MEDIA RELEASE
28 August 2012

MIGHTY RIVER POWER REPORTS EBITDAF AND DIVIDEND GROWTH
Financial results for the year ended 30 June 2012[1]

Highlights

- EBITDAF up 4% to $461 million, in line with the Company's guidance
- Electricity sales prices and volumes to customers both increased 5%, offsetting the effects of 2% lower hydro generation
- Net Profit After Tax decreased to $68 million, reflecting significant change in non-cash fair value of financial instruments
- Underlying Earnings at $163 million consistent with FY2011
- Declared total dividend up 9% from the previous year to $120 million

Mighty River Power's Chair, Joan Withers, today said the Company had reported a 4% increase in EBITDAF[2] on the previous year, in line with the revised guidance, raised following the half-year results. The uplift was achieved, despite a decrease in hydro generation, and was supported by 5% gains in both electricity sales prices and volumes to customers.

Mrs Withers said Mighty River Power's Board of Directors was pleased to continue the trend of dividend growth by approving a final dividend of $45 million to the Crown, taking the total dividend[3] declared for the year to $120 million - up 9% on the previous year.

Financial Results

EBITDAF increased 4% on the previous year (up from $443 million in FY2011 to $461 million in FY2012). Contributions also came from one-off gains during the year: Revenue of $7 million from the sale of carbon credits, and the accounting gain of $8 million from the sale of a 10% stake in Nga Awa Purua[4]. Improved EBITDAF absorbed a 14% ($32 million) increase in operating expenses, mainly reflecting increased maintenance costs of $16 million (the majority of which occurred in the second half of the year). Other cost increases were due to the early termination of a long-term contract in the last quarter of the year, and expenses of $3.8 million borne by the Company during the year, relating to the preparation for a potential listing.

Net Profit After Tax was reported at $68 million (2011: $127 million), mainly reflecting a significant fall in interest rates in the first half of the year, which resulted in the recognition of an adverse change in the non-cash fair value of financial instruments of $118 million ($13 million of which came in the second half of the year). Given the long-term nature of generation assets, a significant portion of the Company's exposure to interest rate changes on its debt, both domestically and through its international interests, is managed through the use of interest rate derivatives, meaning the average cost of funds is largely insensitive to interest rate changes. Given Mighty River Power and its related international investment companies do not hedge account; these financial instruments are fair valued at the end of each reporting period with the change recognised in the income statement.

Underlying Earnings, which adjusts for the effects of significant one-off items and the change in fair value financial instruments, were consistent with FY2011 ($162 million in FY2011 to $163 million in FY2012).

Mrs Withers said the Underlying Earnings demonstrated a strong operating performance, with the Company's flexible generation and contract portfolio responding well to changing market conditions, but this was partly offset by a $13 million increase in Depreciation and Amortisation from upward revaluations of the Company's assets in prior periods.

Operating Performance

Retail (FPVV[5]) sales volumes increased 5% on the prior comparable period. The uplift in volumes was achieved through an increase in sales to business customers - up 14% on FY2011 to 2,412GWh - and through Mercury Energy's focus on acquiring and retaining higher-volume residential customers as it expands into areas south of Auckland.

The average retail (FPVV) sales price increased 5% on the previous year from $110.09/MWh in FY2011 to $115.48/MWh in FY2012.

Wholesale purchase costs for the full year increased from $56.76/MWh in FY2011 to $94.68/MWh in FY2012. Mighty River Power was negatively impacted by the exacerbated wholesale price differential between the North and South Islands during the last quarter, due to high South Island reserve offers from other generators and limited North-South Island transmission capacity (in advance of the HVDC upgrade).

The Company benefited from above-average inflows into its Waikato River catchments during the first three quarters of the year, following above average volumes in FY2011. This pattern was in contrast to the record low inflows experienced by competitors' South Island hydro stations throughout the year.

Mighty River Power's Chief Executive, Doug Heffernan, said the Company had a strong performance in the first half of the year, but due to adverse impacts in the last quarter, hydro generation was down 2% on the previous year.

"We increased the use of our gas-fired plant by 116% year-on-year in response to higher wholesale prices in the market, and geothermal generation remained firm with 95% availability across our stations," said Mr Heffernan.

Domestic & International Development

Mighty River Power's development of the 82MW Ngatamariki geothermal plant remains on track for commissioning in mid-2013, with three injection wells and two production wells now drilled. However, some challenges with drilling the second and third injection wells were experienced, which utilised a significant portion of the contingency within the estimated $466 million project cost. As a consequence, the Company has increased the contingency by $18 million, to allow for the possibility that an additional well may need to be drilled. Even with the additional contingency, the real long-run marginal cost remains below $80/MWh.

Mighty River Power has currently committed US$250 million to its international geothermal developments via the GGE Fund[6], with US$225 million of Mighty River Power's capital already deployed. GGE is currently seeking further capital to advance the development of its projects. Mighty River Power is working with GGE and will consider contributing further capital alongside new investors.

In May 2012, the 49.9MW Energy Source's John L Featherstone plant (previously known as Hudson Ranch Power I) on the Salton Sea reservoir in California was formally opened and became the first of the GGE Fund's international geothermal investments to move into commercial operation. The plant achieved a 99% capacity factor in its first full quarter of operation and post-construction project refinancing is underway.

Funding & Debt Maturities

Mrs Withers said Standard & Poor's had re-affirmed the Company's long-term credit rating at BBB+/Stable in April 2012 and at 30 June 2012, total debt facilities were $1,560 million, compared with $1,310 million at 30 June 2011.

Mighty River Power extended its liquidity headroom to $510 million during the year by increasing an existing facility by $50 million in September 2011 and establishing a $200 million Commercial Paper Programme in February 2012, of which $100 million of short-term notes were issued at 30 June 2012. In addition, the Company raised $200 million of bank facilities in March 2012, which is sufficient to repay its retail bond which matures in May 2013. The average maturity of the debt facilities as at 30 June 2012 was 5 years.

Performance to Date FY2013

Since 30 June 2012, inflows into competitors' South Island hydro reservoirs have improved from the lows experienced earlier in 2012. However, South Island hydro storage remains 28% below the historical average. Contrasting this, Mighty River Power has seen solid inflows into the Waikato catchment 10% above the prior comparable period. Given the improvement in national hydro storage, national wholesale prices in the financial year to date have fallen. Storage at Lake Taupo at the end of August, at 348GWh, is in line with averages for the time of year.

As at 31 July 2012, customer numbers were 388,000, up 2,000 from 386,000 at the end of June 2012 and up 5,000 from the half year (383,000).

Following long-term flow testing, GGE recently announced the completion of the most productive geothermal well in South America at the Tolhuaca field in Southern Chile, producing high-temperature steam sufficient to generate 12MW of electrical energy. GGE manages the fund through which Mighty River Power currently invests in offshore geothermal projects.

Mighty River Power was awarded *Overall Energy Company of the Year* at the Deloitte Energy Excellence Awards, held in August 2012. The Company also won the awards for *Innovation in Electricity* (GLO-BUG) and *Energy Executive of the Year* (Doug Heffernan), and was named a finalist in an additional two categories at the event; *Retailer of the Year (Tiny Mighty Power)* and *Environmental Excellence.*

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Notes to Editors

[1] Click here for a full market disclosure including Financial Commentary, Audited Financial Statements and Annual Results Presentation.

