMMITTEE	TOTAL REMUNERATION
Chris Moller[28] (Chair)	$182,500	-	-	-	$182,500
Peter Wilson (Deputy Chair)	$127,000	$9,100	-	$6,200	$142,300
Mark Cairns	$100,000	$9,100	-	-	$109,100
Jan Dawson	$100,000	$18,200 (Chair)	-	-	$118,200
Mary Devine	$100,000	-	$15,000 (Chair)	-	$115,000
Sally Farrier[29]	$33,333	-	-	$2,067	$35,400
Anake Goodall[30]	$100,000	-	$5,127	$1,073	$106,200
Stephen Reindler	$100,000	-	-	$15,000 (Chair)	$115,000
Mark Verbiest[31]	$27,198	-	$1,073	-	$28,271
TOTAL	**$870,031**	**$36,400**	**$21,200**	**$24,340**	**$951,971**

Directors are reimbursed for all reasonable and properly documented expenses incurred in performing their duties as Meridian directors. No additional payments or benefits were received by directors in FY17.

REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS IN THEIR CAPACITY AS DIRECTORS OF SUBSIDIARIES OF MERIDIAN

Ending 30 June 2017

DIRECTOR	SUBSIDIARY	FEES
John Journee (independent)	Powershop New Zealand Limited	$50,000
Nicola Kennedy (independent)	Powershop New Zealand Limited	$45,000

Meridian employees appointed as directors of Meridian subsidiaries do not receive any directorship fees.

28 Chris Moller does not receive additional fees for committee membership.
29 Sally Farrier resigned from the Board effective 28 October 2016, so fees do not represent a full year.
30 Anake Goodall was appointed by the Board to the Safety & Sustainability Committee effective 28 April 2016, so committee fees do not represent a full year.
31 Mark Verbiest was appointed to the Board effective 24 March 2017 and to the Remuneration & Human Resources Committee effective 28 April 2016, so fees do not represent a full year.

Our Executive Team.

At Meridian we've always recognised that operating our business in an ethical and sustainable way is fundamentally important to both our staff and our customers. Our research tells us that our customers place significant value on being with an energy provider that's 100% renewable. It's why we've been ranked as one of New Zealand's most sustainable brands for the past six years. It makes a real difference to our customers, who know that Meridian is committed to protecting New Zealand's future.—NEAL BARCLAY, GENERAL MANAGER, RETAIL

Strategy is about creating sustainable, strong performance. This involves more than just the lens of profitability and means that corporate performance cannot be defined solely by profitability; it must also be measured by environmental and social outcomes. Creating sustainable outcomes for our stakeholders and the environment protects our ability to continue delivering financial returns in the medium and long term.—PAUL CHAMBERS, CHIEF FINANCIAL OFFICER

JASON STEIN
General Counsel and Company Secretary

ED MCMANUS
Chief Executive, Meridian Energy Australia Pty Ltd, and Powershop Australia Pty Ltd

MARK BINNS
Chief Executive

GUY WAIPARA
General Manager, Markets and Production

JACQUI CLELAND
General Manager, Human Resources

SANDRA PICKERING
General Manager, Information and Communication Technology

NEAL BARCLAY
General Manager, Retail

PAUL CHAMBERS
Chief Financial Officer

Our approach to remunerating our people

Being able to attract, retain and motivate talented people in all areas of the business, remunerate them fairly, and incentivise and reward them for delivering desired business performance and long-term shareholder value is central to Meridian's ongoing success.

Meridian's remuneration philosophy is guided by the principles that our remuneration practice should:

- be clearly aligned with the company values, culture and strategy
- support the attraction, retention and engagement of employees
- be clear and understood by employees
- be fair, equitable and flexible
- appropriately reflect market conditions and the organisational context
- recognise individual performance and competency, rewarding individuals for achieving high performance
- recognise team and company performance and the creation of shareholder value.

Our remuneration policy and practice are regularly reviewed by the Remuneration & Human Resources Committee, with executive individual performance objectives, company financial performance targets, and outcomes approved annually by the Board.

All permanent employees have fixed remuneration benchmarked to market, the opportunity to take part in a short-term incentive (STI) scheme at the invitation of the Board, and a range of cash and non-cash benefits (for example employee insurance, extended paid parental leave, the ability to purchase additional leave, and access to purchasing discounts). Executive Team members and the Chief Executive (CE) are also eligible to participate in a long-term incentive (LTI) plan. Both the STI scheme and LTI plan are variable, performance-based incentives and are only awarded if specific financial and non-financial performance hurdles are met.

FIXED REMUNERATION

Fixed remuneration is made up of base salary and company-matched employee KiwiSaver contributions up to a maximum of 4%. The base salary is reviewed annually against external market data, and reflects the core requirements of the role and individual performance.

SHORT-TERM INCENTIVE (STI)

The STI is an at-risk discretionary incentive, offered annually by invitation from the Board. For eligible employees the potential STI payments are based on the achievement of predetermined company profit levels and individual performance objectives aligned to our business strategy and goals. An STI is only paid if the employee meets a behaviour gate and the company meets certain financial performance hurdles. Sales employees are incentivised and rewarded based on their achievement of sales targets.

For Executive Team roles, the percentage value of the STI as part of their total remuneration reflects the complexity and level of the roles and is set at 30% of their base salaries. For the CE, the percentage value is 40%.

LONG-TERM INCENTIVE (LTI)

An LTI plan is offered, at the discretion of the Board, to the New Zealand Executive Team to incentivise and reward key executives, align executives' and shareholders' interests, and optimise long-term shareholder returns.

The percentage value of the LTI is 30% of the base salary for New Zealand executive management, and 40% of the base salary for the CE. Vesting of the LTI is contingent on meeting both absolute and relative Total Shareholder Return (TSR) performance hurdles at the conclusion of a three-year period. Further details of the LTI plan are provided on page 87.

EMPLOYEE SHARE OWNERSHIP

Permanent employees in New Zealand can also choose to join Meridian's employee share ownership plan, *MyShare*. Implemented in FY15, *MyShare* gives employees the opportunity to purchase shares in the company via monthly pay deductions. *MyShare* has a minimum contribution of $500 and a maximum of $5,000 per annum. After three years, participants may be eligible for award shares subject to ongoing employment (Tenure Award Shares) and the company TSR outperforming a peer group of competitors (Performance Award Shares). In FY17, 48% of eligible employees participated in *MyShare*, and this has increased to nearly 50% in FY18.

EMPLOYEE REMUNERATION RANGE

The number of employees and former employees of Meridian and its subsidiaries (not including directors) who during the year ended 30 June 2017 received cash remuneration and other benefits (including at-risk performance incentives, KiwiSaver contributions and redundancy compensation) exceeding $100,000 is outlined below:

REMUNERATION BAND	NUMBER OF EMPLOYEES	REMUNERATION BAND	NUMBER OF EMPLOYEES
100,000–109,999	56	280,000–289,999	2
110,000–119,999	71	290,000–299,999	2
120,000–129,999	56	300,000–309,999	2
130,000–139,999	35	310,000–319,999	4
140,000–149,999	32	320,000–329,999	2
150,000–159,999	21	380,000–389,999	1
160,000–169,999	16	430,000–439,999	1
170,000–179,999	17	480,000–489,999	1
180,000–189,999	6	580,000–589,999	1
190,000–199,999	10	590,000–599,999	1
200,000–209,999	7	650,000–659,000	1
210,000–219,999	8	680,000–689,000	1
220,000–229,999	8	720,000–729,999	1
230,000–239,999	5	940,000–949,999	1
240,000–249,999	4	980,000–989,999	1
250,000–259,999	3	2,390,000–2,399,999	1
260,000–269,999	1		**383***
270,000–279,999	4		

* This includes 22 employees who are no longer employed by Meridian Energy Limited and its subsidiaries.

MERIDIAN GROUP WORKFORCE

	New Zealand***		Australia**		Total
	Female	Male	Female	Male	
Permanent employees					
Permanent full time*	361	473	15	31	**880**
Permanent part time	17	2	-	1	**20**
Temp/fixed-term employees					
Temp/fixed-term full time	11	18	-	3	**32**
Temp/fixed-term part time	12	10	5	-	**27**
Total	**401**	**503**	**20**	**35**	**959**

* Four of these employees are based in the UK (two men and two women).

** 7% of these staff are covered by collective bargaining agreements.

*** 237 of these employees work for Powershop New Zealand.

Chief Executive remuneration

The CE's remuneration consists of fixed remuneration, a short-term incentive (STI), a long-term incentive (LTI) and access to the benefits available to all employees. The STI and LTI are at-risk discretionary incentives, as any payment depends on predetermined performance hurdles being met. The Board reviews the CE's remuneration annually, having taken into consideration company and individual performance, external market data and independent remuneration advice.

The STI is offered and payable at the discretion of the Board. An STI is only paid if financial and non-financial objectives, set by the Board at the start of that financial year, are achieved. The performance hurdles for the STI are company financial performance (weighted at 60%) and individual non-financial performance targets (weighted at 40%). In FY17 individual non-financial performance measures reflected business priorities and included stretch objectives relating to health and safety, employee engagement, customer sales and service, the effective management of key generation, regulatory and industry matters. Each objective had clearly defined targets and levels of achievement set by the Board at the beginning of the financial year.

Participation in the LTI plan is also offered to the CE at the discretion of the Board. The LTI is contingent on their meeting absolute and relative TSR performance hurdles at the end of a three-year vesting period, and is designed to align executive remuneration with financial outcomes for shareholders in the longer term.

CHIEF EXECUTIVE REMUNERATION

Ending 30 June 2017 and 30 June 2016

					PAY FOR PERFORMANCE			
YEAR	BASE SALARY	TAXABLE BENEFITS[32]	FIXED REM[33]	*MYSHARE*	STI[34]	LTI[35]	SUBTOTAL	TOTAL REM
FY17	**1,175,912**	**47,036**	**1,222,948**	**2,500**	**457,676**	**696,644**	**1,154,320**	**2,379,768**
FY16	1,152,855	46,114	1,198,969	n/a	488,603	682,984	1,171,587	2,370,556

FIVE-YEAR REMUNERATION SUMMARY

YEAR	SINGLE FIGURE REM	% STI AGAINST MAXIMUM	% VESTED LTIS AGAINST MAXIMUM[36]	SPAN OF LTI PERFORMANCE PERIOD
FY17	**2,379,768**	**79.29%**	**100%**	**FY15–FY17**
FY16	2,370,556	86.34%	100%	FY14–FY16
FY15	1,909,121	82.93%	n/a	
FY14	1,912,734	87.61%	n/a	
FY13	1,753,960	89.72%	n/a	

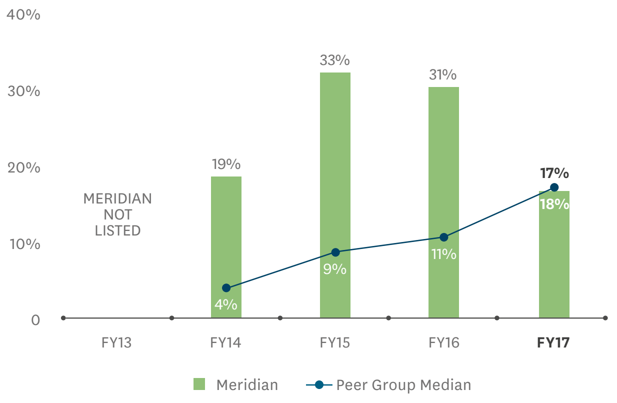
32 Taxable benefits include 4% company KiwiSaver contributions on base salary.
33 Fixed remuneration includes base salary plus KiwiSaver contributions.
34 STI relates to potential payment based on performance achieved for the applicable period and includes 4% company KiwiSaver contributions.
35 LTI is grossed up for PAYE and includes 4% company KiwiSaver contributions.
36 The LTI plan was introduced in FY14 and the first plan vested in FY16. Prior to that no LTI was offered.

Our approach to remunerating our people

BREAKDOWN OF CHIEF EXECUTIVE PAY FOR PERFORMANCE (FY17)

DESCRIPTION		PERFORMANCE MEASURES	% ACHIEVED
STI[37]	Set at 40% of base salary. Combination of company and individual performance objectives (both financial and non-financial).	60% weighting company performance (company profit, which comprises Group EBITDAF minus capital charge). The company must achieve at least 85% of the profit gate target before any STI for company performance is payable. The range for the company performance component is 0–130%.	102.6%
		40% weighting individual performance against Board-determined financial and non-financial objectives. A further performance hurdle applies in that the company must achieve at least 50% of the profit gate target before the individual performance component of the STI is payable.	80%
LTI[37]	Conditional awards of shares under LTI plan. Set at 40% of base salary.	Absolute TSR over the relevant assessment period: · must be positive; and > 50th percentile/median TSR of the peer group.	Hurdle met
		Relative TSR—if positive and: · > 50th percentile TSR of peer group, at least 50% vests · ≥ 75th percentile TSR, 100% vests · between the 50th and 75th percentile TSRs of peer group, progressively vests on a straight-line basis.	100%

FIVE-YEAR SUMMARY – TOTAL SHAREHOLDER RETURN (TSR) PERFORMANCE (MERIDIAN ENERGY VS PEER GROUP[38])



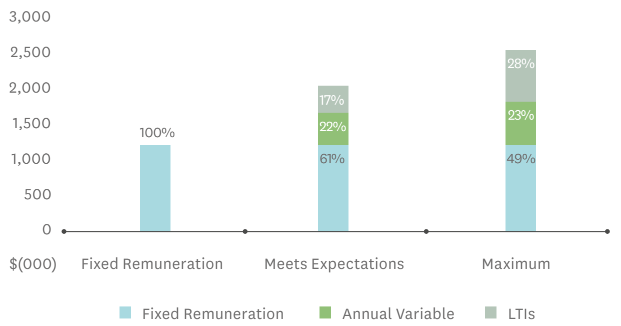
The TSR summary above illustrates the performance of Meridian's shares against a peer group of companies between 30 June 2014 and 30 June 2017. TSR performance outcomes are independently validated by external experts.

KIWISAVER

As a member of KiwiSaver, the CE is entitled to receive a matching employer contribution of 4% of gross taxable earnings (including both the STI and the LTI). In FY17 the company's KiwiSaver contributions were $91,433.

CHIEF EXECUTIVE REMUNERATION PERFORMANCE PAY FOR FY17

The scenario chart below depicts the CE remuneration design for the year ended 30 June 2017. 'Fixed remuneration' reflects the actual base salary plus KiwiSaver contributions received in the financial year. For performance that 'meets expectations', the STI component would pay out at 36% of fixed remuneration and the LTI component at 29% of fixed remuneration. At 'maximum', for performance that exceeds expectations, the STI component would pay out at 47% of fixed remuneration, and the LTI component at 57%.



37 The above STI and LTI payments for FY17 were paid in FY18. The maximum possible achievement level for the STI is 118%.

38 Peer group for LTI issued in FY14 included AGL Energy, Contact Energy, Mighty River Power, Origin Energy, Trustpower (Genesis not listed at that time). Subsequently peer group comprises AGL Energy, Contact Energy, Mercury Energy, Origin Energy, Trustpower, and Genesis.

Further disclosures required by the NZX Listing Rules and the Companies Act 1993.

For Meridian's full Corporate Governance Statement, please refer to our website: meridianenergy.co.nz/investors/governance/policies

MERIDIAN ENERGY

The table below outlines changes among the people who held office as directors of Meridian Energy Limited. All directors are independent directors as at 30 June 2017.

COMPANY NAME	DIRECTORS
Meridian Energy Limited	Mark Cairns, Jan Dawson, Mary Devine, Sally Farrier (ceased 28 October 2016), Anake Goodall, Chris Moller, Steve Reindler, Peter Wilson, Mark Verbiest (appointed 24 March 2017)

Current Board and Executive Team gender composition

In accordance with NZX's listing rule requirements, the gender make-up of Meridian's directors and officers as at 30 June 2017 is:

	30 JUNE 2017		30 JUNE 2016	
	FEMALE	MALE	FEMALE	MALE
Number of directors	2	6	3	5
Percentage of directors	25%	75%	37.5%	62.5%
Number of officers	2	6	1	7
Percentage of officers	25%	75%	14%	86%

MERIDIAN SUBSIDIARIES

The following tables list the subsidiaries of Meridian Energy Limited during the accounting period, and any changes to those subsidiaries and among the people who held office as directors. Alternate directors are indicated with an (A).

New Zealand subsidiaries

COMPANY NAME	DIRECTORS	FURTHER INFORMATION
Damwatch Engineering Limited	Neal Barclay (ceased on 24 August 2016), Peter Amos, Jason Stein (appointed 24 August 2016)	Sold on 1 December 2016
Damwatch Projects Limited	Peter Amos	Sold on 1 December 2016
Dam Safety Intelligence Limited	Mark Binns, Jason Stein	Incorporated on 4 November 2016
Flux Federation Limited	Mark Binns, Paul Chambers	Incorporated on 25 May 2017
Meridian Energy Captive Insurance Limited	Mark Binns, Paul Chambers, Jason Stein (A)	
Meridian Energy International Limited	Mark Binns, Paul Chambers, Jason Stein (A)	
Meridian Limited	Mark Binns, Paul Chambers, Jason Stein (A)	
Meridian LTI Trustee Limited	Mary Devine, Anake Goodall	
Powershop New Zealand Limited	John Journee, Nicola Kennedy, Paul Chambers, Gillian Blythe (A)	
Three River Holdings No. 1 Limited	Mark Binns, Paul Chambers, Jason Stein (A), Kelvin Mason (A)	
Three River Holdings No. 2 Limited	Mark Binns, Paul Chambers, Jason Stein (A), Kelvin Mason (A)	

Australian subsidiaries

COMPANY NAME	DIRECTORS	FURTHER INFORMATION
Damwatch Pty Limited	Stanley Brogan, Peter Amos	Sold on 1 December 2016
Meridian Australia Holdings Pty Limited	Mark Binns, Paul Chambers, Edward McManus	
Meridian Energy Australia Pty Limited	Mark Binns, Paul Chambers, Edward McManus	
Meridian Energy Markets Pty Limited	Mark Binns, Paul Chambers, Edward McManus	
Meridian Finco Pty Limited	Mark Binns, Paul Chambers, Edward McManus	
Meridian Wind Australia Holdings Pty Limited	Mark Binns, Paul Chambers, Edward McManus	
Meridian Wind Monaro Range Holdings Pty Limited	Mark Binns, Paul Chambers, Edward McManus	
Meridian Wind Monaro Range Pty Limited	Mark Binns, Paul Chambers, Edward McManus	
Mt Millar Wind Farm Pty Limited	Mark Binns, Paul Chambers, Edward McManus	
Mt Mercer Windfarm Pty Limited	Mark Binns, Paul Chambers, Edward McManus	
Powershop Australia Pty Limited	Mark Binns, Paul Chambers, Edward McManus	

UK subsidiary

COMPANY NAME	DIRECTORS	FURTHER INFORMATION
Powershop UK Limited	Mark Binns, Paul Chambers, Ari Sargent, Jim Barrett	

PARTICULARS OF ENTRIES IN THE INTERESTS REGISTER MADE DURING THE ACCOUNTING PERIOD AND CURRENT GENERAL DISCLOSURES

Shareholders can review Meridian Energy Limited's full interests register on request.

In accordance with sections 140 and 211(e) of the Companies Act 1993, the table below lists the general disclosures of interest by directors of Meridian Energy Limited and its subsidiaries and changes made during the accounting period.

NAME	POSITION	DISCLOSURES
Mark Cairns	Director, Meridian Energy Limited	Coda GP Limited—Director Quality Marshalling Limited—Chair from May 2016 Port of Tauranga Limited—Employee Port of Tauranga Trustee Company Limited—Director Northport Limited—Director Primeport Timaru Limited—Director (cessation)*
Jan Dawson	Director, Meridian Energy Limited	Beca Group Limited—Director AIG Insurance New Zealand Limited—Director Mercury Energy Limited—Shareholder Air New Zealand Limited—Director, Shareholder and Bondholder Westpac New Zealand Limited—Director (Chair from March 2015)
Mary Devine	Director, Meridian Energy Limited and Meridian LTI Trustee Limited	Advisory Board on the Transition of CERA (cessation)* AMI Insurance Limited—Director (cessation)* Christchurch City Holdings Limited—Director Top Retail Limited—Director Briscoe Group Limited—Director IAG (NZ) Holdings Limited—Director IAG New Zealand Limited—Director
Anake Goodall	Director, Meridian Energy Limited and Meridian LTI Trustee Limited	Contact Energy Limited—Shareholder Ākina Foundation (formerly Hikurangi Foundation)—Trustee (appointed Chair on 16 March 2015) Impax Environmental Markets Plc—Shareholder Infratil Limited—Shareholder (cessation)* Mercury Energy Limited—Shareholder (cessation)* Moreton Resources Limited (formerly Cougar Energy Limited)—Shareholder
Chris Moller	Chair, Meridian Energy Limited	Westpac New Zealand Limited—Director NZ Transport Agency—appointed Director on 25 March 2010 and Chair from 1 April 2010 SKYCITY Investments Australia Limited—Director SKYCITY Entertainment Group Limited—Chair Trustpower Limited—Bondholder Contact Energy Limited—Shareholder
Steve Reindler	Director, Meridian Energy Limited	Z Energy Limited—Director* WorkSafe New Zealand—Director* Waste Disposal Services Limited—Chair Yachting New Zealand—Director Naylor Love Enterprises Limited—Director Infratil Limited—Shareholder Contact Energy Limited—Shareholder Glidepath Limited—Advisory Board Member Vector Limited—Shareholder New Zealand Oil & Gas Limited—Shareholder Resolve Group Limited—Director (cessation)* Fortlock Holdings Limited (cessation)*
Peter Wilson	Director, Meridian Energy Limited	Genesis Energy Limited—Bondholder Contact Energy Limited—Shareholder Mercury Energy Limited—Bondholder Genesis Energy Limited—Shareholder Arvida Group Limited—Chair Mercury Energy Limited—Shareholder PF Olsen Limited—Director Farmlands Trading Society Limited—Director
Mark Verbiest	Director, Meridian Energy Limitedt	Spark New Zealand Limited—Chair and Shareholder ANZ Bank New Zealand Limited—Director Willis Bond Capital Partners Limited—Chairman and Shareholder Willis Bond General Partner Limited—Director Freightways Limited—Chair and Shareholder Mycare Limited—Director and Shareholder New Zealand Treasury Advisory Board and Commercial Operations Advisory Board NZ Council of Women—Advisory panel member Southern Lakes Arts Festival Trust—Trustee Aspiring Foundation Trust—Trustee Southern Alps Rescue Trust—Trustee Simpson Grierson—Consultant Bear Fund NZ Limited—Director Infratil Limited—Shareholder

* change recorded during FY17

As at 30 June 2017 one director of Meridian Energy Limited had disclosed, in accordance with section 148 of the Companies Act 1993, the acquisition of relevant interests in Meridian Energy Limited securities during the financial year.

NATURE OF RELEVANT INTEREST	DATE	ACQUISITION/ DISPOSAL	CLASS	# ACQUIRED OR (DISPOSED)	CONSIDERATION PAID OR RECEIVED PER SHARE
Mark Cairns					
Beneficial interest	10 October 2016	Acquisition	Shares	25,520	$2.625

DIRECTOR REMUNERATION

Pursuant to sections 161 and 211(e) of the Companies Act 1993, the Board at its meeting in May 2017 approved proposed director fee increases and allocation of breakdown from FY17 onwards subject to shareholder approval. (Shareholder approval subsequently obtained at the meeting of 28 October 2016.) A section 161 Certificate was signed by directors stating that, in their opinion, the payment of such remuneration was fair to the company on the grounds that the aggregate value of such remuneration was appropriate having regard to: (a) the services to be provided by directors; (b) the remuneration policies of the company; and (c) current market levels of remuneration for comparable services.

DIRECTOR INDEMNITY

Pursuant to section 162 of the Companies Act 1993, as permitted by Meridian's Constitution, Deeds of Indemnity have been given to directors for potential liabilities and costs they might incur for actions or omissions in their capacity as directors. From 1 May 2017, Meridian's directors' and officers' liability insurance was renewed to cover risks normally covered by such policies. Insurance is not provided for dishonest, fraudulent, malicious or wilful acts or omissions.

DONATIONS

The Meridian Energy Group made no donations during FY17. Meridian does not make donations to political parties. All donations must be approved by the Board.

AUDITOR

The Auditor-General has appointed Trevor Deed of Deloitte as auditor of the Meridian Energy Limited Group. Mr Deed has been the auditor of the Group since FY16. Meridian and its subsidiaries paid $0.6 million (2016: $0.6 million) to Deloitte as audit fees in FY17.

The fees for other services undertaken by Deloitte during the year totalled $0.1 million (2016: $0.1 million). These related to other assurance activities, including reviews of carbon emissions, securities registers, vesting of the executive LTI plan, solvency return of Meridian Energy Captive Insurance Limited and trustee reporting.

DIRECTORS' EQUITY HOLDINGS

In accordance with NZX Listing Rule 10.4.5(a), as at 30 June 2017 Meridian Energy Limited directors had the following relevant interests in Meridian Energy Limited equity securities:

DIRECTOR	NUMBER OF SHARES
Mark Cairns	200,000
Jan Dawson	51,300
Mary Devine	51,510
Anake Goodall	62,500
Chris Moller	92,880
Stephen Reindler	51,300
Peter Wilson	64,170

SENIOR MANAGERS' EQUITY HOLDINGS

As at 30 June 2017 Meridian Energy Limited senior managers had the following relevant interests in Meridian Energy Limited equity:

SENIOR MANAGER	NUMBER OF SHARES
Mark Binns	1,060,908
Neal Barclay	230,624
Paul Chambers	330,525
Guy Waipara	236,219

TWENTY LARGEST REGISTERED QUOTED EQUITY SECURITYHOLDERS

The table below lists the company's 20 largest registered shareholders as at 30 June 2017:

NAMES	NUMBER OF SHARES	% OF ISSUED SHARES
Her Majesty the Queen in Right of New Zealand acting by and through her Minister of Finance and Minister for State Owned Enterprises	1,307,586,374	51.02
HSBC Nominees (New Zealand) Limited[39]	134,402,018	5.24
HSBC Nominees (New Zealand) Limited A/C State Street[39]	85,643,468	3.34
Citibank Nominees (New Zealand) Limited[39]	80,270,689	3.13
JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct[39]	57,660,039	2.25
Accident Compensation Corporation[39]	46,149,658	1.80
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited[39]	36,324,680	1.42
Forsyth Barr Custodians Limited	32,803,546	1.28
National Nominees New Zealand Limited[39]	31,573,557	1.23
Custodial Services Limited	30,883,980	1.21
Tea Custodians Limited Client Property Trust Account[39]	30,486,971	1.19
JBWere (NZ) Nominees Limited	25,842,198	1.01
HSBC Custody Nominees (Australia) Limited	22,785,331	0.89
FNZ Custodians Limited	20,641,537	0.81
BNP Paribas Nominees (NZ) Limited[39]	18,590,263	0.73
Custodial Services Limited	16,715,594	0.65
Guardian Nominees No 2 A/C Westpac W/S Enhanced Cash Trust[39]	15,412,863	0.60
ANZ Wholesale Australasian Share Fund[39]	15,095,231	0.59
Custodial Services Limited	14,457,941	0.56
BNP Paribas Nominees (NZ) Limited[39]	12,584,291	0.49

39 Held through New Zealand Central Securities Depository Limited (NZCSD). NZCSD provides a custodial service that allows electronic trading of securities by its members. As at 30 June 2017 604,514,065 Meridian ordinary shares (or 23.586% of the ordinary shares on issue) were held through NZCSD.

SUBSTANTIAL SECURITYHOLDER

In accordance with the Financial Markets Conduct Act 2013, as at 30 June 2017 the total number of Meridian Energy Limited voting securities was 2,563,000,000. The shareholder with the greatest number of voting securities is listed below.

NAME	RELEVANT INTEREST IN NUMBER OF SHARES	% OF SHARES HELD AT THE DATE OF NOTICE	NATURE OF RELEVANT INTEREST	DATE OF NOTICE
Shares				
Her Majesty the Queen in Right of New Zealand	1,307,586,374	51.02		21 May 2016

DISTRIBUTION OF SECURITYHOLDERS AND HOLDINGS

The table below sets out the distribution of security holders and holdings as at 30 June 2017:

SIZE OF HOLDING	NUMBER OF HOLDERS	%	NUMBER OF SHARES	HOLDING QUANTITY %
1–1,000	7,166	14.94	6,736,280	0.26
1,001–5,000	23,120	48.20	68,357,856	2.67
5,001–10,000	9,523	19.85	75,622,843	2.95
10,001–50,000	7,342	15.31	150,962,902	5.89
50,001–100,000	524	1.09	37,638,261	1.47
100,001–500,000	218	0.45	42,042,639	1.64
500,001 and over	78	0.16	2,181,639,219	85.12
Total	47,971	100.00	2,563,000,000	100.00

BONDHOLDER STATISTICS

The table below provides information on the distribution of MEL030 retail fixed-rate bonds as at 30 June 2017:

SIZE OF HOLDING	NUMBER OF BONDHOLDERS	% OF BONDHOLDERS	NUMBER OF BONDS	% OF BONDS
1,001–5,000	82	9.67	410,000	0.27
5,001–10,000	197	23.23	1,876,000	1.25
10,001–50,000	434	51.18	11,925,000	7.95
50,001–100,000	55	6.49	4,541,000	3.03
100,001–500,000	49	5.78	10,124,000	6.75
500,001 and over	31	3.65	121,124,000	80.75
Total	848	100.00	150,000,000	100.00

The table below provides information on the distribution of MEL040 retail fixed-rate bonds as at 30 June 2017:

SIZE OF HOLDING	NUMBER OF BONDHOLDERS	% OF BONDHOLDERS	NUMBER OF BONDS	% OF BONDS
1,001–5,000	36	5.28	180,000	0.12
5,001–10,000	118	17.30	1,096,000	0.73
10,001–50,000	415	60.85	11,196,000	7.46
50,001–100,000	58	8.50	4,472,000	2.98
100,001–500,000	32	4.69	7,562,000	5.04
500,001 and over	23	3.38	125,494,000	83.67
Total	682	100.00	150,000,000	100.00

WAIVERS FROM THE NEW ZEALAND AND AUSTRALIAN STOCK EXCHANGES (NZX LISTING RULE 10.4.5(F))

Details of all waivers granted and published by NZX in FY17 and relied on by Meridian are available on the company's website: meridianenergy.co.nz/investors/governance/nzx-waivers

NON-STANDARD DESIGNATION

In New Zealand Meridian Energy Limited has a 'non-standard' (NS) designation on the NZX Main Board. This is due to particular provisions of the company's Constitution, including requirements that regulate the ownership and transfer of Meridian securities. The designation is also required as a condition of any NZX waivers and approvals.

CREDIT RATING

Meridian Energy Limited had a Standard & Poor's corporate credit rating of **BBB+/Stable/A-2** as at 30 June 2017.

REGISTRATION AS A FOREIGN COMPANY

Meridian has registered with the Australian Securities and Investments Commission as a foreign company and has been issued with an Australian Registered Body Number of 151 800 396.

ASX DISCLOSURES

Meridian holds a foreign exempt listing on the ASX. As a requirement of admission Meridian must make the following disclosures:

- Meridian's place of incorporation is New Zealand.
- Meridian is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (including substantial holdings and takeovers).

SHAREHOLDING RESTRICTIONS

The Public Finance Act was amended in June 2012 to include restrictions on the ownership of certain types of security issued by each mixed-ownership-model company (including Meridian) and the consequences of breaching those restrictions. The Constitution incorporates these restrictions and mechanisms for monitoring and enforcing them.