[2] EBITDAF or Earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments, impairments and Equity-Accounted Earnings – sometimes referred to as Operating Earnings.

[3] The Company's current dividend policy states that the dividend will be calculated at 75% of net profit after tax, after adjusting for the impact of fair value movements net of tax.

[4] The sale of a 10% interest in the Nga Awa Purua plant to the Tauhara North No.2 Trust was completed at 2 April 2012. The Trust took up its option to purchase the additional stake in the project, in accordance with agreements signed in 2007, reducing Mighty River Power's share in the Nga Awa Purua Joint Venture to 65%.

[5] Fixed Price Variable Volume customers.

[6] Through the GeoGlobal Partners I Fund (GGE Fund) Mighty River Power has invested US$92 million to fund a majority share in the US$400 million, 49.9MW John L Featherstone project, which is owned by EnergySource LLC.

For further information or to request an interview, please contact:

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About Mighty River Power

Mighty River Power is one of New Zealand's largest electricity companies – with its core business based on reliable, low fuel-cost electricity generation complemented by sales to businesses and homes, which account for about 18.5% of New Zealand's total electricity consumption.

The Company operates nine hydro power stations, four geothermal plants and a multi-unit gas-fired station. More than 90% of its electricity production is from renewable sources. Mighty River Power sells electricity through multiple channels and retail brands, including Mercury Energy, GLO-BUG, Bosco Connect and Tiny Mighty Power.

FINANCIAL COMMENTARY
28 August 2012

FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2012

	FY2012 ($ million)	FY2011 ($ million)	Change ($ million)	Change %
Revenue	**1,520.6**	**1,163.9**	**356.7**	**30.7**
EBITDAF	**461.5**	**443.1**	**18.4**	**4.2**
Depreciation and amortisation	(158.4)	(145.4)	(13.0)	8.9
Fair value adjustments	(92.8)	(25.6)	(67.2)	262.5
Impairments	(4.0)	(19.8)	15.8	(79.8)
Equity accounted earnings	(24.8)	5.0	(29.8)	(596.0)
Net interest	(72.6)	(71.8)	(0.8)	1.1
Income tax expense	(41.3)	(58.4)	17.1	(29.3)
Net profit after tax	**67.7**	**127.1**	**(59.4)**	**(46.7)**
Underlying earnings after tax	**162.7**	**162.2**	**0.5**	**0.3**
Operating cash flow	277.0	292.8	(15.8)	(5.4)
Capital expenditure	362.3	220.1	142.2	64.6
Final dividend	45.0	45.7	(0.7)	(1.5)
Total dividend	**119.8**	**110.4**	**9.4**	**8.5**

Note: All commentary below refers to financial year ended 30 June 2012 as compared with the financial year ended 30 June 2011 unless stated otherwise.

Revenue

Revenue was up 30.7% to $1,520.6 million reflecting higher underlying prices in the wholesale market which increased the prices received for the company's generation. Energy Margin[1] is a more useful indicator of company performance, as it also takes into account the broadly offsetting impact of the higher wholesale prices on the cost of the Company's retail electricity purchases.

EBITDAF

Overall, Earnings before interest, taxation, depreciation, amortisation, financial instruments, impairments and equity accounted earnings (EBITDAF), increased by $18.4 million to $461.5 million (2011: $443.1 million).

Energy Margin[1] increased 4.6% to $684.6 million (2011: $654.7 million). This reflected a 5% uplift in both fixed price variable volume (FPVV) electricity sales prices and associated volumes, which were partly offset by higher purchase costs due to elevated wholesale prices and lower hydro generation on the prior comparative period. Other revenue increased $20.1 million, due to one-off gains of $7.0 million from the sale of emission credits and an $8.2 million accounting gain associated with the sale of a 10% interest in the Nga Awa Purua on 1 April 2012.

Operating expenses increased by $31.6 million reflecting increased maintenance expenses of $15.9 million, costs arising from early termination of a long-term contract, higher professional fees and insurance costs. Maintenance costs increased as a consequence of $12.0 million of costs occurred at Southdown mainly relating to a transformer and turbine failures in the second half of the year and lifecycle work currently being undertaken on the Company's hydro stations.

Depreciation and amortisation

Depreciation and amortisation increased $13.0 million to $158.4 million (2011: $145.4 million) primarily reflecting the upwards asset revaluations of $412.3 million in 2011 and accounting releases relating to the sale of the 10% interest in Nga Awa Purua.

Change in fair value of financial instruments

For the period ended 30 June 2012 the total change in non-cash fair value of financial instruments recognised in the income statement was $118.5 million. For derivatives held by Mighty River Power, the change was $92.8 million and our equity-accounted associate companies and jointly controlled entities recognised a $25.7 million change.

Given the long-term nature of generation assets, a significant proportion of the associated debt is hedged against interest rate movements through the use of interest rate derivatives, so the cost of funds is largely insensitive to movements in interest rates. Given Mighty River Power and its related international investment companies do not hedge account; these financial instruments are fair valued at the end of each reporting period with the change recognised in the income statement. While these interest rate derivatives are economic hedges, they are not in a designated hedge accounting relationship.

Impairments

Impairments recognised in 2012 were $4.0 million, mainly relating to the impairment of geothermal exploration and development expenditure.

Equity-Accounted Earnings of Associate companies and Jointly Controlled Entities

Equity-accounted earnings, which mainly relate to the EnergySource project and Tuaropaki Power Company, fell $29.8 million mainly reflecting changes in fair value of financial instruments (mostly interest) recognised in the income statement.

Net Interest

The cost of a 14% increase in net debt[2] from $978.6 million to $1,117.6 million was partly offset by increased capitalised interest and, therefore, net interest only increased by $0.8 million to $72.6 million.

Net Profit After Tax

Overall, the Company's net profit after tax, as recognised under NZ IFRS, was significantly lower than the prior comparable period, decreasing from $127.1 million to $67.7 million. This largely reflected the change in non-cash fair value of financial instruments.

Underlying Earnings

Mighty River Power's underlying earnings after tax (that adjusts one-off and/or infrequently occurring events exceeding $10 million of net profit before tax), impairments and any changes in the fair value of derivative financial instruments) increased by $0.5 million to $162.7 million due to improved EBITDAF, which was offset by increased depreciation and lower reported equity accounted earnings.

Reconciliation from Net Profit After Tax to Underlying Earnings

	FY2012 ($ million)	**FY2011 ($ million)**	**Change ($ million)**	**Change (%)**
Net Profit After Tax	**67.7**	**127.1**	**(59.4)**	**(46.7)**
Change in fair value of financial instruments	92.8	25.6	67.2	262.5
Change in fair value of financial instruments of associate companies	1.5	1.4	0.1	7.1
Change in fair value of financial instruments of jointly controlled entities	24.2	2.0	22.2	1,110.0
Impairments	4.0	19.8	(15.8)	(79.8)
Income tax expense on adjustments	(27.5)	(12.9)	(14.6)	113.2
Impact due to legislative tax changes	'-	(0.8)	0.8	(100.0)
Underlying Earnings	**162.7**	**162.2**	**0.5**	**0.3**

Declared Dividends

The Company's current dividend policy is that the dividend will be determined at 75% of net profit after tax, after adjusting for the impact of fair value of financial instruments net of tax. In line with this policy, the Board have declared a final dividend of $45.0 million, taking the total dividend declared for the financial year ended 30 June 2012 to $119.8 million, up 8.5% from the prior year. The final dividend will be paid on 28 September 2012.

	FY2012 ($ million)	FY2011 ($ million)	Change ($ million)	Change (%)
Interim	74.8	64.7	10.1	15.6
Final	45.0	45.7	(0.7)	(1.5)
Total	**119.8**	**110.4**	**9.4**	**8.5**

Cash flow

Operating cash flows decreased 5.4% from $292.8 million to $277.0 million. Contributing to the decrease was increased interest charges of $7.8 million. Investing outflows increased by 44% to $291.6 million. The main investment activities were the Ngatamariki geothermal project and further deployment under the Company's commitment of US$250 million to the GGE fund. This was partly offset by an investing inflow from the impact of the sale of 10% interest in Nga Awa Purua and the sale of emission credits.

Balance sheet

Mighty River Power's total assets increased from $5.4 billion to $5.9 billion over the period due to increases in property, plant and equipment (up $314.6 million) and higher receivables (up $121.6 million) arising from higher wholesale prices. Property, plant and equipment increased due to capital work in progress of $329.6 million and generation asset revaluations of $170.0 million partly offset by the 10% sale of Nga Awa Purua and increased depreciation charges. The Group's gearing ratio at 30 June 2012 was 27.0%, compared to 25.1% at 30 June 2011.

Funding and debt maturity

Mighty River Power had total committed facilities of $1,560 million as at 30 June 2012 (30 June 2011: $1,310 million) with $510 million of undrawn bank facilities. In September 2011 an existing bank facility, expiring in December 2015, was increased by $50 million, a $200 million commercial paper programme was established in February 2012 with $100 million of short-term notes issued as at 30 June 2012, and $200 million of three-year bank facilities were raised in March 2012. The next maturity is a $200 million retail bond in May 2013, which can be can be fully funded with existing facilities. The average maturity for the debt facilities portfolio is 5.0 years (30 June 2011: 6.4 years). In April this year, Standard and Poor's reaffirmed Mighty River Power's long-term credit rating of BBB+ with a Stable outlook.

1. Sales less lines charges less energy costs less other direct cost of sales including metering
2. Excluding fair value adjustments and deferred financing costs

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MIGHTY RIVER POWER LIMITED

Annual Financial Statements

For the year ended 30 June 2012

MIGHTY RIVER POWER

MIGHTY RIVER POWER LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Sales		1,903,515	1,546,740	1,730,868	1,421,536
Less line charges		(424,247)	(404,031)	(408,186)	(395,552)
Other revenue		41,295	21,172	43,188	22,580
Total revenue		1,520,563	1,163,881	1,365,870	1,048,564
Energy costs		761,158	445,971	761,158	446,344
Other direct cost of sales, including metering		33,524	42,025	18,039	25,319
Employee compensation and benefits		76,139	74,599	67,421	68,751
Maintenance expenses		71,808	55,866	54,507	41,545
Sales and marketing		20,898	19,458	19,961	18,979
Contractors' fees		11,136	11,268	9,878	10,919
Professional services	4	18,958	15,051	15,019	11,321
Other expenses		65,445	56,590	43,377	69,090
Total expenses		1,059,066	720,828	989,360	692,268
Earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments, impairments and equity accounted earnings (EBITDAF)		461,497	443,053	376,510	356,296
Depreciation and amortisation	4	(158,397)	(145,404)	(98,010)	(99,842)
Change in the fair value of financial instruments	26	(92,751)	(25,621)	(92,458)	(26,739)
Impaired assets	4	(4,004)	(19,786)	(4,952)	(56,823)
Equity accounted earnings of associate companies	17	2,852	2,069	-	-
Equity accounted earnings of interest in jointly controlled entities	19	(27,655)	2,935	-	-
Earnings before net interest expense and income tax (EBIT)		181,542	257,246	181,090	172,892
Interest expense	4	(75,360)	(74,629)	(63,174)	(72,230)
Interest income		2,808	2,843	937	719
Net interest expense		(72,552)	(71,786)	(62,237)	(71,511)
Profit before income tax		108,990	185,460	118,853	101,381
Income tax expense	5	(41,289)	(58,387)	(35,199)	(46,469)
Net profit for the year		67,701	127,073	83,654	54,912
Net profit for the year is attributable to:					
Owners of the parent		67,775	127,087	83,654	54,912
Non-controlling interests		(74)	(14)	-	-
		67,701	127,073	83,654	54,912

Earnings per share attributable to owners of the parent:

Basic and diluted earnings per share (cents)	8	4.84	9.08

MIGHTY RIVER POWER LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Net profit for the year		**67,701**	127,073	**83,654**	54,912
Other comprehensive income					
Fair value revaluation of hydro and thermal assets	12	**166,000**	219,000	**166,000**	219,000
Fair value revaluation of other generation assets	12	**4,000**	193,250	**-**	-
Equity accounted share of movements in associates' reserves	17	**1,165**	(3,065)	**-**	-
Equity accounted share of movements in jointly controlled entities' reserves	19	**31,621**	-	**-**	-
Movement in available for sale investment reserve		**(619)**	(858)	**(619)**	(858)
Retained losses acquired on amalgamation		**-**	-	**(869)**	-
Movements in foreign currency translation reserve		**(1,531)**	(31,146)	**-**	-
Cash flow hedges gain/(loss) taken to or released from equity	26	**27,758**	(107,445)	**10,046**	(88,517)
Income tax on items of other comprehensive income	5	**(68,083)**	(91,184)	**(49,120)**	(38,888)
Impact of tax rate change		**-**	6,797	**-**	3,305
Other comprehensive income for the year, net of taxation		**160,311**	185,349	**125,438**	94,042
Total comprehensive income for the year		**228,012**	312,422	**209,092**	148,954
Total comprehensive income for the year is attributable to:					
Owners of the parent		**228,090**	312,436	**209,092**	148,954
Non-controlling interests		**(78)**	(14)	**-**	-
		228,012	312,422	**209,092**	148,954