A summary of the restrictions on the ownership of shares under the Public Finance Act and the Constitution is set out below. If the company issues any other class of shares, or other securities confer voting rights, in the future, the restrictions summarised below will also apply to those other classes of shares or voting securities.

51% HOLDING

The Crown must hold at least 51% of the shares on issue.

The company must not issue, acquire or redeem any shares if such issue, acquisition or redemption would result in the Crown falling below this 51% holding.

10% LIMIT

No person (other than the Crown) may have a 'relevant interest'[40] in more than 10% of the shares on issue (10% Limit).

The company must not issue, acquire, redeem or transfer any shares if it has actual knowledge that such issue, acquisition, redemption or transfer will result in any person other than the Crown exceeding the 10% Limit.

Ascertaining whether a breach has occurred

If a holder of shares breaches the 10% Limit or knows or believes that a person who has a relevant interest in shares held by that holder may have a relevant interest in shares in breach of the 10% Limit, the holder must notify the company of the breach or potential breach.

Meridian may require a holder of shares to provide the company with a statutory declaration if the Board knows or believes that a person is, or is likely to be, in breach of the 10% Limit. That statutory declaration is required to include, where applicable, details of all persons who have relevant interests in shares as a result of the shares held by or on behalf of that holder.

Determining whether a breach has occurred

The company has the power to determine whether a breach of the 10% Limit has occurred. In broad terms, if:

- the company considers that a person may be in breach of the 10% Limit; or
- a holder of shares fails to lodge a statutory declaration when required to do so or lodges a declaration that has not been completed to the reasonable satisfaction of the company,

Meridian is required to determine whether or not the 10% Limit has been breached and, if so, whether or not that breach was inadvertent. The company must give the affected shareholder the opportunity to make representations to the company before it makes a determination on these matters.

Effect of exceeding the 10% Limit

A person who is in breach of the 10% Limit must:

- comply with any notice that they receive from the company requiring them to dispose of shares or their relevant interest in shares, or take any other steps that are specified in the notice, for the purpose of remedying the breach and reducing their holding below the 10% Limit
- ensure that they are no longer in breach within 60 days after the date on which they became aware, or ought to have been aware, of the breach. If the breach is not remedied within that timeframe, the company may arrange for the sale of the relevant number of shares on behalf of the relevant shareholder. In those circumstances the company will pay the net proceeds of sale, after the deduction of any other costs incurred in connection with the sale (including brokerage and the costs of investigating the breach of the 10% Limit), to the relevant shareholder as soon as practicable after the sale has been completed.

If a relevant interest is held in any shares in breach of the 10% Limit then, for as long as that breach continues:

- no votes may be cast directly by a shareholder in respect of any of the shares in which a relevant interest is held in excess of the 10% Limit
- a registered holder of shares in which a relevant interest is held in breach of the 10% Limit will not be entitled to receive, in respect of the shares in which a relevant interest is held in excess of the 10% Limit, any dividend or other distribution authorised by the Board in respect of the shares.

However, if the Board determines that a breach of the 10% Limit was not inadvertent, or that it does not have sufficient information to determine that the breach was not inadvertent, the restrictions on voting and entitlement to receive dividends and other distributions described in the preceding paragraphs will apply in respect of all of the shares (as applicable) held by the relevant shareholder or holder (and not just the shares in which a relevant interest is held in excess of the 10% Limit).

The Board may refuse to register a transfer of shares if it knows or believes that the transfer will result in a breach of the 10% Limit or where the transferee has failed to lodge a statutory declaration requested from it by the Board within 14 days of the date on which the company gave notice to the transferee to provide such statutory declaration.

Crown directions

The Crown has the power to direct the Board to exercise certain of the powers conferred on it under the constitution. For example, where the Crown suspects that the 10% Limit has been breached but the Board has not taken steps to investigate the suspected breach, the Crown may require the company to investigate whether a breach of the 10% Limit has occurred or to exercise a power of sale of the relevant share that has arisen as described under the heading 'Effect of exceeding the 10% Limit' above.

Trustee corporations and nominee companies

Trustee corporations and nominee companies (that hold securities on behalf of a large number of separate underlying beneficial holders) are exempt from the 10% Limit provided that certain conditions are satisfied.

SHARE CANCELLATION

In certain circumstances shares can be cancelled by Meridian through a reduction of capital, share buyback or other form of capital reconstruction approved by the Board and, where applicable, shareholders.

40 In broad terms, a person has a 'relevant interest' in a share if the person (a) is the registered holder or beneficial owner of the share; or (b) has the power to exercise, or control the exercise of, a right to vote attached to the share or has the power to acquire or dispose of, or to control the acquisition or disposition of, that share. A person may also have a 'relevant interest' in a share in which another person has a 'relevant interest' depending on the nature of the relationship between them.

The numbers.

MERIDIAN ENERGY LIMITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Group financial statements

Notes to the Group financial statements

Signed report

KEY

SUBSEQUENT EVENT

KEY JUDGEMENTS AND ESTIMATES

RISKS

Income Statement *For the year ended 30 June 2017*

	NOTE	GROUP 2017 $M	GROUP 2016 $M
Operating revenue	A2	**2,319**	2,375
Operating expenses	A3	**(1,666)**	(1,725)
Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items (EBITDAF)		**653**	650
Depreciation and amortisation	A3	**(264)**	(236)
Impairment of assets	A3	**(10)**	4
Loss on sale of assets	A3	**(4)**	(1)
Net change in fair value of electricity and other hedges	D1	**(76)**	(15)
Operating profit		**299**	402
Finance costs	A3	**(79)**	(80)
Interest income	A2	**2**	2
Net change in fair value of treasury instruments	D1	**55**	(68)
Net profit before tax		**277**	256
Income tax expense	A4	**(80)**	(71)
Net profit after tax attributed to the shareholders of the parent company		**197**	**185**

Earnings per share (EPS) attributed to ordinary equity holders of the parent		**Cents**	**Cents**
Basic and diluted earnings per share	C3	**7.7**	7.2

Comprehensive Income Statement *For the year ended 30 June 2017*

	NOTE	GROUP 2017 $M	GROUP 2016 $M
Net profit after tax		**197**	185
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Asset revaluation	B1	**428**	889
Deferred tax on the above item	A4	**(120)**	(248)
		308	641
Items that may be reclassified to profit or loss:			
Net gain on cash flow hedges		**2**	-
Exchange differences arising from translation of foreign operations		**1**	(23)
Income tax on the above items	A4	**-**	-
		3	(23)
Other comprehensive income for the year, net of tax		**311**	618
Total comprehensive income for the year, net of tax attributed to shareholders of the parent company		**508**	**803**

The Notes to the Group financial statements form an integral part of these financial statements.

Balance Sheet *As at 30 June 2017*

	NOTE	GROUP 2017 $M	GROUP 2016 $M
Current assets			
Cash and cash equivalents	C5	**80**	118
Trade receivables	C6	**260**	194
Financial instruments	D1	**59**	71
Other assets		**32**	23
Total current assets		**431**	406
Non-current assets			
Property, plant and equipment	B1	**7,961**	7,771
Intangible assets	B2	**58**	47
Deferred tax	A4	**43**	40
Financial instruments	D1	**172**	274
Total non-current assets		**8,234**	8,132
Total assets		**8,665**	8,538
Current liabilities			
Payables and accruals		**296**	205
Employee entitlements		**15**	15
Current portion of term borrowings	C7	**170**	214
Finance lease payable	C8	**1**	1
Financial instruments	D1	**67**	48
Current tax payable		**30**	30
Total current liabilities		**579**	513
Non-current liabilities			
Term borrowings	C7	**1,022**	1,000
Deferred tax	A4	**1,710**	1,617
Provisions		**9**	8
Finance lease payables	C8	**46**	47
Financial instruments	D1	**124**	203
Term payables		**93**	100
Total non-current liabilities		**3,004**	2,975
Total liabilities		**3,583**	3,488
Net assets		**5,082**	**5,050**
Shareholders' equity			
Share capital	C2	**1,598**	1,597
Reserves		**3,484**	3,453
Total shareholders' equity		**5,082**	**5,050**

For and on behalf of the Board of Directors who authorised the issue of the financial statements on 23 August 2017.

CHRIS MOLLER, *Chair, 23 August 2017* **JAN DAWSON**, *Chair Audit & Risk Committee, 23 August 2017*

The Notes to the Group financial statements form an integral part of these financial statements.

Statement of Changes in Equity *For the year ended 30 June 2017*

	NOTE	GROUP $M SHARE CAPITAL	SHARE OPTION RESERVE	REVALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	CASH FLOW HEDGE RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Balance at 1 July 2015		**1,597**	**1**	**3,311**	**(5)**	**(3)**	**(153)**	**4,748**
Net profit for the 2016 financial year		-	-	-	-	-	185	**185**
Other comprehensive income								
Asset revaluation	B1	-	-	889	-	-	-	**889**
Transferred to retained earnings on disposal		-	-	(11)	-	-	11	**-**
Exchange differences from translation of foreign operations		-	-	-	(23)	-	-	**(23)**
Income tax relating to other comprehensive income	A4	-	-	(248)	-	-	-	**(248)**
Total other comprehensive income, net of tax		**-**	**-**	**630**	**(23)**	**-**	**11**	**618**
Total comprehensive income for the year, net of tax		**-**	**-**	**630**	**(23)**	**-**	**196**	**803**
Dividends paid	C4	-	-	-	-	-	(501)	**(501)**
Balance at 30 June 2016 and 1 July 2016		**1,597**	**1**	**3,941**	**(28)**	**(3)**	**(458)**	**5,050**
Net profit for the 2017 financial year		-	-	-	-	-	197	**197**
Other comprehensive income								
Asset Revaluation	B1	-	-	428	-	-	-	**428**
Net loss on cash flow hedges		-	-	-	-	2	-	**2**
Exchange differences from translation of foreign operations		-	-	-	1	-	-	**1**
Income tax relating to other comprehensive income	A4	-	-	(120)	-	-	-	**(120)**
Total other comprehensive income, net of tax		**-**	**-**	**308**	**1**	**2**	**-**	**311**
Total comprehensive income for the year, net of tax		**-**	**-**	**308**	**1**	**2**	**197**	**508**
Share-based transactions	C2, F1	1	-	-	-	-	-	**1**
Dividends paid	C4		-	-	-	-	(477)	**(477)**
Balance at 30 June 2017		**1,598**	**1**	**4,249**	**(27)**	**(1)**	**(738)**	**5,082**

The Notes to the Group financial statements form an integral part of these financial statements.

Cash Flow *For the year ended 30 June 2017*

	NOTE	GROUP 2017 $M	GROUP 2016 $M
Operating activities			
Receipts from customers		**2,250**	2,348
Interest received		**2**	2
Payments to suppliers and employees		**(1,596)**	(1,723)
Interest paid		**(75)**	(75)
Income tax paid		**(111)**	(100)
Operating cash flows	C5	**470**	452
Investment activities			
Sale of subsidiaries		**1**	-
Sale of other assets		**1**	5
Purchase of property, plant and equipment		**(33)**	(42)
Purchase of intangible assets		**(21)**	(18)
Purchase of investments		**-**	(1)
Investing cash flows		**(52)**	(56)
Financing activities			
Term borrowings drawn		**158**	634
Term borrowings repaid		**(136)**	(478)
Finance lease paid		**(1)**	(1)
Dividends paid	C4	**(477)**	(501)
Shares purchased for long-term incentive		**-**	(1)
Financing cash flows		**(456)**	(347)
Net (decrease)/increase in cash and cash equivalents		**(38)**	**49**
Cash and cash equivalents at beginning of year		**118**	69
Cash and cash equivalents at end of year	C5	**80**	**118**

The Notes to the Group financial statements form an integral part of these financial statements.

About this report.

IN THIS SECTION

The notes to the financial statements include information which is considered relevant and material to assist the reader in understanding changes in Meridian's financial position or performance. Information is considered relevant and material if:

- **the amount is significant because of its size and nature;**
- **it is important for understanding the results of Meridian;**
- **it helps to explain changes in Meridian's business; or**
- **it relates to an aspect of Meridian's operations that is important to future performance.**

Meridian Energy Limited is a for-profit entity domiciled and registered under the Companies Act 1993 in New Zealand. It is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. Meridian's core business activities are the generation, trading and retailing of electricity and the sale of complementary products and services. The registered office of Meridian is 33 Customhouse Quay, Wellington. Meridian Energy Limited is dual listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX). As a mixed ownership company, majority owned by Her Majesty the Queen in Right of New Zealand, it is bound by the requirements of the Public Finance Act 1989.

These financial statements have been prepared:

- in accordance with Generally Accepted Accounting Practice (GAAP) in New Zealand and comply with International Financial Reporting Standards (IFRS) and the New Zealand equivalents (NZ IFRS), as appropriate for a for-profit entity;
- in accordance with the requirements of the Financial Markets Conduct Act 2013;
- on the basis of historical cost, modified by revaluation of certain assets and liabilities;
- in New Zealand dollars (NZD), with all values rounded to millions ($M) unless otherwise stated; and
- using accounting policies as provided throughout the notes to the financial statements.

Key judgements and estimates

In the process of applying the Group's accounting policies and the application of accounting standards, Meridian has made a number of judgements and estimates. The estimates and underlying assumptions are based on historic experience and various other factors that are considered to be appropriate under the circumstances. Actual results may differ from these estimates.

Judgements and estimates which are considered material to understanding the performance of Meridian are found in the following notes:

Note A2:	Income	Page 66
Note A4:	Taxation	Page 68
Note B1:	Property, plant and equipment	Page 69
Note B2:	Intangible assets	Page 72
Note C6:	Trade receivables	Page 75
Note D1:	Financial risk management	Page 78
Note F1:	Share-based payments	Page 87
Note F4:	Commitments	Page 88

Basis of consolidation

The Group financial statements comprise the financial statements of Meridian Energy Limited and its subsidiaries and controlled entities, as contained in note E1 Subsidiaries.

The financial statements of members of the Group are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the Group financial statements, all material intra-group transactions, balances, income and expenses have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is lost.

Foreign currency

Transactions denominated in foreign currencies are converted at the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the rate prevailing at balance date 30 June 2017.

The assets and liabilities of international subsidiaries are translated to New Zealand dollars at the closing rate at balance date. The revenues and expenses of these subsidiaries are translated at rates approximating the exchange rate at the date of the transactions.

When the financial statements of subsidiaries are translated into NZD, exchange differences can arise. These are recorded in the foreign currency translation reserve (within equity). If an international subsidiary is disposed of, these cumulative translation differences are recognised in the income statement in the period in which that occurs.

The principal functional currency of international subsidiaries is Australian dollars; the closing rate at 30 June 2017 was 0.9536 (30 June 2016: 0.9577). A full list of international subsidiary functional currencies is listed in note E1 Subsidiaries.

Significant matters in the financial year.

IN THIS SECTION

Significant matters which have impacted Meridian's financial performance and an explanation of non-GAAP measures used within the notes to the financial statements.

Generation structures and plant revaluation

At 30 June 2017 Meridian revalued its generation structures and plant assets. Meridian uses an independent valuer to determine a valuation range on which the Board's ultimate valuation decision is based. The valuation range is set using an income approach based primarily on capitalisation of earnings.

The valuation has resulted in a net increase of $199 million from 30 June 2016 after adjusting for depreciation recognised in the year. Key factors that influenced the valuation were:

- higher market multiple for Meridian and its sector peers; and
- the current low interest rate environment in New Zealand and Australia

For more information refer to Note B1 Property plant and equipment on page 69.

Hydro inflows

The second half of this year has seen a prolonged period of low inflows into Meridian's hydro storage lakes. The February–June period has been the driest since records began 84 years ago. This has resulted in rising wholesale prices and Meridian reducing its hydro generation production. Higher wholesale electricity prices positively impacted revenues received from New Zealand generation production, albeit at lower production levels. However, this negatively impacts the cost to supply contracted physical and financial electricity sales. This is seen in higher trade receivables and payables and accruals at balance date on the balance sheet and in increased fair value losses on sell-side electricity hedge positions in the income statement.