MIGHTY RIVER POWER LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

Group	Issued capital $000	Retained earnings $000	Available for sale investment reserve $000	Foreign currency translation reserve $000	Asset revaluation reserve $000	Cash flow hedge reserve $000	Non-controlling interest $000	Total equity $000
Balance as at 1 July 2010	377,561	508,266	-	625	1,865,749	(63,390)	159	2,688,970
Fair value revaluation of hydro and thermal assets, net of taxation	-	-	-	-	153,300	-	-	153,300
Fair value revaluation of other generation assets, net of taxation	-	-	-	-	135,275	-	-	135,275
Equity accounted share of movements in associate's reserves	-	-	-	-	(3,075)	10	-	(3,065)
Net loss on available for sale investment reserve	-	-	(600)	-	-	-	-	(600)
Movements in foreign currency translation reserve	-	-	-	(31,146)	-	-	-	(31,146)
Cash flow hedges gain/(loss) taken to or released from equity, net of taxation	-	-	-	-	-	(75,212)	-	(75,212)
Impact of tax rate change	-	-	(17)	-	8,245	(1,431)	-	6,797
Other comprehensive income	-	-	(617)	(31,146)	293,745	(76,633)	-	185,349
Net profit for the year	-	127,087	-	-	-	-	(14)	127,073
Total comprehensive income	-	127,087	(617)	(31,146)	293,745	(76,633)	(14)	312,422
Non-controlling interest	-	-	-	-	-	-	150	150
Dividend	-	(95,000)	-	-	-	-	-	(95,000)
Balance as at 30 June 2011	377,561	540,353	(617)	(30,521)	2,159,494	(140,023)	295	2,906,542
Balance as at 1 July 2011	**377,561**	**540,353**	**(617)**	**(30,521)**	**2,159,494**	**(140,023)**	**295**	**2,906,542**
Fair value revaluation of hydro and thermal assets, net of taxation	**-**	**-**	**-**	**-**	**119,520**	**-**	**-**	**119,520**
Fair value revaluation of other generation assets, net of taxation	**-**	**-**	**-**	**-**	**2,880**	**-**	**-**	**2,880**
Equity accounted share of movements in associate's reserves	**-**	**-**	**-**	**-**	**-**	**1,165**	**-**	**1,165**
Equity accounted share of movements in jointly controlled entities' reserves	**-**	**-**	**-**	**-**	**18,758**	**-**	**(21)**	**18,737**
Net loss on available for sale investment reserve	**-**	**-**	**(446)**	**-**	**-**	**-**	**-**	**(446)**
Movements in foreign currency translation reserve	**-**	**-**	**-**	**(1,527)**	**-**	**-**	**(4)**	**(1,531)**
Cash flow hedges gain/(loss) taken to or released from equity, net of taxation	**-**	**-**	**-**	**-**	**-**	**19,986**	**-**	**19,986**
Other comprehensive income	**-**	**-**	**(446)**	**(1,527)**	**141,158**	**21,151**	**(25)**	**160,311**
Net profit for the year	**-**	**67,775**	**-**	**-**	**-**	**-**	**(74)**	**67,701**
Total comprehensive income	**-**	**67,775**	**(446)**	**(1,527)**	**141,158**	**21,151**	**(99)**	**228,012**
Non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**108**	**108**
Dividend	**-**	**(120,500)**	**-**	**-**	**-**	**-**	**-**	**(120,500)**
Balance as at 30 June 2012	**377,561**	**487,628**	**(1,063)**	**(32,048)**	**2,300,652**	**(118,872)**	**304**	**3,014,162**

MIGHTY RIVER POWER LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

Company	Issued capital $000	Retained earnings $000	Available for sale investment reserve $000	Foreign currency translation reserve $000	Asset revaluation reserve $000	Cash flow hedge reserve $000	Non-controlling interest $000	Total equity $000
Balance as at 1 July 2010	377,561	611,526	-	-	1,584,972	(56,829)	-	2,517,230
Fair value revaluation of hydro and thermal assets, net of taxation	-	-	-	-	153,300	-	-	153,300
Net loss on available for sale investment reserve	-	-	(600)	-	-	-	-	(600)
Cash flow hedges gain/(loss) taken to or released from equity, net of taxation	-	-	-	-	-	(61,963)	-	(61,963)
Impact of tax rate change	-	-	(17)	-	4,380	(1,058)	-	3,305
Other comprehensive income	-	-	(617)	-	157,680	(63,021)	-	94,042
Net profit for the year	-	54,912	-	-	-	-	-	54,912
Total comprehensive income	-	54,912	(617)	-	157,680	(63,021)	-	148,954
Dividend	-	(95,000)	-	-	-	-	-	(95,000)
Balance as at 30 June 2011	377,561	571,438	(617)	-	1,742,652	(119,850)	-	2,571,184
Balance as at 1 July 2011	**377,561**	**571,438**	**(617)**	**-**	**1,742,652**	**(119,850)**	**-**	**2,571,184**
Fair value revaluation of hydro and thermal assets, net of taxation	**-**	**-**	**-**	**-**	**119,520**	**-**	**-**	**119,520**
Net loss on available for sale investment reserve	**-**	**-**	**(446)**	**-**	**-**	**-**	**-**	**(446)**
Cash flow hedges gain/(loss) taken to or released from equity, net of taxation	**-**	**-**	**-**	**-**	**-**	**7,233**	**-**	**7,233**
Retained losses acquired on amalgamation	**-**	**(869)**	**-**	**-**	**-**	**-**	**-**	**(869)**
Other comprehensive income	**-**	**(869)**	**(446)**	**-**	**119,520**	**7,233**	**-**	**125,438**
Net profit for the year	**-**	**83,654**	**-**	**-**	**-**	**-**	**-**	**83,654**
Total comprehensive income	**-**	**82,785**	**(446)**	**-**	**119,520**	**7,233**	**-**	**209,092**
Dividend	**-**	**(120,500)**	**-**	**-**	**-**	**-**	**-**	**(120,500)**
Balance as at 30 June 2012	**377,561**	**533,723**	**(1,063)**	**-**	**1,862,172**	**(112,617)**	**-**	**2,659,776**

MIGHTY RIVER POWER LIMITED
BALANCE SHEET
AS AT 30 JUNE 2012

	Note	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
SHAREHOLDERS' EQUITY					
Issued capital	6	377,561	377,561	377,561	377,561
Reserves		2,636,297	2,528,686	2,282,215	2,193,623
Non-controlling interest		304	295	-	-
Total shareholders' equity		3,014,162	2,906,542	2,659,776	2,571,184
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	38,296	28,722	15,750	3,758
Receivables	10	316,097	199,868	943,347	886,369
Inventories	11	24,147	23,015	17,718	17,970
Derivative financial instruments	26	15,769	20,100	18,648	28,727
Taxation receivable		-	-	6,494	2,571
Total current assets		394,309	271,705	1,001,957	939,395
NON-CURRENT ASSETS					
Property, plant and equipment	12	5,064,100	4,749,506	3,632,940	3,495,519
Intangible assets	13	49,795	38,821	27,615	25,336
Emissions units	14	4,323	429	3,954	425
Available for sale financial assets	15	572	1,191	572	1,191
Investment in subsidiaries	16	-	-	441,505	231,455
Investment and advances to associates	17	78,022	76,252	4,542	4,535
Investment in jointly controlled entities	19	108,104	98,970	-	-
Advances	20	13,992	10,877	-	-
Receivables	10	5,751	378	-	1,511
Derivative financial instruments	26	158,438	128,458	163,197	145,375
Total non-current assets		5,483,097	5,104,882	4,274,325	3,905,347
Total assets		5,877,406	5,376,587	5,276,282	4,844,742
LIABILITIES					
CURRENT LIABILITIES					
Payables and accruals	21	289,221	180,431	246,655	156,603
Provisions	22	6,546	4,200	1,993	230
Current portion loans	23	305,684	12,081	305,684	12,081
Derivative financial instruments	26	23,779	24,498	23,771	24,498
Taxation payable		16,887	4,271	-	-
Total current liabilities		642,117	225,481	578,103	193,412
NON-CURRENT LIABILITIES					
Payables and accruals	21	17,163	21,298	17,163	21,298
Derivative financial instruments	26	419,910	374,524	421,593	378,031
Loans	23	875,688	973,400	875,688	973,400
Deferred tax	24	908,366	875,342	723,959	707,417
Total non-current liabilities		2,221,127	2,244,564	2,038,403	2,080,146
Total liabilities		2,863,244	2,470,045	2,616,506	2,273,558
NET ASSETS		3,014,162	2,906,542	2,659,776	2,571,184

For and on behalf of the Board of Directors who authorised the issue of the Financial Statements on 28 August 2012.

Joan Withers
Chair
28 August 2012

Trevor Janes
Deputy Chair
28 August 2012

MIGHTY RIVER POWER LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		1,387,480	1,123,166	1,245,128	1,012,703
Payments to suppliers and employees		(964,112)	(691,283)	(885,502)	(629,804)
Interest received		2,808	2,534	937	411
Interest paid		(86,333)	(78,578)	(85,915)	(76,769)
Taxes paid		(62,850)	(63,013)	(62,850)	(63,000)
Net cash provided by operating activities	27	276,993	292,826	211,798	243,541
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(311,720)	(174,091)	(59,035)	(62,601)
Proceeds from sale of property, plant and equipment		349	312	349	44
Advances to associate		-	(52,251)	-	(631)
Advances to associates repaid		-	27,005	-	27,005
Advances to joint venture partner repaid		891	964	-	-
Partial disposal of interest in jointly controlled assets		40,526	-	-	-
Investment in jointly controlled entities		(2,001)	(4,130)	-	-
Acquisition of intangibles		(24,904)	(20,776)	(15,342)	(17,025)
Acquisition of subsidiaries	31	-	18,448	-	-
Acquisition of emission units		(5,285)	-	(3,300)	-
Disposal of emission units		7,005	-	-	-
Dividends received		3,513	1,525	-	-
Proceeds from disposal of other non-current assets		-	600	-	600
Net cash used in investing activities		(291,626)	(202,394)	(77,328)	(52,608)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from loans		228,728	266,212	228,728	266,212
Repayment of loans		(80,439)	(240,000)	(80,439)	(240,000)
Loans to subsidiaries		-	-	(150,267)	(120,611)
Dividends paid		(120,500)	(95,000)	(120,500)	(95,000)
Net cash provided by/(used in) financing activities		27,789	(68,788)	(122,478)	(189,399)
Net increase in cash and cash equivalents held		13,156	21,644	11,992	1,534
Net foreign exchange movements		(3,582)	(827)	-	-
Cash and cash equivalents at the beginning of the year		28,722	7,905	3,758	2,224
Cash and cash equivalents at the end of the year		38,296	28,722	15,750	3,758
Cash and cash equivalents comprises:					
Cash		38,296	28,722	15,750	3,758
Cash and cash equivalents at the end of the year		38,296	28,722	15,750	3,758

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING POLICIES

(1) Reporting entity

Mighty River Power Limited (the "Company") is a company incorporated in New Zealand, registered under the Companies Act 1993 and is an issuer for the purposes of the Financial Reporting Act 1993. The consolidated financial statements have been prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993.

The consolidated financial statements are for Mighty River Power Limited Group (the "Group"). The consolidated financial statements comprise the Company, its subsidiaries, associates and interests in jointly controlled assets and entities.

Mighty River Power Limited is wholly owned by Her Majesty the Queen in Right of New Zealand (the Crown). Consequently, the Company is bound by the requirements of the State-Owned Enterprises Act 1986.

The liabilities of the Company are not guaranteed in any way by the Crown.

The Group's principal activities are to invest in, develop and produce electricity from renewable and other energy sources and to sell energy and energy related services and products to retail and wholesale customers.

(2) Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards ("IFRS").

The accounting policies set out below have been applied consistently to both periods presented in these consolidated financial statements. Certain comparative figures have been restated to conform with current year presentation.

The group has elected not to early adopt the following standards which have been issued but are not yet effective:

• NZ IAS 28 - Investment in Associates and Joint Ventures. This standard supersedes NZ IAS 28 - Investments in Associates as a result of the issue of NZ IFRS - 11 Joint Arrangements and NZ IFRS 12 - Disclosure of Interests in Other Entities. The standard, which prescribes the accounting for investments in associates and sets out the requirements for the application of equity accounting, will be effective for periods beginning on or after 1 January 2013. Management does not consider that this will have an impact on the financial statements.

• NZ IFRS 9 - Financial Instruments. This standard is part of the project to replace NZ IAS 39 - Financial instruments: Recognition and Measurements. The standard, which will be effective for periods beginning on or after 1 January 2015, applies to financial assets and liabilities, their classification and measurement. Management is yet to determine the impact of this new standard on the financial statements.

• NZ IFRS 10 - Consolidated Financial Statements. This standard establishes a new control model which broadens the situation when an entity is considered to control another entity, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority interest may give control. Management does not consider that this will have any impact on the financial statements. The standard will be effective for periods beginning on or after 1 January 2013.

• NZ IFRS 11 - Joint Arrangements. This standard, effective for periods beginning on or after 1 January 2013, replaces NZ IAS 31 - Interests in Joint Ventures and removes the option to account for jointly controlled entities using proportionate consolidation, instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give a right to the underlying assets and obligations themselves are accounted for by recognising the share of those assets and obligations. Joint ventures that give rise to a right to the net assets are accounted for using the equity method. Management does not consider that this will have any impact on the accounting for joint arrangements in the financial statements.

• NZ IFRS 12 - Disclosure of Interests in Other Entities. This standard includes new disclosures about judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The new standard will be effective for periods beginning on or after 1 January 2013.

• NZ IFRS 13 - Fair Value Measurement. This standard does not change when an entity is required to use fair value but provides guidance on how to determine fair value. It also expands the disclosure requirements about the assumptions made and the qualitative impact of those assumptions on the fair value determined. This may result in more detailed disclosure around the valuation assumptions but should not materially impact the reported fair values. The standard will be effective for periods beginning on or after 1 January 2013.

(b) Basis of measurement

The NZ IFRS financial statements are prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are identified, as noted below.

(c) Estimates and judgements

The preparation of financial statements requires Management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

Generation plant and equipment

The Group's generation assets are stated at fair value as determined by an independent valuer. The basis of the valuation is the net present value of the future earnings of the assets, excluding any reduction for costs associated with restoration and environmental rehabilitation. The major inputs and assumptions that are used in the valuation model that require judgement include the forecast of the future electricity price path, sales volume forecasts, projected operational and capital expenditure profiles, capacity and life assumptions for each generation plant and discount rates.

Retail revenue

Management has exercised judgement in determining estimated retail sales for unread gas and electricity meters at balance date. Specifically this involves an estimate of consumption for each unread meter, based on the customer's past consumption history. The estimated balance is recorded in sales and as an accrual balance within receivables.

Restoration and environmental rehabilitation

Liabilities are estimated for the abandonment and site restoration of areas from which natural resources are extracted (see note 22). Such estimates are valued at the present value of the expenditures expected to settle the obligation. Key assumptions have been made as to the expected expenditures to remediate based on the expected life of the assets employed on the sites and an appropriate discount rate.

Valuation of Financial instruments

Energy contracts are valued by reference to the Group's financial model for future electricity prices. Foreign exchange and interest rate derivatives are valued based on quoted market prices. Detailed information about assumptions and risk factors relating to financial instruments and their valuation are included in note 25.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Evaluation and exploration assets are assessed for impairment when there is an indication that the carrying amount of the asset may exceed its recoverable amount.

Deferred tax

In May 2010 the Government announced that tax depreciation deductions for buildings would be disallowed effective from 1 July 2011. As there is no definition of a building in the Income Tax Act, Management have had to make an assessment of whether its generation assets, which have historically been classified as buildings, have been appropriately classified or whether they would more appropriately be classified as plant (see note 24 for further detail).