Interest rate curves

Forward interest rates in New Zealand and Australia increased over the financial year after a period of decline. Meridian manages its funding costs through interest rate hedging, consequently upward movements in the forward curves resulted in "Net change in fair value of treasury instruments" of $55 million.

For more information refer to section D1 Financial risk management on page 78.

Non-GAAP measures

Meridian refers to non-GAAP financial measures within these financial statements and accompanying notes. The limited use of non-GAAP measures is intended to supplement GAAP measures to provide readers with further information to broaden their understanding of Meridian's financial performance and position. They are not a substitute for GAAP measures. As these measures are not defined by NZ GAAP, IFRS, or any other body of accounting standards, Meridian's calculations may differ from similarly titled measures presented by other companies. The measures are described below, including page references for reconciliations to the financial statements.

EBITDAF

Earnings before interest, tax, depreciation, amortisation, change in fair value of financial instruments, impairments and gains or losses on sale of assets.

EBITDAF is reported in the income statement allowing the evaluation of Meridian's operating performance without the non-cash impact of depreciation, amortisation, fair value movements of hedging instruments and other one off or infrequently occurring events and the effects of Meridian's capital structure and tax position. This allows a better comparison of operating performance with that of other electricity industry companies than GAAP measures that include these items.

Energy margin

Energy margin provides a measure of financial performance that, unlike total revenue, accounts for the variability of the wholesale electricity market and the broadly offsetting impact of the wholesale prices on the cost of Meridian's retail electricity purchases and revenue from generation. Meridian uses the measure of energy margin within Meridian's segmental financial performance in note A1 Segment performance on page 65.

Net debt

Net debt is a metric commonly used by investors as a measure of Meridian's indebtedness that takes account of liquid financial assets. Meridian uses this measure within its capital management and this is outlined in note C1 Capital management on page 73.

A. Financial performance.

IN THIS SECTION

This section explains the financial performance of Meridian, providing additional information about individual items in the income statement, including:

a) accounting policies, judgements and estimates that are relevant for understanding items recognised in the income statement; and

b) analysis of Meridian's performance for the year by reference to key areas including: performance by operating segment, revenue, expenses and taxation.

A1 Segment performance

The Chief Executive (the chief operating decision-maker) monitors the operating performance of each segment for the purpose of making decisions on resource allocation and strategic direction.

He considers the business according to the nature of the products and services and the location of operations, as set out below:

New Zealand wholesale

- Generation of electricity and its sale into the wholesale electricity market.
- Purchase of electricity from the wholesale electricity market and its sale to the Retail segment and to large industrial customers, including New Zealand Aluminium Smelter (NZAS) representing the equivalent of 38% (30 June 2016: 37%) of Meridian's New Zealand generation production.
- Development of renewable electricity generation opportunities in New Zealand.

New Zealand retail

- Retailing of electricity and complementary products through two brands (Meridian and Powershop) in New Zealand.

  Electricity sold to residential, business and industrial customers on fixed price variable volume contracts is purchased from the Wholesale segment at an average annual fixed price of $75–$80 per megawatt hour (MWh) and electricity sold to business and industrial customers on spot (variable price) agreements is purchased from the Wholesale segment at prevailing wholesale spot market prices. Agency margin from spot sales is included within "Contracted sales, net of distribution costs".

  The transfer price is set in a similar manner to transactions with third parties.
- Powershop New Zealand provide front line customer and back office services for Powershop Australia. Revenue of $4 million has been recorded in 'other revenue', and is eliminated on group consolidation.

Australia

- Generation of electricity from Meridian's two wind farms and sale into the Australian wholesale electricity market.
- Retailing of electricity through the Powershop brand in Australia.
- Development of renewable electricity generation options in Australia.

Other and unallocated

- Other operations, that are not considered reportable segments, including licensing of the Powershop platform.
- Activities and centrally-based costs that are not directly allocated to other segments.

The financial performance of the operating segments is assessed using energy margin and EBITDAF (see page 63 for a definition of these measures) before unallocated central corporate expenses. Balance sheet items are not reported to the Chief Executive at an operating segment level.

A1 Segment performance *continued*

	NZ WHOLESALE		NZ RETAIL		AUSTRALIA		OTHER AND UNALLOCATED		INTER-SEGMENT		GROUP	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
Contracted sales, net of distribution costs	**354**	319	**612**	630	**72**	42	**-**	**-**	**-**	-	**1,038**	991
Virtual asset swap margins	**4**	8	**-**	-	**-**	-	**-**	**-**	**-**	-	**4**	8
Net cost of acquired generation	**(4)**	(24)	**-**	-	**-**	-	**-**	**-**	**-**	-	**(4)**	(24)
Generation spot revenue	**684**	780	**-**	-	**48**	55	**-**	**-**	**-**	-	**732**	835
Inter-segment electricity sales	**506**	527	**-**	-	**-**	-	**-**	**-**	**(506)**	(527)	**-**	-
Cost to supply contracted sales	**(753)**	(815)	**(460)**	(478)	**(45)**	(29)	**-**	**-**	**506**	527	**(752)**	(795)
Other market revenue/(costs)	**(6)**	(8)	**1**	2	**-**	-	**-**	**-**	**-**	-	**(5)**	(6)
Energy margin	**785**	**787**	**153**	**154**	**75**	**68**	**-**	**-**	**-**	**-**	**1,013**	**1,009**
Other revenue	**4**	6	**11**	12	**-**	-	**11**	5	**(7)**	(6)	**19**	17
Dividend revenue	**-**	-	**-**	-	**-**	-	**1**	21	**(1)**	(21)	**-**	-
Energy transmission expense	**(125)**	(124)	**-**	-	**(5)**	(4)	**-**	-	**-**	-	**(130)**	(128)
Gross margin	**664**	**669**	**164**	**166**	**70**	**64**	**12**	**26**	**(8)**	**(27)**	**902**	**898**
Employee expenses	**(28)**	(28)	**(28)**	(29)	**(8)**	(8)	**(29)**	(28)	**1**	1	**(92)**	(92)
Electricity metering expenses	**-**	-	**(30)**	(30)	**-**	-	**-**	-	**-**	-	**(30)**	(30)
Other operating expenses	**(54)**	(53)	**(31)**	(33)	**(28)**	(27)	**(20)**	(17)	**6**	4	**(127)**	(126)
EBITDAF	**582**	**588**	**75**	**74**	**34**	**29**	**(37)**	**(19)**	**(1)**	**(22)**	**653**	**650**
Depreciation and amortisation											**(264)**	(236)
Impairment of assets											**(10)**	4
Loss on sale of assets											**(4)**	(1)
Net change in fair value of electricity and other hedges											**(76)**	(15)
Operating profit											**299**	402
Finance costs											**(79)**	(80)
Interest income											**2**	2
Net change in fair value of treasury instruments											**55**	(68)
Net profit before tax											**277**	256
Income tax expense											**(80)**	(71)
Net profit after tax											**197**	**185**
Reconciliation of energy margin												
Electricity sales revenue	**1,483**	1,572	**1,129**	1,163	**194**	150	**-**	-	**(506)**	(527)	**2,300**	2,358
Electricity expenses, net of hedging	**(698)**	(785)	**(517)**	(544)	**(63)**	(42)	**-**	-	**506**	527	**(772)**	(844)
Electricity distribution expenses	**-**	-	**(459)**	(465)	**(56)**	(40)	**-**	-	**-**	-	**(515)**	(505)
Energy margin	**785**	**787**	**153**	**154**	**75**	**68**	**-**	**-**	**-**	**-**	**1,013**	**1,009**

A2 Income

OPERATING REVENUE	GROUP 2017 $M	GROUP 2016 $M
Electricity sales to customers	**1,525**	1,500
Electricity generation, net of hedging	**775**	858
Electricity related services revenue	**9**	11
Other revenue	**10**	6
	2,319	**2,375**

TOTAL REVENUE BY GEOGRAPHIC AREA	GROUP 2017 $M	GROUP 2016 $M
New Zealand	**2,118**	2,222
Australia	**194**	150
United Kingdom	**7**	3
Total operating revenue	**2,319**	**2,375**

	GROUP 2017 $M	GROUP 2016 $M
Interest income	**2**	**2**

Operating revenue

Electricity sales to customers

Revenue received or receivable from residential, business and industrial customers. This revenue is influenced by customer contract sales prices and their demand for electricity and is recognised at the time of supply.

Electricity generation, net of hedging

Revenue received from:

- electricity generated and sold into the wholesale markets; and
- net settlement of electricity hedges sold on electricity futures markets, and to generators, retailers and industrial customers.

This revenue is influenced by the quantity of generation and the wholesale spot price and is recognised at the time of generation or hedge settlement.

Electricity related services revenue

Revenue received or receivable from the sale of complementary products and services to retail customers and the provision of dam maintenance services.

Other revenue

Includes revenue from other activities such as Powershop platform licensing, finance leases, land leases and farming.

Key judgements and estimates—income

Meridian exercises judgement in estimating retail electricity sales, where customer electricity meters are unread at balance date. These estimates of customer electricity usage in the unread period are based on the customers' historical consumption patterns.

Interest income

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

A3 Expenses

OPERATING EXPENSES	GROUP 2017 $M	GROUP 2016 $M
Electricity expenses, net of hedging	**772**	844
Electricity distribution expenses	**515**	505
Electricity transmission expenses	**130**	128
Employee expenses	**92**	92
Electricity metering expense	**30**	30
Other expenses	**127**	126
	1,666	**1,725**

DEPRECIATION AND AMORTISATION	NOTE	GROUP 2017 $M	GROUP 2016 $M
Depreciation	B1	**245**	217
Amortisation of intangibles	B2	**19**	19
		264	**236**

FINANCE COSTS	NOTE	GROUP 2017 $M	GROUP 2016 $M
Interest on borrowings		**70**	72
Interest on electricity option premium		**3**	2
Interest on finance lease payable	C8	**6**	6
		79	**80**

IMPAIRMENT AND LOSS ON DISPOSAL ON SALE OF ASSETS	NOTE	GROUP 2017 $M	GROUP 2016 $M
Impairment property, plant and equipment	B1	**12**	6
Reversal of previous impairment of property, plant and equipment	B1	**(2)**	(10)
Loss on sale on disposal of assets		**4**	1
		14	**(3)**

Operating expenses

Electricity expenses, net of hedging

The cost of:

- electricity purchased from wholesale markets to supply customers;
- net settlement of buy-side electricity hedges; and
- related charges and services.

Electricity expenses are influenced by quantity and timing of customer consumption and the wholesale spot price.

Electricity distribution expenses

The cost of distribution companies transporting electricity between the national grid and customers' properties.

Electricity transmission expenses

Meridian's share of the cost of the high voltage direct current (HVDC) link between the North and South Islands of New Zealand and the cost of connecting Meridian's generation sites to the national grid by grid providers.

Employee expenses

Provisions are made for benefits owing to employees in respect of wages and salaries, annual leave, long service leave and employee incentives for services rendered. Provisions are recognised when it is probable they will be settled and can be measured reliably. They are carried at the remuneration rate expected to apply at the time of settlement.

Contributions to defined contribution plans (largely KiwiSaver) were $4 million in 2017 (30 June 2016: $3 million).

Electricity metering expenses

The cost of electricity meters, meter reading and data gathering of retail customer electricity consumption in New Zealand. Metering expenses in Australia are bundled with electricity distribution costs.

Impairment of non-financial assets

Meridian reviews the recoverable amount of its tangible and intangible assets at each balance date. They are grouped into cash generating units with separately identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell and present value of future cash flows expected to be generated by the assets (also known as value in use). If the carrying value of an asset exceeds the recoverable amount, an impairment expense is recognised in the income statement. However, if the assets are carried at a revalued amount, the impairment is treated as a revaluation decrease in equity. Any reversal of previous losses is recognised immediately in the income statement, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase in equity.

In 2017, Meridian decided not to pursue the development of wind farm options at Poutō and Hurunui resulting in an impairment of $12 million.

The reversal of previous impairment relates to the revaluation of generation structures and plant reversing the impairment recorded in the income statement in FY2015 (for further details of the revaluation of generation, structures and plant, refer to note B1 Property, plant and equipment).

In 2016 Meridian sold its investment in Hunter Downs Development Company and the related water use consent was impaired by $6 million.

A4 Taxation

INCOME TAX EXPENSE	GROUP 2017 $M	GROUP 2016 $M
Current income tax expense	113	108
Adjustments to tax of prior years	(3)	-
Total current tax expense	**110**	**108**
Deferred tax	(30)	(37)
Total income tax	**80**	**71**
Reconciliation to profit before tax		
Profit before tax	**277**	**256**
Income tax at applicable rates	78	71
Expenditure not deductible for tax	5	-
Income tax (over)/under provided in prior year	(3)	-
Income tax expense	**80**	**71**

Current tax expense

Income tax expense is the income tax assessed on taxable profit for the year. Taxable profit differs from profit before tax reported in the income statement as it excludes items of income and expense that are taxable or deductible in other years and also excludes items that will never be taxable or deductible. Meridian's liability for current tax is calculated using tax rates enacted at balance date, being 28% for New Zealand and 30% for Australia.

Income tax expense components are current income tax and deferred tax.

DEFERRED TAX ASSETS AND LIABILITIES	GROUP 2017 $M	GROUP 2016 $M
Balance at beginning of year	**1,577**	**1,364**
Temporary differences in income statement:		
Depreciation/amortisation	(25)	(13)
Term payables	4	4
Financial instruments	(5)	(23)
Carried forward unused tax losses	(3)	(6)
Other – payables and receivables	(1)	1
	(30)	**(37)**
Temporary differences in other comprehensive income:		
Revaluation reserve movements	120	248
	120	**248**
Effect of retranslating foreign currencies	-	3
Other	-	(1)
Balance at end of year	**1,667**	**1,577**
Made up of:		
Property, Plant and Equipment	1,760	1,665
Term payables	(39)	(43)
Financial instruments	(12)	(7)
Other – payables and receivables	1	2
Deferred tax liability	**1,710**	**1,617**
Carried forward unused tax losses	(43)	(40)
Deferred tax asset	**(43)**	**(40)**
Total deferred tax	**1,667**	**1,577**

Deferred tax assets and liabilities

Deferred tax is income tax which is expected to be payable or recoverable in the future as a result of the unwinding of temporary differences. These arise from differences in the recognition of assets and liabilities for financial reporting and for the filing of income tax returns. Deferred tax is recognised on all temporary differences, other than those arising:

- from goodwill; and
- from the initial recognition of assets and liabilities in a transaction (other than in a business combination) that affects neither the accounting nor taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted at balance date.

Unused tax losses

Relate to Australian operations and will be utilised against future taxable income from retail and generation activities in that country.

Offsetting deferred tax balances

Deferred tax assets and liabilities are offset only if there are legally enforceable rights to set off current tax assets against current tax liabilities and when they relate to the same taxable entity and taxation authority.

Key judgement and estimates—taxation

Deferred tax asset is recognised to the extent it is probable that future taxable profit will be available to use the asset. This is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available in the future to utilise the deferred tax asset.

B. Assets used to generate and sell electricity.

IN THIS SECTION

This section shows the assets Meridian uses in the production and sale of electricity to generate operating revenue. In this section of the notes there is information about:

a) Property, plant and equipment; and

b) Intangible assets.