Undesirable trading situation

The Electricity Authority (EA) declared that an undesirable trading situation occurred on 26 March 2011 and determined that final prices should be reduced from the interim price level. In Auckland this resulted in prices during the affected trading periods falling from approximately $20,000/MWh to approximately $3,200/MWh. The EA decision was appealed to, and upheld by, the High Court. However, the High Court’s decision has, in turn, been appealed to the Court of Appeal. The hearing is set down for April 2013. In the event that the decision is overturned, and the prices return to the interim price level, EBITDAF could reduce by approximately $24 million in the year of recognition.

(d) Functional and presentation currency

These financial statements are presented in New Zealand Dollars ($). The functional currency of Mighty River Power Limited and all its subsidiaries, apart from Mighty Geothermal Power Limited and its direct subsidiaries and PT ECNZ Services Indonesia, is New Zealand Dollars. The functional currency of PT ECNZ Services Indonesia and Mighty Geothermal Power Limited, and its subsidiaries except the German subsidiaries, is the United States Dollar. The German subsidiaries have a functional currency of Euro. The financial statements of these entities have been translated to the presentation currency for these Group financial statements. All financial information has been rounded to the nearest thousand.

(3) Significant accounting policies

(a) Basis of consolidation

Subsidiaries

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. The difference between these items and the fair value of consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or discount on acquisition.

All material inter-company transactions, balances and unrealised profits and losses arising from transactions between Group companies are eliminated on consolidation.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated balance sheet separately from the equity of the owners of the parent.

A change in ownership interest of a subsidiary that does not result in the loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative foreign currency translation differences recorded in reserves if any. Further, the Group will recognise the fair value of any consideration received, the fair value of any investment retained, with any surplus or deficit recognised in profit or loss. The parent's share of components previously recognised in other comprehensive income will also be reclassified to profit or loss.

Associates

Associates are those entities in which the Company holds an equity interest and over which the Company has the capacity to significantly affect but not unilaterally determine the operating and/or financial policy decisions. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group’s investments in associates include goodwill identified on acquisition.

The Group and Company's share of its associates' post acquisition profits or losses is recognised in the income statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

Provision is made for any impairment in the value of investments in associates where the estimated recoverable amount is less than the carrying value.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Jointly controlled assets

Jointly controlled assets are joint arrangements in which the Group jointly controls or owns one or more assets and is consequently entitled to a share of the future economic benefit through its share of the jointly controlled asset. The Group’s interests in jointly controlled assets are accounted for by recognising its share of the jointly controlled assets, liabilities incurred jointly, income and expenses in the consolidated financial statements.

Jointly controlled entities

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. The Group's interests in jointly controlled entities, similar to its interest in associates are accounted for using the equity method.

Where an entity becomes or ceases to be a Group entity during the year, the results of that entity are included in the net profit of the Group from the date of acquisition or up to the date of disposal.

(b) Property, plant and equipment

Owned assets

Generation assets, which include freehold land and buildings and generation plant and equipment, are measured at fair value based on periodical valuations by third party valuation experts, less accumulated depreciation and less any impairment recognised after the date of the revaluation. The underlying assumptions are reviewed for reasonableness on an annual basis to ensure that recorded value is not materially different to fair value.

Costs incurred in obtaining resource consents are capitalised and recognised as a non-current asset where it is probable they will give rise to future economic benefit. These costs are amortised over the life of the consent on a straight-line basis.

Office land and buildings are measured at fair value based on periodical valuations as determined by third party valuation experts, less accumulated depreciation on buildings and less any impairment losses since the last revaluation.

Any surplus on revaluation of an individual item of property, plant and equipment is transferred directly to the asset revaluation reserve unless it offsets a previous decrease in value recognised in the income statement, in which case it is recognised in the income statement. A deficit on revaluation of an individual item of property, plant and equipment is recognised in the income statement in the period it arises where it exceeds any surplus previously transferred to the asset revaluation reserve. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Additions to property, plant and equipment stated at valuation subsequent to the most recent valuation are recorded at cost.

All other items of property, plant and equipment are recorded at cost.

The cost of property, plant and equipment purchased comprises the consideration given to acquire the assets plus other directly attributable costs incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of property, plant and equipment constructed by the Group, including capital work in progress, includes the cost of all materials used in construction, direct labour specifically associated and an appropriate proportion of variable and fixed overheads. Financing costs attributable to a project are capitalised at the Group's specific project finance interest rate, where these meet certain time and monetary materiality limits. Costs cease to be capitalised as soon as an asset is ready for productive use.

Where appropriate, the cost of property, plant and equipment includes site preparation costs, installation costs, and the cost of obtaining resource consents.

Provision is made for any impairment in the value of property, plant and equipment where the estimated recoverable amount is less than the carrying value.

The cost of improvements to leasehold property is capitalised and amortised over the estimated useful life of the improvements, or over the unexpired portion of the lease, whichever is shorter.

Capitalised leased assets are depreciated over the shorter of their estimated useful lives or the lease term.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than freehold land, capital work in progress and exploration and evaluation assets, so as to write down the assets to their estimated residual value over their expected useful lives.

The annual depreciation rates are as follows:

	2012	**2011**
Office land and buildings	**1-20%**	1-20%
Generation assets:		
• Hydro and thermal generation	**1-20%**	1-15%
• Other generation	**2-25%**	5-10%
Meters	**3-33%**	3-33%
Computer hardware and tangible software	**5-33%**	15-33%
Other plant and equipment	**2-50%**	4-33%
Vehicles	**5-33%**	20-33%

Distinction between capital and revenue expenditure

Capital expenditure is defined as all expenditure on the purchase or creation of a new asset, and any expenditure that results in a significant improvement to the original functionality of an existing asset.

Revenue expenditure is defined as expenditure that restores an asset to its original operating capability and all expenditure incurred in maintaining and operating the business.

(c) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by the Group is accounted for using the successful effort method.

Exploration expenditure, which includes geological, geochemical and geophysical costs, is recognised in the income statement in the period incurred except where future benefits are expected to exceed such expenditure in which case it is included in capital work in progress.

Exploratory drilling costs are initially deferred and are subject to regular review to confirm the ability to develop or otherwise extract value from expenditure. If an exploratory field is appraised as unsuccessful, such costs are charged to the income statement.

(d) Government grants - asset related

Government grants received to support capital expenditure programmes are offset against the cost of the related asset once all conditions for the retention of the grant have been satisfied. Where conditions for retention are yet to be satisfied the grant will temporarily be recognised as deferred income on the balance sheet.

(e) Rehabilitation costs

Estimations are made for the expected cost of environmental rehabilitation of commercial sites that require some level of reinstatement resulting from present operations. Any liability is recognised when an exposure is identified and the rehabilitation costs can be reasonably estimated. Any changes in the estimated liability is accounted for in accordance with NZ IFRIC 1.

(f) Insurance

The Group's property, plant and equipment is predominantly concentrated at power station locations which have the potential to sustain major losses through damage to plant and resultant consequential costs.

To minimise the financial impact of such exposures, the major portion of the assessed risk is transferred to insurance companies by taking out insurance policies with appropriate counterparties. Any uninsured loss is charged to the income statement in the year in which the loss is incurred.