B1 Property, plant and equipment

GROUP ($M)	GENERATION STRUCTURES AND PLANT AT FAIR VALUE	LAND AND BUILDINGS AT COST	OTHER PLANT AND EQUIPMENT AT COST	WORK IN PROGRESS AT COST	TOTAL
Cost or fair value	6,896	28	159	86	**7,169**
Less accumulated depreciation	-	(3)	(69)	-	**(72)**
Net book value at 30 June 2015	**6,896**	**25**	**90**	**86**	**7,097**
Additions	-	-	-	42	**42**
Transfers – work in progress	14	8	9	(31)	**-**
Transfers – intangible assets	-	-	(2)	-	**(2)**
Disposals	(2)	-	-	-	**(2)**
Impairments	-	-	-	(6)	**(6)**
Foreign currency exchange rate movements[41]	(38)	-	(2)	-	**(40)**
Generation structures and plant revaluation:					
Increase taken to revaluation reserve	889	-	-	-	**889**
Increase taken to income statement	10	-	-	-	**10**
Depreciation expense	(203)	(1)	(13)	-	**(217)**
Net book value at 30 June 2016	**7,566**	**32**	**82**	**91**	**7,771**
Cost or fair value	7,566	36	164	91	**7,857**
Less accumulated depreciation[42]	-	(4)	(82)	-	**(86)**
Net book value at 30 June 2016	**7,566**	**32**	**82**	**91**	**7,771**
Additions	-	-	-	34	**34**
Transfers – work in progress	15	-	17	(32)	**-**
Transfers – intangible assets	-	-	-	(9)	**(9)**
Transfers – other assets	(2)	(6)	-	-	**(8)**
Disposals	(1)	-	(1)	-	**(2)**
Impairments	(5)	-	-	(7)	**(12)**
Foreign currency exchange rate movements[41]	2	-	-	-	**2**
Generation structures and plant revaluation:					
Increase taken to revaluation reserve	428	-	-	-	**428**
Increase taken to income statement	2	-	-	-	**2**
Depreciation expense	(231)	(1)	(11)	(2)	**(245)**
Net book value at 30 June 2017	**7,774**	**25**	**87**	**75**	**7,961**
Cost or fair value	7,774	30	169	77	**8,050**
Less accumulated depreciation[42]	-	(5)	(82)	(2)	**(89)**
Net book value at 30 June 2017	**7,774**	**25**	**87**	**75**	**7,961**

At 30 June 2017, had the generation structures and plant been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately $2.5 billion (30 June 2016: $2.7 billion).

41 Through the foreign currency translation reserve in other comprehensive income.
42 Includes the reversal of accumulated depreciation on generation structures and plant at revaluation date.

B1 Property, plant and equipment *continued*

Recognition and measurement

Generation structures and plant assets (including land and buildings) are held on the balance sheet at their fair value at the date of revaluation, less any subsequent depreciation and impairment losses. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Fair value and revaluation of generation structures and plant

Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the balance date.

Meridian uses an independent valuer, who uses an income valuation approach based primarily on the capitalisation of earnings with additional consideration of discounted cash flows (DCFs) to establish a valuation range on which the Board's ultimate valuation decision is based.

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

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation represents 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 purpose, and financing costs where appropriate.

Revaluation of generation structures and plant

Meridian revalued its generation structures and plant assets at 30 June 2017.

This revaluation resulted in a net increase of $199 million (30 June 2016:$696 million) (after the reversal of depreciation) in the carrying value of generation structures and plant assets. The impact of the revaluation is recognised as an increase of $308 million (30 June 2016:$641 million) (net of deferred tax) in the revaluation reserve and as a $2 million reversal (30 June 2016:$10 million) of a previous impairment of Australian generation assets recognised in the income statement.

As a consequence of this revaluation, accumulated depreciation on these assets is reset to nil. There was no depreciation impact of this revaluation in the income statement.

Generation structures and plant valuation technique and key inputs

The Meridian Board uses its judgement to decide on the appropriateness of key valuation techniques and inputs for fair value measurement. Judgement is also used in determining the estimated remaining useful lives of assets.

As the valuation of generation structures and plant does not fully use observable market data, it continues to be classified as a level 3 fair value (a definition of the other levels is included in D1 Financial risk management).

As discussed above, the independent valuer uses an income approach which involves incorporating two techniques in establishing a valuation range being capitalisation of earnings and DCF. The fair value adopted aligns closely with the capitalisation of earnings value. This methodology calculates value by reference to an assessment of future maintainable earnings and capitalisation multiples as observed from market prices of listed companies with broadly comparable operations to Meridian. In preparing the capitalisation of earnings valuation, an EBITDAF multiple range at which to capitalise Meridian's historical and forecast earnings is determined.

In determining the maintainable earnings, observable wholesale electricity prices extracted from the ASX have been used.

It is assumed in this valuation that the contract with NZAS runs to full term.

The table below describes the key valuation inputs and their sensitivity to changes:

KEY INPUT TO MEASURE FAIR VALUE	DESCRIPTION	RANGE OF UNOBSERVABLE INPUTS	SENSITIVITY	IMPACT ON VALUATION
NZ generation volume	Annual generation production	13,033GWh p.a. to 13,386GWh p.a.	+ 250GWh	$110M
			- 250GWh	($110M)
Australian generation volume	Annual generation production	565GWh p.a.	+ 5%	A$21M
			- 5%	(A$21M)
Operating expenditure	Meridian's cost of operations, including transmission expenses	$264M p.a.	+ $10M	($130M)
			- $10M	$130M
EBITDAF earnings multiple	Valuation multiple (including control premium of 20%) derived from earnings and valuations of comparable companies	12.1 x EBITDAF	+ 0.5x	$340M
			- 0.5x	($340M)

Sensitivities show the movement in fair value as a result of a change in each input (keeping all others constant).

B1 Property, plant and equipment *continued*

Depreciation

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

Key judgements and estimates—useful lives

Meridian makes estimates of the remaining useful lives of assets, which are:

- Generation structures and plant—up to 80 years
- Buildings—up to 67 years; and
- Other plant and equipment—up to 20 years.

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

Disposals or retirement

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 sale 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. In FY17 $Nil (30 June 2016: $11 million) was transferred from the revaluation reserve to retained earnings.

B2 Intangible assets

GROUP ($M)	SOFTWARE
Cost or fair value	168
Less accumulated amortisation	(121)
Net book value at 30 June 2015	**47**
Additions	17
Transfers – property, plant and equipment	2
Amortisation expenses	(19)
Net book value at 30 June 2016	**47**
Cost or fair value	181
Less accumulated amortisation	(134)
Net book value at 30 June 2016	**47**
Additions	21
Transfers – property, plant and equipment	9
Amortisation expenses	(19)
Net book value at 30 June 2017	**58**
Cost or fair value	211
Less accumulated amortisation	(153)
Net book value at 30 June 2017	**58**

Software

Acquired computer software licences (that are not considered an integral part of related hardware) are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Additionally, costs directly associated with the production of identifiable and unique software products that will generate economic benefits beyond one year are also recognised as intangible assets.

All these costs are amortised over their useful lives on a straight-line basis.

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

Key judgements and estimates—useful lives

Meridian uses its judgement in determining the remaining useful lives and residual value of intangible assets. These are reviewed, and, if appropriate, adjusted at each balance date.

The majority of software assets are estimated to have useful lives of up to three years.

Certain software assets related to generation control are estimated to have useful lives of up to 10 years.

C. Managing funding.

IN THIS SECTION

This section explains how Meridian manages its capital structure and working capital, the various funding sources and how dividends are returned to shareholders. In this section of the notes there is information about:

a) equity and dividends;

b) net debt; and

c) receivables and payables.

C1 Capital management

Capital risk management objectives

Meridian's objective when managing capital is to provide appropriate returns to shareholders whilst maintaining a capital structure that safeguards its ability to remain a going concern and optimises the cost of capital.

Capital is defined as the combination of shareholders' equity, reserves and net debt.

Meridian manages its capital through various means, including:

- adjusting the amount of dividends paid to shareholders;
- raising or returning capital; and
- raising or repaying debt.

Meridian regularly monitors its capital requirements using various measures which consider debt facility financial covenants and credit ratings. The key measures are net debt to EBITDAF and interest cover. The principal external measure is Meridian's credit rating from Standard & Poor's.

Meridian is in full compliance with debt facility financial covenants.

	NOTE	GROUP 2017 $M	GROUP 2016 $M
Share capital	C2	**1,598**	1,597
Retained earnings		**(738)**	(458)
Other reserves		**4,222**	3,911
		5,082	**5,050**
Drawn borrowings	C7	**1,158**	1,136
Finance lease payable	C8	**47**	48
Less: cash and cash equivalents	C5	**(80)**	(118)
		1,125	**1,066**
Net capital		**6,207**	**6,116**

NET DEBT TO EBITDAF	NOTE	GROUP 2017 $M	GROUP 2016 $M
Drawn borrowings	C7	**1,158**	1,136
Finance lease payable	C8	**47**	48
Operating lease commitments	F4	**71**	59
Less: cash and cash equivalents	C5	**(80)**	(118)
Add back: restricted cash	C5	**51**	18
Add back: cash buffer[43]		**7**	25
Net debt (A)		**1,254**	**1,168**
EBITDAF (B)		**653**	**650**
Net debt to EBITDAF (times) (A/B)		**1.9**	**1.8**

43 The cash buffer is calculated as 25% of unrestricted cash and cash equivalents.

EBITDAF INTEREST COVER	NOTE	GROUP 2017 $M	GROUP 2016 $M
EBITDAF (B)		**653**	**650**
Interest on borrowings	A3	**70**	72
Interest on finance lease	A3	**6**	6
Interest (C)		**76**	**78**
EBITDAF interest cover (times) (B/C)		**8.6**	**8.3**
Standard & Poor's rating		**BBB+**	**BBB+**

C2 Share capital

SHARE CAPITAL	GROUP 2017 SHARES	GROUP 2017 $M	GROUP 2016 SHARES	GROUP 2016 $M
Shares issued	**2,563,000,000**	**1,600**	2,563,000,000	1,600
Treasury shares held	**(1,057,903)**	**(2)**	(1,569,279)	(3)
Share capital	**2,561,942,097**	**1,598**	**2,561,430,721**	**1,597**

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

The movement in Treasury shares relates to the purchase of shares by participants and held on trust as part of a long-term equity settled incentive plan for New Zealand-based senior executives (refer note F1 Share-Based Payments).

C3 Earnings per share

BASIC AND DILUTED EARNINGS PER SHARE (EPS)	GROUP 2017	GROUP 2016
Profit after tax attributable to shareholders of the parent company ($M)	**197**	185
Weighted average number of shares used in the calculation of EPS	**2,563,000,000**	2,563,000,000
Basic and diluted EPS (cents per share)	**7.7**	7.2

C4 Dividends

DIVIDENDS DECLARED AND PAID	GROUP 2017 $M	GROUP 2016 $M
Interim ordinary and special dividend 2017: 7.77cps (cents per share) (2016: 7.54cps)	**199**	193
Final ordinary and special dividend 2016: 10.84cps (2015: 12.03cps)	**278**	308
Total dividends paid	**477**	**501**

DIVIDENDS DECLARED AND NOT RECOGNISED AS A LIABILITY		
Final ordinary dividend 2017: 8.7cps (2016:8.4cps)	**223**	215
Special dividend 2017: 2.44cps (2016:2.44cps)	**63**	63

IMPUTATION CREDIT BALANCE		
Imputation credits available for future use	**35**	44

Dividend policy

Meridian's dividend policy considers free cash flow, working capital requirements, the medium-term investment programme, maintaining a BBB+ credit rating and risks from short and medium-term economic, market and hydrology conditions.

Subsequent event—dividend declared

On 23 August 2017 the Board declared a partially imputed final ordinary dividend of 8.7 cents per share. Additionally the Board declared an un-imputed special dividend of 2.44 cents per share.

Imputation credit balance

Imputation credits allow Meridian to pass on to its shareholders the benefit of the New Zealand income tax it has paid by attaching imputation credits to the dividends it pays, reducing the shareholders' net tax obligations.

The imputation credits available for future use reflect the balance available on 23 August 2017, therefore recognising any tax payments between balance date and 23 August 2017.

C5 Cash and cash equivalents

CASH AND CASH EQUIVALENTS	GROUP 2017 $M	GROUP 2016 $M
Current account	**80**	58
Money market account	**-**	60
Cash and cash equivalents	**80**	**118**

Cash and cash equivalents are made up of cash on hand, on-demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are not subject to a significant risk of change in value.

All cash and cash equivalents are invested with Meridian's banks or held as collateral by JP Morgan.

Restricted cash

Meridian trades electricity hedges on the ASX using JP Morgan as a broker. As a result, a proportion of the funds it holds on deposit is pledged as margin which varies depending on market movements and contracts held.

At 30 June 2017, this collateral was $51 million (30 June 2016: $18 million).

All other cash and cash equivalent balances are available for use.

RECONCILIATION OF NPAT TO CASH FLOWS FROM OPERATING ACTIVITIES	GROUP 2017 $M	GROUP 2016 $M
Net profit after tax	**197**	**185**
Adjustments for operating activities non-cash items:		
Depreciation and amortisation	**264**	236
Movement in deferred tax	**(30)**	(37)
Net change in fair value of financial instruments	**21**	83
Electricity option premiums	**(15)**	(16)
Share-based payments	**1**	1
	241	**267**
Items classified as investing activities:		
Impairment of assets	**10**	(4)
Loss on sale of assets	**4**	1
	14	**(3)**
Items classified as financing activities:		
Amortisation of prepaid debt facility fees	**-**	1
	-	**1**
Changes in working capital items:		
(Increase) in accounts receivable	**(66)**	(3)
(Increase)/decrease in other assets	**(9)**	3
Increase in payables and accruals/ employee entitlements	**91**	12
Increase in current tax payable	**-**	8
Working capital items in investing activities	**(5)**	3
Working capital items in financing activities and other non-cash items	**7**	(21)
	18	**2**
Cash flow from operating activities	**470**	**452**

C6 Trade receivables

TRADE RECEIVABLES	GROUP 2017 $M	GROUP 2016 $M
Current billed and accrued receivables	**248**	188
Past due 1 to 30 days	**11**	7
Past due 31 to 60 days	**2**	2
Past due 61 to 90 days	**1**	1
Past due greater than 90 days	**4**	1
Less: Provision for doubtful debts	**(6)**	(5)
Total trade receivables	**260**	**194**
Accounts receivable past due but not impaired	**12**	6

MOVEMENT IN PROVISION FOR DOUBTFUL DEBTS		
Opening provision	**(5)**	(5)
Provision created in the year	**(5)**	(5)
Provision used in the year	**4**	5
Closing provision for doubtful debts	**(6)**	**(5)**

Trade receivables, measurement and recognition

Trade receivables are measured on initial recognition at fair value, and are subsequently carried at amortised cost. The overdue amounts are largely related to electricity sales to retail customers in New Zealand and Australia.

Trade receivables written off during the year were $4 million (30 June 2016: $5 million).

Key judgements and estimates—doubtful debts

Allowances are made for estimated unrecoverable amounts (provision for doubtful debts), and these are recognised in the income statement. The provision for doubtful debts is measured as the difference between the trade receivables carrying amount and expected future cash flows. The future cash flows have considered customer credit history and historical recovery performance and trends.

C7 Borrowings

(NZ$M)	CURRENCY BORROWED IN	GROUP 2017 DRAWN FACILITY AMOUNT	GROUP 2017 TRANSACTION COSTS PAID	GROUP 2017 FAIR VALUE ADJUSTMENT	GROUP 2017 CARRYING AMOUNT	GROUP 2016 DRAWN FACILITY AMOUNT	GROUP 2016 TRANSACTION COSTS PAID	GROUP 2016 FAIR VALUE ADJUSTMENT	GROUP 2016 CARRYING AMOUNT
Current borrowings									
Unsecured borrowings		**171**	**(1)**	**-**	**170**	215	(1)	-	214
Total current borrowings	NZD	**171**	**(1)**	**-**	**170**	**215**	**(1)**	**-**	**214**
Non-current borrowings									
Unsecured borrowings	NZD	**556**	**(1)**	**-**	**555**	490	(1)	-	489
Unsecured borrowings	USD	**431**	**(1)**	**37**	**467**	431	(1)	81	511
Total non-current borrowings		**987**	**(2)**	**37**	**1,022**	**921**	**(2)**	**81**	**1,000**
Total borrowings		**1,158**	**(3)**	**37**	**1,192**	**1,136**	**(3)**	**81**	**1,214**

Borrowings, measurement and recognition

Borrowings are recognised initially at the fair value of the drawn facility amount, net of transaction costs paid. Borrowings are subsequently stated at amortised cost using the effective interest method. Any borrowings which have been designated as hedged items (USD borrowings) are carried at amortised cost plus a fair value adjustment under hedge accounting requirements. Any borrowings denominated in foreign currencies are retranslated to the functional currency at each reporting date. Any retranslation effect is included in the "Fair value adjustment" column in the table.

Meridian uses cross-currency interest rate swap (CCIRS) hedge contracts to manage its exposure to interest rates and borrowings sourced in currencies different to that of the borrowing entity's reporting currency.

Fair value of items held at amortised cost

GROUP (NZ$M)	2017 CARRYING VALUE	2017 FAIR VALUE	2016 CARRYING VALUE	2016 FAIR VALUE
Retail bonds	**300**	**311**	150	159
Renewable energy bonds	**-**	**-**	75	79
Unsecured term loan (EKF facility)	**90**	**98**	100	110

Within term borrowings there are longer dated, fixed-interest-rate instruments which are not in hedge accounting relationships. The carrying values and estimated fair values of these instruments are noted in the table above.

The fair value of Meridian's retail bonds and renewable energy bonds is calculated by reference to quoted prices on the NZX. The fair value of Meridian's EKF facility (provided by the official export credit agency of Denmark) is calculated using a discounted cash flow calculation. These are classified as Level 2 instruments within the fair value hierarchy. A lack of liquidity on the NZX precludes them from being classified as level 1 (a definition of levels is included in D1 Financial risk management on page 78).

Carrying value approximates fair value for all other instruments within term borrowings.

C7 Borrowings *continued*

SOURCES OF FUNDING (NZ$M)	CURRENCY BORROWED IN	GROUP 2017 FACILITY AMOUNT	GROUP 2017 DRAWN FACILITY AMOUNT	GROUP 2017 UNDRAWN FACILITY AMOUNT	GROUP 2016 FACILITY AMOUNT	GROUP 2016 DRAWN FACILITY AMOUNT	GROUP 2016 UNDRAWN FACILITY AMOUNT
Bank facilities							
New Zealand bank funding[44]	NZD	**525**	**84**	**441**	525	150	375
EKF funding[45]	NZD	**90**	**90**	**-**	100	100	-
Total bank facilities		**615**	**174**	**441**	**625**	**250**	**375**
Other sources of borrowing							
Retail bonds[46]	NZD	**300**	**300**	**-**	150	150	-
Floating rate notes[44]	NZD	**100**	**100**	**-**	100	100	-
Fixed rate bonds[47]	USD	**431**	**431**	**-**	431	431	-
Commercial paper[48]	NZD	**153**	**153**	**-**	130	130	-
Renewable energy bonds[49]	NZD	**-**	**-**	**-**	75	75	-
Total other sources of borrowing		**984**	**984**	**-**	**886**	**886**	**-**
Total sources of funding		**1,599**	**1,158**	**441**	**1,511**	**1,136**	**375**

44 Unsecured funding bears interest at the relevant market floating rate plus a margin.
45 EKF facility is an unsecured 9-year amortising term loan, provided by the official export credit agency of Denmark, for the construction of Te Uku wind farm.
46 Retail bonds are senior unsecured retail bonds bearing interest rates of 4.53% and 4.88%.
47 United States dollar fixed rate bonds are unsecured fixed rate bonds issued in the United States Private Placement Market.
48 New Zealand Dollar commercial paper comprises senior unsecured short-term debt obligations paying a fixed rate of return over a set period of time.
49 Renewable energy bonds were senior unsecured retail bonds bearing an interest rate of 7.55%. These were fully repaid in March 2017.

C8 Finance lease payable

FINANCE LEASE PAYABLE ANALYSIS	GROUP 2017 $M	GROUP 2016 $M
Minimum lease payments		
Not later than 1 year	**7**	7
Later than 1 year and not later than 3 years	**14**	14
Later than 3 years and not later than 5 years	**13**	13
Later than 5 years	**91**	105
Gross investment in finance lease	**125**	**139**
Less future finance costs	**(78)**	(91)
Present value of minimum lease payments	**47**	**48**
Analysed as:		
Not later than 1 year	**1**	1
Later than 1 year and not later than 3 years	**2**	2
Later than 3 years and not later than 5 years	**2**	2
Later than 5 years	**42**	43
Gross investment in finance lease	**47**	**48**
Comprising:		
Current	**1**	1
Non-current	**46**	47
	47	**48**

Finance lease payable, measurement and recognition

A finance lease transfers substantially all the risks and rewards of ownership to the lessee. Meridian recognises the present value of minimum lease payments under finance lease arrangements as a finance lease payable. Resulting repayments are split between principal and interest expense. The interest reflects a constant periodic charge over the term of the lease. Finance lease payables are classified as financial liabilities at amortised cost.

Finance lease details

Meridian's finance leases relate to certain transmission connection assets that connect wind farms at Mill Creek and Mt Mercer to the transmission network.

Meridian reported a finance lease interest expense of $6 million (30 June 2016: $6 million) in finance costs in the income statement.

The net book value of assets subject to a finance lease and included in note B1 Property, plant and equipment is $35 million (30 June 2016: $44 million). All assets are classified as other plant and equipment.

D. Financial instruments used to manage risk.

IN THIS SECTION

This section explains the financial risks Meridian faces, how these risks affect Meridian's financial position and performance, and how Meridian manages these risks. In this section of the notes there is information:

a) outlining Meridian's approach to financial risk management; and

b) analysing financial (hedging) instruments used to manage risk.

D1 Financial risk management

Meridian's activities expose it to a variety of financial risks. Its financial risk management framework focuses on the unpredictability of financial markets and wholesale electricity markets. The Board approves policies including Group Treasury, Electricity Hedging and Credit Policies which set appropriate principles and risk tolerance levels to guide management in carrying out financial risk management activities to minimise potential adverse effects on the financial performance and economic value of the Group. In order to hedge certain risk exposures, Meridian uses derivative financial instruments (hedges). These hedges are not always designated in a hedging relationship for accounting purposes. Meridian does not enter into speculative trades.

Financial instrument recognition

Meridian designates or classifies financial hedging instruments as:

- ***fair value hedge***, hedges of the fair value of recognised assets or liabilities or a firm commitment; or
- ***cash flow hedge***, hedges of a particular cash flow associated with a recognised asset or liability or a highly probable forecast transaction; or
- ***held for trading***, financial instruments which have not been designated in a hedging relationship.

Hedging instruments are recognised at fair value on the dates the contracts are agreed and are remeasured on a periodic basis. The recognition of movements in fair value depends upon the hedging instrument and its designation or classification. Realised gains or losses are recognised in the income statement or balance sheet on the same line as the hedged item.

Fair value hedge

Changes in the fair value of hedges that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risks. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to the income statement over the period to maturity.

Cash flow hedge

Changes in fair value of hedges which are designated and qualify as cash flow hedges and are considered effective for accounting purposes are recognised in the cash flow hedge reserve (in equity) and in other comprehensive income. The gain or loss relating to any ineffective element is recognised immediately in the income statement.

Amounts accumulated in other comprehensive income are recycled in the income statement in the periods when the forecast transactions take place.

Held for trading

Hedges that do not qualify for hedge accounting or for which hedge accounting is not actively sought are classified as being held for trading, with changes in fair value recognised immediately in the income statement.

Fair value of hedging financial instruments

The recognition and measurement of hedging financial instruments requires management estimation and judgement (this is discussed in further detail later in this note). These estimates can have a significant risk of material adjustment in future periods. Fair value measurements are grouped within a three-level fair value hierarchy based on the observability of valuation inputs (described below).

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

Management of Meridian's key financial risks and the fair value of instruments used to manage them

Credit risk

Meridian is exposed to the risk of default in relation to: electricity sales to wholesale and retail customers, hedging instruments, guarantees and deposits held with banks and other financial institutions.

Management monitors the size and nature of retail customer exposure and acts to mitigate the risk if deemed to exceed acceptable levels.

Individual credit limits are set for wholesale electricity customers based on internal or external credit ratings in accordance with limits set by the Board. Where customers are not independently credit rated, an assessment of credit quality is made, taking into account financial position, past experience and other relevant factors. These assessments and the utilisation of credit limits and security provided by wholesale customers are reviewed and monitored by the Chief Financial Officer.

For banks and financial institutions, only independently related parties with a minimum rating of 'A' are accepted.

The carrying amounts of financial assets recognised on the balance sheet best represent Meridian's maximum likely exposure to credit risk at the date of this report. Meridian does not have any significant credit risk concentrations.

Liquidity risk

Meridian is exposed to the dynamic nature of the electricity market and weather patterns, which can affect liquidity.

Meridian maintains flexibility in funding by keeping committed surplus credit lines available of at least $200 million which ensures it has sufficient headroom under normal and abnormal conditions (see C7 Borrowings for details of undrawn facilities).

In addition to borrowings, Meridian has entered into a number of letters of credit and performance guarantee arrangements which provide credit support of $124 million for the collateral requirements of Meridian's trading business (30 June 2016: $77 million). Meridian indemnifies the obligations of the bank in respect of the letters of credit and performance guarantees issued by the bank to counterparties of Meridian.

Funding risk

Meridian manages its funding requirements on a portfolio basis. This portfolio is made up of a mix of funding sources and borrowing tenures which expose Meridian to interest rate changes and, where borrowing is made in currencies other than the reporting currency, to foreign exchange changes.

Meridian swaps all borrowings to floating rates at loan inception, and hedges the interest rate exposure over a tenure based profile of fixed interest rate swaps. This is achieved using a combination of CCIRS and IRS hedges. Where Meridian borrows in foreign currency it uses CCIRSs to swap all foreign currency denominated interest and principal repayments to the reporting currency. This results in floating rate borrowings in the entity's reporting currency. Meridian uses IRS hedges to fix floating interest rates in line with the Board approved hedging policy and profile.

D1 Financial risk management *continued*

		GROUP							
		FAIR VALUE ON THE BALANCE SHEET				FAIR VALUE MOVEMENTS IN THE INCOME STATEMENT		OUTSTANDING AGGREGATE NOTIONAL PRINCIPALS[50]	
		2017		2016		2017	2016	2017	2016
	LEVEL	ASSETS $M	LIABILITIES $M	ASSETS $M	LIABILITIES $M	$M	$M	$M	$M
Treasury hedges		**52**	**(114)**	92	(166)	**55**	(68)		
CCIRS – fair value hedge	2	**46**	**(8)**	81	-	**1**	(1)	**431**	431
Converts fixed interest borrowings to floating in the originating currency, with changes in the fair value recorded in the income statement in "Net change in fair value of treasury instruments", together with any changes in the fair value of the hedged borrowings. See note C7 Borrowings.									
CCIRS – cash flow hedge	2	**(3)**	**-**	(4)	-	**-**	-	**431**	431
Converts floating interest in the originating borrowing currency to the reporting currency of the borrowing entity with a credit margin. Changes in fair value relating to the effective hedge portion are recognised in other comprehensive income, with any ineffective portion recognised in the income statement within "Net change in fair value of treasury instruments".									
IRS	2	**9**	**(106)**	15	(166)	**54**	(67)	**1,915**	2,091
Classified as held for trading, with changes in fair value recognised in the income statement within "Net change in fair value of treasury instruments".									

50 These cover multiple legs including offsetting legs and maturities out to 2030.

Sensitivity analysis

The table below summarises the impact of changes in significant inputs (assuming all other variables are held constant) on the valuation of treasury hedges and therefore on Meridian's after tax profit and equity.

		IMPACT ON AFTER TAX PROFIT AND EQUITY	
GROUP ($M)	SENSITIVITY	2017	2016
Interest rates			
New Zealand benchmark bill rate	-100 basis points (bps)	**(36)**	(47)
	+100 bps	**32**	42
Australian benchmark bill rate	-100 bps	**(4)**	(5)
	+100 bps	**4**	4

Foreign Exchange Risk

Meridian is exposed to foreign exchange risk arising from sales and procurement of goods and services denominated in foreign currencies (primarily the British pound and Australian dollar).

Foreign exchange contracts are used to hedge known, material, highly probable commitments of foreign currency exposures. If hedge accounting is applied, a combination of both cash flow and fair value hedges are created. The gain or loss on the hedge is included as a component of the hedged transaction. If hedge accounting is not applied, hedges are classified as held for trading and changes in fair value are recognised in the income statement within "Net change in fair value of treasury instruments".

		GROUP							
		FAIR VALUE ON THE BALANCE SHEET				FAIR VALUE MOVEMENTS IN THE INCOME STATEMENT		OUTSTANDING AGGREGATE NOTIONAL PRINCIPALS	
		2017		2016		2017	2016	2017	2016
	LEVEL	ASSETS $M	LIABILITIES $M	ASSETS $M	LIABILITIES $M	$M	$M	$M	$M
Foreign exchange hedges	2	**1**	**-**	1	-	**-**	-	**16**	17

D1 Financial risk management *continued*

Electricity price and volume risk

Meridian is exposed to changes in the spot price of electricity it receives for electricity generated or pays to buy electricity to supply customers. Additionally, inflows into Meridian's storage lakes are variable, therefore the volume of electricity required to supply customers may exceed generation production.

Meridian uses a hedging strategy that focuses on its net exposure by estimating both expected generation and electricity purchases required to support contracted sales. Execution of this strategy is guided by Board approved parameters.

The electricity hedges, LGC forward contracts, options and holdings are classified as held for trading and changes in fair value are recognised in the income statement within "Net change in fair value of electricity and other hedges".

		GROUP							
		FAIR VALUE ON THE BALANCE SHEET				FAIR VALUE MOVEMENTS IN THE INCOME STATEMENT		OUTSTANDING AGGREGATE NOTIONAL VOLUMES[51]	
		2017		2016		2017	2016	2017	2016
	LEVEL	ASSETS $M	LIABILITIES $M	ASSETS $M	LIABILITIES $M	$M	$M		
Electricity related hedges		**178**	**(77)**	252	(85)	**(76)**	(15)		
Market traded electricity hedges:	1	**21**	**(29)**	16	(10)	**(22)**	2	**9,242GWh**	7,599GWh
Meridian trades hedges on various exchange based markets.									
Other electricity hedges:	3	**41**	**(29)**	98	(35)	**(51)**	31	**30,513GWh**	33,922GWh
Meridian also trades hedges with other electricity generators, retailers and customers. These hedges are generally long-term, large volume contracts that manage specific risks that can not be managed through futures markets.									
Electricity options:	3	**98**	**-**	121	(1)	**(22)**	(8)	**6,256GWh**	7,542GWh
Meridian trades electricity options with other generators. These are used to support the management of inflow and storage variability in the catchments where it generates electricity.									
LGCs:									
Meridian's Australian wind farms earn Renewable Energy Certificates (RECs) in the form of Large Scale Generation Certificates (LGCs). Additionally Powershop Australia is required to purchase and surrender RECs. Forward contracts and options are used to firm prices received for LGCs generated and consequently reduce the profit volatility of each wind farm. At the time of generation, LGCs are recognised as income in energy margin at the prevailing price. The accumulation of LGC holdings, forward contracts and options are all recognised as financial instruments on the balance sheet at their fair value.									
LGC – Holdings created from wind farm generation	1	**16**	**-**	16	-	**(2)**	1	**0.2 million**	0.2 million
LGC – Forward and option contracts[52]	2	**2**	**(19)**	1	(39)	**21**	(41)	**1.9 million**	2.6 million

51 These cover multiple offsetting contracts and maturities out to 2030.
52 The LGC forward and option contracts have been transferred from level 3 as inputs derived from observable market prices are now available to value them.

Settlements

The following provides a summary of the settlements through EBITDAF for financial instruments:

	GROUP							
	2017				2016			
$M	ELECTRICITY HEDGES	LGCS	ELECTRICITY OPTIONS	TOTAL	ELECTRICITY HEDGES	LGCS	ELECTRICITY OPTIONS	TOTAL
Operating revenue	**23**	**30**	**-**	**53**	13	35	-	48
Operating expenses	**(23)**	**(9)**	**1**	**(31)**	(38)	(7)	-	(45)
Total settlements in EBITDAF	**-**	**21**	**1**	**22**	**(25)**	**28**	**-**	**3**

D1 Financial risk management *continued*

Sensitivity analysis

The table below summarises the impact of changes in significant inputs (assuming all other variables are held constant) on the valuation of electricity related hedges and therefore on Meridian's after tax profit and equity.