(g) Intangible assets

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment.

Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of between 2.5 - 5 years (2011: between 2.5 - 5 years). As these assets are deemed to have a finite life, impairment testing will only be performed when there is an indication that the intangible asset may be impaired.

Rights

Rights, of which land access rights are the most significant, acquired to further the Group's generation development programme, are stated at cost less accumulated amortisation and any accumulated impairment losses. Rights, which have a finite life, are amortised over the life of the rights between 3 and 25 years (2011: between 3 and 11 years). Testing for impairment will only arise when there is an indication that the asset may be impaired.

(h) Emission units and emissions obligations

Emission units that have been allocated by the Government under the Projects to Reduce Emissions scheme are recorded at nominal value (nil value). Purchased emission units are recorded at cost (purchase price). Emission units, whether allocated or purchased, are recorded as intangible assets. Emissions units are not revalued subsequent to initial recognition.

Emissions units received as consideration for sales to compensate for emission obligations are initially measured at fair value and recognised as revenue in the income statement and initially as a receivable. On receipt of the emissions unit the receivable balance is cleared and a transfer made to intangible assets in the Balance Sheet. This fair value becomes the cost of the unit for the purposes of initial and subsequent measurement of the intangible asset.

Emissions units that are surrendered to creditors in compensation for their emission obligations are recognised as an expense in the income statement and a reduction to intangible assets in the balance sheet based on the weighted average cost of the units surrendered.

Emission obligations are recognised as a current liability as the emissions obligation is incurred. Up to the level of units held, the liability is recorded at the carrying value of those units. When emission obligations exceed the units held the liability is calculated either at contract prices under forward purchase agreements for the number of units contracted, where these exist, or at fair value.

Forward contracts for the purchase of emissions units are recognised when the contracts are settled on an accruals basis.

(i) Impairment
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Evaluation and exploration assets are assessed for impairment when there is an indication that the carrying amount of the asset may exceed its recoverable amount.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units).

Non-financial assets, other than goodwill, that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have been reversed.

(j) Inventories
Inventories are stated at the lower of cost or net realisable value. Cost is determined on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

(k) Cash flow statement
The following are the definitions of the terms used in the cash flow statement:

• Cash includes cash on hand and bank current accounts.
• Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.
• Financing activities are those activities that result in changes in the size and composition of the equity structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to equity structure are included in financing activities.
• Operating activities include all transactions and other events that are not investing or financing activities.

The cash flow statement includes net cash flows from loan advances as the rollover of loans and deposits is covered by an arranged finance facility.

(l) Financial instruments
Financial instruments are recognised in the financial statements when the Group has become party to the contract. They include cash balances, receivables, payables, investments and loans. In addition members of the Group are party to financial instruments to meet future financing needs and to reduce exposure to fluctuations in foreign currency exchange rates and energy prices. These financial instruments include cross-guarantees of related entities guaranteed indebtedness, swaps, options, foreign currency forward exchange contracts and energy contracts.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily converted to known amounts of cash and which are subject to an insignificant risk of changes in value.

Interest income on cash and cash equivalent balances is recognised as interest accrues using the effective interest method.

Receivables and payables
Receivables and payables are initially recorded at fair value and subsequently carried at amortised cost using the effective interest method, less (in the case of trade receivables) any provision for impairment (doubtful debts). A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Financial difficulties of the debtor, default payments or overdue debts are considered objective evidence of impairment.

Investments
The Group classifies its investments in the following categories: financial assets held at fair value through the income statement, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the initial classification of its investments upon acquisition.

Realised and unrealised gains and losses on investments classified as financial assets at fair value through the income statement are included in the income statement in the period in which they arise. Investments classified as available for sale are held at fair value and any related unrealised gains and losses are recognised in other comprehensive income and accumulated in equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss is reclassified to the income statement. Held to maturity investments are carried at amortised cost.

Loans
Loans are initially recorded at fair value net of transaction costs incurred. Loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the loan using the effective interest method. Borrowing costs are expensed to the income statement unless they relate to qualifying assets in which case they are capitalised to capital work in progress.

Foreign exchange and interest rate derivatives
The Group enters various financial instruments for the purpose of reducing its exposure to fluctuations in interest rates and foreign exchange rates. These are classified as financial instruments at fair value through the income statement.

Derivative contracts are classified as held for trading and are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value. The method of recognising the resulting gain or loss depends on whether the derivative is recognised as a hedging instrument, and if so, the type of hedge. The Group designates certain derivatives as either: a) hedges of the fair value of recognised assets and liabilities or a firm commitment (fair value hedge); or b) hedges of highly probable forecast transactions or variable interest cash flows on recognised liabilities (cash flow hedge).

Changes in the fair value of derivatives 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 asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Ineffectiveness arises where the movement in the fair value of the derivative instrument does not perfectly offset the movement in the fair value or cash flows of the hedged item.

Amounts included in reserves are reallocated to the income statement in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, the gains and losses previously accumulated in equity are transferred and included in the initial measurement of the asset or liability.

Any gains or losses on derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

Energy contracts
The Group has entered into a number of contracts to manage its exposure to price fluctuations on the electricity spot market. These contracts are in the form of power supply agreements, contracts for difference, and option based instruments. They are not undertaken for speculative purposes. These energy contracts establish the price at which future specified quantities of electricity are purchased, sold or otherwise exchanged. These contracts are classified as financial instruments at fair value through the income statement.

Energy contracts are a form of derivative and are accounted for on the same basis as other derivatives described above.

The fair value of energy contracts is based on the net present value of anticipated cash flows from each contract. Management's internal view of forward prices is determined by a demand supply based fundamental model which takes account of current hydrological conditions, future inflows, an assessment of thermal fuel costs, anticipated demand and supply conditions and future committed generation capacity. Where external market prices are not available, the Group estimates fair values of derivative financial instruments using internally generated future price paths, the instrument is fair valued at inception and the difference arising between the estimated fair value and its cost (nil) is a valuation inception adjustment.

(m) Foreign currencies
Transactions in foreign currencies are recognised in the functional currency of the relevant operating unit.

Foreign currency transactions are translated to the functional currency using the spot rate on the transaction date. At balance date monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Exchange variations arising from these translations and the settlement of these items are recognised in the income statement, except when they are recognised in other comprehensive income and accumulated in equity as qualifying cash flow hedges.

The assets and liabilities of entities whose functional currency is not the New Zealand dollar, are translated at the exchange rates ruling at balance date. Revenue and expense items are translated at the spot rate at the transaction date or a rate approximating that rate. Exchange differences are taken to the foreign currency translation reserve.

(n) Employee entitlements

A liability for employee entitlements is recognised for benefits earned by employees but not yet received at balance date. Where payment is expected to be within 12 months of balance date, the liability is the amount expected to be paid by the Group. Where payment is expected to be longer term the liability is determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current assessment of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(o) Operating leases

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the income statement in the periods in which they are incurred on a straight-line basis over the lease term.

(p) Revenue

Revenue recognised in the income statement includes the amounts received and receivable for energy and related energy services supplied to customers in the ordinary course of business. Revenue is stated exclusive of:

• distribution costs paid to lines companies as collected from customers on their behalf, and
• goods and services tax collected from customers.

Revenue includes the value of units assessed as being recorded on meters as at balance date, but for which invoices have not yet been rendered.