GROUP ($M)	SENSITIVITY	IMPACT ON AFTER TAX PROFIT AND EQUITY 2017	2016
Electricity hedges and options[53]			
Electricity prices	-10%	**(54)**	(74)
	+10%	**55**	88
Discount rates	-100 bps	**3**	5
	+100 bps	**(3)**	(5)
Call volumes	-10%	**(7)**	(29)
	+10%	**7**	43
LGCs			
LGC prices	-10%	**4**	8
	+10%	**(4)**	(8)

53 The majority of impacts on after-tax profit and equity result from level 3 hedges.

Fair value technique and key inputs

In estimating the fair value of an asset or liability, Meridian uses market-observable data to the extent that it is available. The Audit and Risk Committee of Meridian determines the overall appropriateness of key valuation techniques and inputs for fair value measurement. The Chief Financial Officer explains fair value movements in his report to the Board.

Where the fair value of a financial instrument is calculated as the present value of the estimated future cash flows of the instrument (DCFs), a number of inputs and assumptions are used by the valuation technique. These are:

- forward price curves referenced to the ASX for electricity, published market interest rates and published forward foreign exchange rates;
- Meridian's best estimate of electricity volumes called over the life of electricity options;
- discount rates based on the forward IRS curve adjusted for counterparty risk;
- calibration factor applied to forward price curves as a consequence of initial recognition differences;
- NZAS continues to operate; and
- contracts run their full term.

The table below describes the additional key inputs and techniques used in the valuation of level 2 and 3 electricity related hedges.

FINANCIAL ASSET OR LIABILITY	DESCRIPTION OF INPUT	RANGE OF SIGNIFICANT UNOBSERVABLE INPUTS	RELATIONSHIP OF INPUT TO FAIR VALUE
Electricity hedges valued using DCFs	***Price***, where quoted prices are not available or not relevant (i.e. for long-dated contracts), Meridian's best estimate of long-term forward wholesale electricity price is used. This is based on a fundamental analysis of expected demand and the cost of new supply and any other relevant wholesale market factors.	$75/MWh to $107/MWh (in real terms), excludes observable ASX prices.	An increase in the forward wholesale electricity price increases the fair value of buy hedges and decreases the fair value of sell hedges. A decrease in the forward wholesale electricity price has the opposite effect.
LGC Forward Contracts and LGC Options valued using DCFs/Black Scholes	***Price***, based on a forward LGC price curve from a third party broker, and benchmarked against market spot prices.	A$67 to A$80	An increase in the forward LGC price decreases the fair value of sell hedges and increases the fair value of buy hedges. A decrease in the forward LGC prices has the opposite effect.

D1 Financial risk management *continued*

Level 3 financial instrument analysis

The following provides a summary of the settlements through EBITDAF and movements in the fair value of level three financial instruments:

RECONCILIATION OF LEVEL 3 FAIR VALUE MOVEMENTS $M	GROUP 2017 ELECTRICITY HEDGES	LGCS	ELECTRICITY OPTIONS	TOTAL	2016 ELECTRICITY HEDGES	LGCS	ELECTRICITY OPTIONS	TOTAL
Electricity and other hedges settled in EBITDAF								
Operating revenue	**25**	**-**	**-**	**25**	16	-	-	**16**
Operating expenses	**(23)**	**-**	**1**	**(22)**	(21)	-	-	**(21)**
Total settlements in EBITDAF	**2**	**-**	**1**	**3**	**(5)**	**-**	**-**	**(5)**
Net change in fair value of electricity and other hedges								
Remeasurement	**(49)**	**-**	**(21)**	**(70)**	25	(41)	(8)	**(24)**
Hedges settled	**(2)**	**-**	**(1)**	**(3)**	5	-	-	**5**
Total net change in fair value of electricity and other hedges	**(51)**	**-**	**(22)**	**(73)**	**30**	**(41)**	**(8)**	**(19)**
Balance at the beginning of the year	**63**	**(38)**	**120**	**145**	**33**	**-**	**27**	**60**
Transfers to level 2	**-**	**38**	**-**	**38**	-	-	-	**-**
Fair value movements	**(51)**	**-**	**(22)**	**(73)**	30	(41)	(8)	**(19)**
Foreign currency translation	**-**	**-**	**-**	**-**	-	2	-	**2**
Electricity options acquired	**-**	**-**	**-**	**-**	-	1	103	**104**
Electricity options sold	**-**	**-**	**-**	**-**	-	-	(2)	**(2)**
Balance at the end of the year	**12**	**-**	**98**	**110**	**63**	**(38)**	**120**	**145**

LGC options and forwards have been transferred to level 2 as inputs derived from observable market prices are now available to value them.

Fair value movements of level 3 electricity hedges in FY2017 which are held at balance date total $(65) million (30 June 2016: $(17) million).

Movements in recalibration differences arising from electricity hedges and options

	GROUP 2017 $M	2016 $M
Opening difference	**(55)**	(951)
Initial differences on new hedges and options	**-**	4
Volumes expired and amortised	**8**	896
Recalibration for future price estimates and time	**53**	(4)
Closing difference	**6**	**(55)**

Initial recognition difference

An initial recognition difference arises when the modelled value of an electricity hedge differs from the transaction price (which is the best evidence of fair value). This difference is accounted for by recalibrating the valuation model by a fixed percentage to result in a value at inception equal to the transaction price. This recalibration is then applied to future valuations over the life of the contract.

The resulting difference shown in the table reflects potential future gains or losses yet to be recognised in the income statement over the remaining life of the contract.

In the 2016 financial year, the revised contractual terms with New Zealand Aluminium Smelter resulted in the 2013 agreement being extinguished and the 2015 agreement being treated as a physical supply contract. This resulted in $889 million reversing from recalibration differences (included within FY16 volumes expired and amortised).

D1 Financial risk management *continued*

Financial instruments which are offset

In certain circumstances Meridian offsets the fair value of financial instruments where it has legal agreements in place that permit netting of positions and net settlement.

	GROUP $M					
	2017			2016		
	GROSS VALUE	VALUE OFFSET	CARRYING VALUE	GROSS VALUE	VALUE OFFSET	CARRYING VALUE
Financial instrument assets						
Electricity and other hedges	**249**	**(71)**	**178**	396	(144)	252
Treasury hedges	**53**	**-**	**53**	93	-	93
Total financial instrument assets	**302**	**(71)**	**231**	**489**	**(144)**	**345**
Financial instrument liabilities						
Electricity and other hedges	**(148)**	**71**	**(77)**	(229)	144	(85)
Treasury hedges	**(114)**	**-**	**(114)**	(166)	-	(166)
Total financial instrument liabilities	**(262)**	**71**	**(191)**	**(395)**	**144**	**(251)**
Net financial instruments	**40**	**-**	**40**	**94**	**-**	**94**

Contractual maturities

The following tables are an analysis of the contractual undiscounted cash flows (settlements expected under the contracts) relating to financial liabilities and a reconciliation from total undiscounted cash flows to carrying amounts.

Meridian expects to meet its future obligations from operating cash flows and debt financing.

	GROUP 2017 $M							
	DUE WITHIN 1 YEAR	DUE IN 1 TO 2 YEARS	DUE IN 3 TO 5 YEARS	DUE AFTER 5 YEARS	TOTAL UNDIS-COUNTED CASH FLOWS	IMPACT OF OTHER NON-CASH ITEMS	IMPACT OF INTEREST/ FX DIS-COUNTING	2017 CARRYING VALUE
Borrowings	216	380	263	521	**1,380**	(4)	(184)	**1,192**
Finance leases	7	14	13	91	**125**	-	(78)	**47**
Payables, accruals, provisions and option premiums	311	28	64	18	**421**	-	(8)	**413**
IRS	32	26	46	24	**128**	-	(22)	**106**
CCIRS	-	12	-	-	**12**	-	(4)	**8**
Electricity hedges	25	14	10	10	**59**	2	(3)	**58**
LGCs	13	7	-	-	**20**	-	(1)	**19**
	604	**481**	**396**	**664**	**2,145**	**(2)**	**(300)**	**1,843**

	GROUP 2016 $M							
	DUE WITHIN 1 YEAR	DUE IN 1 TO 2 YEARS	DUE IN 3 TO 5 YEARS	DUE AFTER 5 YEARS	TOTAL UNDIS-COUNTED CASH FLOWS	IMPACT OF OTHER NON-CASH ITEMS	IMPACT OF INTEREST/ FX DIS-COUNTING	2016 CARRYING VALUE
Borrowings	252	40	571	499	**1,362**	(4)	(144)	**1,214**
Finance leases	7	7	20	105	**139**	-	(91)	**48**
Payables, accruals, provisions and option premiums	224	15	61	39	**339**	-	(11)	**328**
IRS	25	29	65	62	**181**	-	(15)	**166**
Electricity hedges	(5)	(10)	(16)	20	**(11)**	57	(1)	**45**
LGCs	17	15	9	-	**41**	(1)	(1)	**39**
Electricity options	1	-	-	-	**1**	-	-	**1**
	521	**96**	**710**	**725**	**2,052**	**52**	**(263)**	**1,841**

E. Group structure.

IN THIS SECTION

This section provides information to help readers understand the Meridian Group structure and how it affects the financial position and performance of the Group. In this section of the notes there is information about:

a) subsidiaries; and

b) investments in joint ventures.

E1 Subsidiaries

The consolidated financial statements include the financial statements of Meridian Energy Limited and the subsidiaries listed below.

They all have share capital consisting solely of ordinary shares that the Group holds directly, and the proportion of ownership interests held equals the Group's voting rights.

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

			INTEREST HELD BY THE GROUP	
NAME OF ENTITY	PRINCIPAL ACTIVITY	FUNCTIONAL CURRENCY	2017	2016
Meridian Energy Limited				
Powershop New Zealand Limited	Electricity retailing	New Zealand dollar	100%	100%
Powershop UK Limited	Licence holder	British pounds	100%	100%
Flux Federation Limited	Software development	New Zealand dollar	100%	0%
Three River Holdings No.1 Limited[54]	Holding company	New Zealand dollar	100%	100%
Three River Holdings No.2 Limited[54]	Holding company	New Zealand dollar	100%	100%
Meridian Energy Australia Pty Limited[54]	Management services	Australian dollar	100%	100%
Meridian Energy Markets Pty Limited[54]	Non-trading entity	Australian dollar	100%	100%
Meridian Finco Pty Limited[54]	Financing	Australian dollar	100%	100%
Meridian Wind Monaro Range Holdings Pty Limited[54]	Holding company	Australian dollar	100%	100%
Meridian Wind Monaro Range Pty Limited[54]	Holding company	Australian dollar	100%	100%
Mt Millar Wind Farm Pty Limited[54]	Electricity generation	Australian dollar	100%	100%
Meridian Australia Holdings Pty Limited[54]	Holding company	Australian dollar	100%	100%
Meridian Wind Australia Holdings Pty Limited[54]	Holding company	Australian dollar	100%	100%
Mt Mercer Windfarm Pty Limited[54]	Electricity generation	Australian dollar	100%	100%
Powershop Australia Pty Limited	Electricity retailing	Australian dollar	100%	100%
Damwatch Engineering Limited	Professional services	New Zealand dollar	0%	100%
Damwatch Projects Limited	Professional services	New Zealand dollar	0%	100%
Damwatch Pty Limited	Professional services	Australian dollar	0%	100%
Dam Safety Intelligence Limited	Professional services	New Zealand dollar	100%	0%
Meridian LTI Trustee Limited	Trustee	New Zealand dollar	100%	100%
Meridian Energy Captive Insurance Limited	Insurance	New Zealand dollar	100%	100%
Meridian Limited	Non-trading entity	New Zealand dollar	100%	100%
Meridian Energy International Limited	Non-trading entity	New Zealand dollar	100%	100%

54 Members of guaranteeing group.

E1 Subsidiaries *continued*

On 25 May 2017, Meridian established Flux Federation Limited. This entity will be responsible for developing and licensing the Powershop platform.

On 1 December 2016, Meridian sold its entire interest in Damwatch Engineering Limited (and its subsidiaries, including the EDDI Project JV of which it held 50%) for its carrying amount.

On 4 November 2016, Dam Safety Intelligence Limited was incorporated as a subsidiary of the Group, to provide dam safety consultancy services.

On 28 June 2016, Meridian's 100%-owned subsidiary MEL Solar Holdings Limited was amalgamated into Meridian Energy International Limited.

Subsequent event—Group structure update

On 1 July 2017, Powershop New Zealand Limited sold the Powershop platform and supporting business assets as well as its full shareholding in Powershop UK Limited to Flux Federation Limited (a wholly owned subsidiary of Meridian). Powershop New Zealand Limited will continue retailing electricity in New Zealand and provide front-line customer and back office services to Powershop Australia Pty Limited.

F. Other.

IN THIS SECTION

This section includes the remaining information relating to Meridian's financial statements which is required to comply with financial reporting standards.

F1 Share-based payments

Long-term incentive (LTI)

In 2014, Meridian implemented a long term, equity-settled incentive plan for certain New Zealand-based senior executives, the first tranche of which vested at 30 June 2016.

Under the plan, executives purchase Meridian shares at market value funded by an interest-free loan granted by Meridian (for accounting purposes these are considered to be zero-priced options). The shares purchased are held by a trustee company, with the executives entitled to exercise the voting rights attached to the shares and receive dividends, the proceeds of which are used to repay the interest-free loan.

At the end of each vesting period (three years), Meridian pays a bonus to each executive - to the extent their performance targets have been met - which is sufficient, after tax, to repay the initial loan associated with the shares which vest. The shares upon which performance targets have been met then fully vest to the executive. The loan owing on shares which do not vest (the forfeited shares) will be novated from the plan members to the trustee company and fully repaid by the transfer of forfeited shares.

The performance targets relate to Meridian achieving a positive total shareholder return over the vesting period, and the Company's performance relative to the benchmark peer group (being a number of NZX and ASX listed electricity generators and energy retailers).

Key judgement and estimates—share-based payments

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

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

	GROUP	
	2017 $M	2016 $M
Expense for equity settled share-based payment transactions	1	1

Movement in zero-priced share options

			NUMBER OF OPTIONS				
GRANT DATE	VESTING DATE	WEIGHTED AVERAGE FAIR VALUE OF OPTION	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	VESTED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Group – 2017							
04/08/2016	30/06/2019	**$1.63**	**-**	**456,205**	**-**	**-**	**456,205**
03/09/2015	30/06/2018	**$1.20**	**544,848**	**-**	**-**	**-**	**544,848**
17/09/2014	30/06/2017	**$1.04**	**614,325**	**-**	**(614,325)**	**-**	**-**
Total			**1,159,173**	**456,205**	**(614,325)**	**-**	**1,001,053**
Group – 2016							
03/09/2015	30/06/2018	$1.20	-	659,175	-	(114,327)	544,848
17/09/2014	30/06/2017	$1.04	743,254	-	-	(128,929)	614,325
29/10/2013	30/06/2016	$0.83	908,166	-	(798,166)	(110,000)	-
Total			**1,651,420**	**659,175**	**(798,166)**	**(353,256)**	**1,159,173**

F2 Related parties

Meridian transacts with other Government-owned or related entities independently and on an arm's-length basis. Transactions cover a variety of services including trading energy, transmission, postal, travel and tax.

Directors of the Group may be directors or officers of other companies or organisations with which members of the Group may transact.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	GROUP	
	2017 $M	2016 $M
Directors' Fees	1	1
Chief executive officer, senior management team and subsidiary chief executives		
Salaries and short-term benefits	6	7
Post-employment benefits	-	-
Redundancy benefits	-	-
Long-term benefits	2	2
	8	9

F3 Auditors remuneration

	GROUP	
AUDITORS REMUNERATION TO DELOITTE FOR:	2017 $M	2016 $M
Audit and review of New Zealand-based companies' financial statements	0.5	0.5
Audit of overseas-based companies' financial statements	0.1	0.1
Total audit fees	0.6	0.6
Other assurance fees	0.1	0.1
Total auditor remuneration	0.7	0.7

The Board has adopted a policy to maintain the independence of the Company's external auditor, including a review of all other services performed by Deloitte and recommending to the Office of the Auditor-General that there be lead partner rotation after a maximum of five years. The Auditor-General appointed Trevor Deed of Deloitte as auditor of the company in the last financial year.

The audit fee includes Office of the Auditor-General overhead contribution of $28,600 (30 June 2016: $25,000).

Other services undertaken by Deloitte during the year included other assurance activities including reviews of carbon emissions, securities registers, vesting of the executive long-term incentive plan, solvency return of insurance captive and trustee reporting.

F4 Commitments

	GROUP	
NON CANCELLABLE OPERATING LEASE COMMITMENTS ARE AS FOLLOWS:	2017 $M	2016 $M
Less than 1 year	6	6
Later than 1 year and not later than 3 years	10	12
Later than 3 years and not later than 5 years	8	6
More than 5 years	47	35
Total operating lease commitments	71	59

	GROUP	
CAPITAL EXPENDITURE COMMITMENTS	2017 $M	2016 $M
Property, plant and equipment	13	1
Software	-	2
Total capital expenditure commitments	13	3

Operating leases, measurement and recognition

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 in other operating expenses on a straight-line basis over the term of the lease. Lease payments were $6 million in FY2017 (30 June 2016: $5 million).

In Australia, Meridian has entered into lease agreements for land when developing wind farms. These leases range up to 25 years with options to renew.

Meridian also leases office space with terms of the leases ranging from 1 to 12 years, with options to extend up to 11 years. Lease contracts contain rent review clauses, including Consumer Price Index increases and market rental reviews, in the event Meridian exercises its options to renew.

F4 Commitments *continued*

Guarantees

Meridian Energy Limited provided a bank guarantee of A$38 million (30 June 2016: A$38 million) to the financiers of the purchaser of the Macarthur Wind Farm, guaranteeing that it will comply with its various obligations under the Refinancing Coordination Deed.

Meridian Energy Limited has provided parent guarantees for various construction and grid connection obligations of Mt Mercer Windfarm Pty Limited. The maximum liability under these guarantees is A$35 million (30 June 2016: A$41 million).

F5 Contingent assets and liabilities

Other than the guarantees referred to above, there were no other contingent assets or liabilities at 30 June 2017 (30 June 2016: nil).

F6 Subsequent events

There are no subsequent events other than dividends declared on 23 August 2017 (refer to note C4 Dividends for further details) and the structure update (refer to note E1 Subsidiaries for further details).

F7 Changes in financial reporting standards

In the current year, Meridian has adopted all mandatory new and amended standards. The application of these new and amended standards has had no material impact on the amounts recognised or disclosed in the financial statements.

Meridian is not aware of any standards issued but not yet effective (other than those listed below) that would materially affect the amounts recognised or disclosed in the financial statements.

NZ IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018). NZ IFRS 15 will be effective in Meridian's 2019 financial year. It introduces a revenue model for all contracts with customers to improve comparability across industries and geographies. Meridian's initial assessment is that, as a result, certain customer incentives and costs of acquisition will be capitalised on the balance sheet and amortised to the income statement but given prior year restatement will be performed, impact on the income statement is unlikely to be material.

NZ IFRS 9 Financial Instruments (effective 1 January 2018). NZ IFRS 9 will be effective in Meridian's 2019 financial year. This standard requires all financial assets to be measured at fair value, unless the entity's business model is to hold the assets to collect contractual cash flows, and contractual terms give rise to cash flows that are solely payments of interest and principal, in which case they are measured at amortised cost. The standard also broadens the eligibility for hedge accounting as it introduces an objectives-based test that focuses on the economic relationship between hedged items and hedging instruments. Meridian has not yet completed its assessment as to whether currently fair valued financial instruments could be hedge accounted, therefore the full extent of this standard cannot yet be determined. However, there is no balance sheet change, merely a potential shift from the income statement to other comprehensive income.

NZ IFRS 16 Leases (effective 1 January 2019). NZ IFRS 16 will be effective in Meridian's 2020 financial year. It will fundamentally change the way leases are accounted for by lessees. Currently, leases are accounted for as either on-balance-sheet finance leases or off-balance-sheet operating leases (by lessees). Under the new accounting standard, this will be replaced by a single, on-balance-sheet model for all leases, which is similar to the current finance lease approach. The full impact of this standard has not yet been fully assessed. Meridian's current finance lease position can be seen in note C8 Finance lease payable on page 77, and operating lease position in note F4 Commitments on page 88.

Deloitte.

Independent Auditor's Report.

TO THE SHAREHOLDERS OF MERIDIAN ENERGY LIMITED GROUP

The Auditor-General is the auditor of Meridian Energy Limited and its subsidiaries (the Group). The Auditor-General has appointed me, Trevor Deed, using the staff and resources of Deloitte, to carry out the audit of the consolidated financial statements of the Group on his behalf.

Opinion

We have audited the consolidated financial statements of the Group on pages 58 to 89, that comprise the consolidated balance sheet as at 30 June 2017, and the consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity and cash flow statement for the year ended on that date, and the notes to the consolidated financial statements that include accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than the audit, our firm carries out other assurance assignments for the Group in the areas of carbon emission audits, review of the interim financial statements, audit of the securities registers, vesting of the executive long-term incentive plan, the solvency return of Meridian Captive Insurance Limited and trustee reporting, which are compatible with those independence requirements.

In addition, principals and employees of our firm deal with the Group on arm's length terms within the ordinary course of trading activities of the Group. These services have not impaired our independence as auditor of the Group. Other than these engagements and arm's length transactions, and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with, or interests in, the Group.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be $16 million.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Valuation of generation structures and plant

Generation structures and plant totalling $7,774 million are carried in the balance sheet at their fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that the carrying value does not materially differ from the fair value. Generation structures and plant have been revalued this year at 30 June 2017 and have increased by $430 million.

The fair value of generation structures and plant is determined by an independent valuer using two techniques to establish a valuation range being capitalisation of earnings and discounted cash flow. The fair value of generation structures and plant adopted aligns closely to the capitalisation of earnings value. This methodology calculates an enterprise value by reference to capitalisation multiples observed from market prices of listed companies with broadly comparable operations to the Group as well as the Group's historical and forecast maintainable earnings before interest, tax, depreciation, amortisation, changes in fair value of financial instruments, impairments gains or losses on sale of assets and joint venture equity accounted earnings ("EBITDAF").

The capitalisation multiples are derived from comparable New Zealand energy companies, while the forecast maintainable earnings are based on estimates of the future wholesale electricity price, generation volumes, and operating expenditure.

We included the valuation of generation structures and plant as a key audit matter due to the level of judgement required in forecasting the maintainable earnings.

How our audit addressed the valuation of generation structures and plant

Our audit procedures focused on assessing the key inputs to the enterprise value used to estimate the fair value of the generation structures and plant. Our procedures were primarily focused on evaluating the process undertaken by the Group's independent valuer in assessing an appropriate capitalisation multiple and forecasting the future maintainable EBITDAF of the Group.

We assessed the competence and objectivity of the Group's independent valuer involved in determining the valuation of the generation structures and plant.

We compared capitalisation multiples to actual market data for comparable companies and we reviewed historic forecasting against actual results to assess the accuracy of the forecasting process.

Our internal specialists compared the forecast wholesale electricity price with observable market data. We also considered our view of the long term forecast electricity market.

We assessed the basis of allocating the enterprise value to assets and liabilities of the Group and in particular the individual generation structures and plant.

2. Valuation of electricity derivatives

The Group's activities expose it to electricity wholesale price, currency and interest rate risk which are managed using derivative financial instruments. At 30 June 2017 derivative assets totalled $231 million and derivative liabilities were $191 million.

The valuations of interest rate swaps, cross currency interest rate swaps, foreign exchange contracts and some electricity hedges are based on quoted prices, or primarily on observable inputs and are measured using standard valuation techniques.

Certain other long dated electricity hedges and options do not have quoted prices or observable inputs and therefore require more complex valuation techniques as described in note D1 and categorised as having level 3 (unobservable) inputs. These electricity hedges and options are valued using the Group's best estimate of the long-term forward wholesale electricity price based on the Group's analysis of expected demand and the cost of new supply.

We have included the valuation of electricity hedges and options with level 3 inputs as a key audit matter due to the significance of derivative instruments to the financial statements, the complexity of the valuation techniques and the judgement involved in evaluating the long term forward wholesale electricity price.

How our audit addressed the valuation of electricity derivatives

In conjunction with our internal experts we evaluated the appropriateness of the methodology applied in the valuation models for these electricity hedges and options. Our procedures included challenging the key assumptions applied including the electricity price path and call option volumes, agreeing underlying data to contract terms and recalculating a sample of the fair value calculations of these electricity hedges and options.

We also performed audit work on the wholesale electricity price path as explained above under the section entitled 'Valuation of Generation structures and plant'.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 57, but does not include the consolidated financial statements, and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible on behalf of the Group for preparing consolidated financial statements that are fairly presented in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal control as it determines is necessary to enable it to prepare consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Director's responsibilities arise from the Financial Markets Conduct Act 2013.

Responsibilities of the auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of shareholders taken on the basis of these consolidated financial statements.

We did not evaluate the security and controls over the electronic publication of the consolidated financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and the performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

TREVOR DEED, PARTNER
for Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand
23 August 2017

Global Reporting Initiative Index.

Strategy and analysis		
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Countries of operation	G4-6	4–5
Nature of ownership and legal form	G4-7	4
Markets served	G4-8	4–5
Scale of the reporting organisation	G4-9	4–5
Installed capacity	EU1	4
Net energy output	EU2	4
Number of customer connections	EU3	5
Transmission and distribution lines	EU4	n/a – length insignificant
Allocation of CO_2e emissions allowances	EU5	25
Employee statistics	G4-10	49
Number of employees covered by collective bargaining	G4-11	49
Organisation's supply chain	G4-12	4–5
Significant changes—size, structure, ownership or CEO	G4-13	3—Change to Damwatch 3—Change to Powershop New Zealand 6—Change of CEO
Commitments to external initiatives		
Precautionary principle	G4-14	Our approach to environmental management includes the precautionary-principle-based approach of the relevant legislation
External charters	G4-15	Zero Harm pledge
Memberships in associations	G4-16	Business New Zealand Business New Zealand Energy Council Electricity Retailers-Association of New Zealand (page 28) Sustainable Business Council Drive Electric (page 24) StayLive (industry safety forum) (page 18) Clean Energy Council (Australia) (page 28) Utilities Disputes Commissioner scheme
Identified material aspects and boundaries		
Entities included in the financial statements and this report	G4-17	3, 85
Process for defining report content	G4-18	3
Material topics identified	G4-19	See this index, topics are in blue
Internal entities relevant to each topic	G4-20	'Impact on water', 'Biodiversity', 'Environmental compliance', 'Plant performance', 'Access to water' and 'Local communities' occur in the generation activities of the Group 'Customer satisfaction', 'Smart meters' and 'Vulnerable customers' occur in the retail activities of the Group Impacts for all other topics occur throughout the Group
Topics relevant in the supply chain	G4-21	The 'Occupational health and safety' topic is relevant in our supply chain
Effect of any restatements	G4-22	3
Significant changes—reporting method	G4-23	3

G4 GENERAL STANDARD DISCLOSURES	GRI REF	PAGE #/COMMENT
Stakeholder engagements		
List of stakeholder groups engaged	G4-24	12–13
Report basis for identification/selection of stakeholders	G4-25	12–13
Approaches to stakeholder engagement	G4-26	14–33
Key topics and concerns from stakeholder engagement	G4-27	12–13

DISCLOSURE	GRI REF	PAGE #/COMMENT
Report profile		
Reporting period	G4-28	3
Date of most recent previous report (if any)	G4-29	3
Reporting cycle	G4-30	3
Contact point for questions	G4-31	2
GRI index table	G4-32	93–95
Assurance	G4-33	3
Governance		
Governance structure	G4-34	44
Ethics and integrity		
Organisation values, principles and standards	G4-56	44—Also see our Corporate Governance Statement on our website: meridianenergy.co.nz/investors/governance

MATERIAL TOPICS AND RELATED INDICATORS	GRI REF	PAGE #/COMMENT
Economic		
Financial performance**	DMA*	11, 34–41
Various financial measures	Non-GRI**	11, 34–41, 57–89
Financial impact of hydrology**	DMA*	10–11, 29
Financial implications of variability in hydrology	Non-GRI**	10–11, 29, 36–39
Financial implications of climate change	DMA*	16, 26, 29
Financial implications of climate change	G4-EC2	16, 26, 29
Electricity availability and reliability	DMA	33
Planned capacity against projected demand	EU10	33
Environmental		
Impact on water	DMA	19
Affected water sources	G4-EN9	19
Biodiversity	DMA	19
Direct and indirect impacts on biodiversity	G4-EN12	19
Greenhouse gas emissions (GHG)	DMA	25
Support for customers' climate change mitigation actions	Non-GRI**	24, 32
Proportion of generation from renewable resources	Non-GRI**	100%—front cover
Direct GHG emissions (Scope 1)	G4-EN15	25—Meridian Group Greenhouse Gas Emissions Inventory 2017 is available on our website: meridianenergy.co.nz/about-us/sustainability/green-house-gas-emissions-reports
Energy indirect GHG emissions (Scope 2)	G4-EN16	
Other indirect GHG emissions (Scope 3)	G4-EN17	
Parent company corporate emissions	Non-GRI**	25
Corporate emissions reduction target	Non-GRI**	25
Environmental compliance	DMA	19
Non-compliance with environmental laws and regulations	G4-EN29	19

*DMA – Disclosure of Management Approach, why the topic is material, how it is managed, how performance is evaluated.
**Non-GRI – Some topics and indicators listed above are additional or alternatives to those covered in the GRI G4 Guidelines.

MATERIAL TOPICS AND RELATED INDICATORS	GRI REF	PAGE #/COMMENT
Labour practices		
Availability of a skilled workforce	DMA	17
Employees eligible to retire in the next 5 and 10 years	EU15	17
Occupational health and safety	DMA	18
Participation in health and safety committees	G4-LA5	18
Total recordable injury frequency rate (TRIFR)	Non-GRI**	18
Training and education	DMA	23
Staff receiving performance and career reviews	G4-LA11	23
Diversity and equal opportunity	DMA	17
Gender and age diversity	G4-LA12	17
Women in people leadership and senior specialist positions	Non-GRI**	17
Equal remuneration for women and men	DMA	17
Gender pay ratio	G4-LA13	17
Employee engagement**	DMA	23
Employee engagement surveys	Non-GRI**	23
Society		
Local communities	DMA	18
Local community engagement	G4-SO1	13 out of 14 (93%) of our power stations have local community engagement programmes
Contribution to communities in New Zealand	Non-GRI**	18
Number of community fund grants in New Zealand	Non-GRI**	18
Public policy	DMA	28
Political contributions	G4-SO6	Meridian does not donate to any political parties (as specified in our Code of Conduct)
Access to water**	DMA	18–19
Strength of relationships with stakeholders interested in water	Non-GRI**	18–19—Includes central government, local government, Ngāi Tahu and other iwi, local community groups and the general public
Product responsibility		
Customer satisfaction	DMA	22
Surveys measuring customer satisfaction	G4-PR5	22
Vulnerable customers	DMA	33
Disconnection rates	Non-GRI**	33
Electricity pricing**	DMA	33
Price of electricity compared to other OECD countries	Non-GRI**	33
Smart meters**	DMA	23
Volume of smart meters installed	Non-GRI**	23
Plant performance	DMA	16
Plant availability factors	EU30	16
Process safety**	DMA	17
Actions to improve process safety	Non-GRI**	17

*DMA – Disclosure of Management Approach, why the topic is material, how it is managed, how performance is evaluated.
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meridian

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