(q) Income tax

The income tax expense charged to the income statement includes both the current year's provision and the income tax effect of:

• taxable temporary differences, except those arising from initial recognition of goodwill; and
• deductible temporary differences to the extent that it is probable that they will be utilised.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of the assets and liabilities and their carrying amounts in the NZ IFRS consolidated financial statements. A deferred tax asset is only recognised to the extent that there will be future taxable profit to utilise the temporary difference.

Temporary differences arising from transactions, other than business combinations, affecting neither accounting profit nor taxable profit on initial recognition are not recognised.

Deferred tax is not recognised on temporary differences associated with investments in subsidiaries because:

• the parent company is able to control the timing of the reversal of the differences; and
• they are not expected to reverse in the foreseeable future.

(r) Goods and Services Tax

The income statement and cash flow statement have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST with the exception of receivables and payables which include GST invoiced.

(s) Capital and reserves

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Asset revaluation reserve

The asset revaluation reserve is used to record the increments and decrements in the fair value of property, plant and equipment identified as being carried at valuation.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Available for sale investment reserve

The available for sale investment reserve records movements in the fair value of available for sale financial assets.

(t) Segment reporting

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

(u) Related parties

The Group considers its related parties to be key management personnel, its subsidiaries, associates, jointly controlled assets and jointly controlled entities.

Key management personnel are those people with responsibility and authority for planning directing and controlling the activities of the entity. Key management personnel for the Group are considered to be the Directors and Senior Management.

NOTE 2. UNDERLYING EARNINGS

Underlying earnings after tax is presented to enable stakeholders to make an assessment and comparison of earnings after removing one-off and/or infrequently occurring events (exceeding $10 million of net profit before tax), impairments and any changes in the fair value of derivative financial instruments.

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Net profit for the year	**67,701**	127,073	**83,654**	54,912
Change in the fair value of financial instruments	**92,751**	25,621	**92,458**	26,739
Change in the fair value of financial instruments of associate entities	**1,510**	1,429	**-**	-
Change in the fair value of financial instruments of jointly controlled entities	**24,207**	1,962	**-**	-
Impaired assets	**4,004**	19,786	**4,952**	56,823
Adjustments before income tax expense	**122,472**	48,798	**97,410**	83,562
Income tax expense on taxable adjustments	**(27,514)**	(12,874)	**(27,275)**	(8,022)
Impact of deferred tax rate change through the income statement	**-**	(823)	**-**	(647)
Adjustments after income tax expense	**94,958**	35,101	**70,135**	74,893
Underlying earnings after tax	**162,659**	162,174	**153,789**	129,805

Tax has been applied on all taxable adjustments at 28% (2011: 30%).

MIGHTY RIVER POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 3. SEGMENT REPORTING

Identification of reportable segments

The operating segments are identified by Management based on the nature of the products and services provided. Discrete financial information about each of these operating businesses is reported to the chief operating decision-maker on at least a monthly basis.

Operating segments are aggregated into reportable segments only if they share similar economic characteristics.

During the year Mighty River Power ceased producing and reporting to the chief operating decision maker separate Retail and Wholesale segments to align with the manner in which the Group views and manages its energy business. As a result the Retail and Wholesale results which have previously been reported separately have been combined into an "Energy Markets" segment. The previously reported Retail and Wholesale segments have been incorporated into the Energy Markets segment in their entirety.

Types of products and services

Energy Markets

The energy markets segment encompasses activity associated with the production, sale and trading of energy and related services and products, and generation development activities.

Other Segments

Other operating segments that are not considered to be reporting segments are grouped together in the "Other Segments" column. Activities include metering, upstream gas and international geothermal development.

Unallocated

Represents other corporate support services and other elimination adjustments.

Accounting Policies and inter-segment transactions

The accounting policies used by the Group in reporting segments are the same as those contained in note 1 to the financial statements and in the prior period. The Chief Executive assesses the performance of the operating segments on a measure of EBITDAF. Segment EBITDAF represents profit earned by each segment exclusive of any allocation of central administration costs, share of profits of associates, change in fair value of financial instruments, depreciation and amortisation, impairment of exploration expenditure, finance costs and income tax expense.

Transactions between segments are carried out on an arm's length basis.

Group June 2012	Energy Markets $000	Other segments $000	Unallocated $000	Total $000
Total segment revenue	1,510,922	41,751	951	1,553,624
Inter-segment revenue	-	(33,061)	-	(33,061)
Revenue from external customers	1,510,922	8,690	951	1,520,563
Segment EBITDAF	499,048	680	(38,231)	461,497
Depreciation and amortisation	134,518	16,140	7,739	158,397
Impaired assets	2,032	30	1,942	4,004
Additions to non-current assets excluding financial instruments	270,931	84,184	7,202	362,317
Segment Assets	5,309,913	376,422	191,071	5,877,406

Group June 2011	Energy Markets $000	Other segments $000	Unallocated $000	Total $000
Total segment revenue	1,156,532	37,247	647	1,194,426
Inter-segment revenue	-	(30,545)	-	(30,545)
Revenue from external customers	1,156,532	6,702	647	1,163,881
Segment EBITDAF	470,144	2,830	(29,921)	443,053
Depreciation and amortisation	125,284	13,902	6,218	145,404
Impaired assets	15,867	3,520	399	19,786
Additions to non-current assets excluding financial instruments	78,977	135,101	6,015	220,093
Segment Assets	5,045,829	289,367	41,391	5,376,587

Reconciliation of segment revenue to the income statement

	Group 2012 $000	Group 2011 $000
Total segment revenue	1,553,624	1,194,426
Inter-segment sales elimination	(33,061)	(30,545)
Total revenue per the income statement	1,520,563	1,163,881

Revenue from external customers by geographic locations is detailed below.
Revenue is attributed to geographic locations based on the location of the customers.

New Zealand	1,520,563	1,163,881
Other foreign countries	-	-
	1,520,563	1,163,881

Reconciliation of segment assets to total assets in the balance sheet

	Group 2012 $000	Group 2011 $000
Segment assets	5,686,335	5,335,196
Unallocated	191,071	41,391
Total assets	5,877,406	5,376,587

The analysis of the location of non-current assets excluding financial instruments is as follows:

New Zealand	5,068,175	4,804,664
Other foreign countries	256,484	171,382
	5,324,659	4,976,046

NOTE 4. OTHER INCOME STATEMENT DISCLOSURES

	Note	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Auditing the financial statements		763	454	670	291
Other advisory services - assurance related		322	-	322	-
Total auditor's remuneration		1,085	454	992	291
Rental and operating lease costs		4,990	4,067	4,400	3,688
Net loss on sale of property, plant and equipment		4,280	727	1,174	794
Net loss on sale of intangibles		25	-	25	-
Foreign currency exchange (gains)/losses		(217)	2,471	(2,451)	30,824
Interest charged		89,783	81,499	77,597	79,100
Interest capitalised to capital work in progress		(14,423)	(6,870)	(14,423)	(6,870)
Total interest expense		75,360	74,629	63,174	72,230
Depreciation	12	138,014	130,676	82,543	85,753
Amortisation of intangible assets	13	14,016	10,798	13,038	10,159
Amortisation of fair values and the release from cash flow hedge reserve relating to forecast transactions that are no longer expected to occur	26	6,367	3,930	2,429	3,930
Total depreciation and amortisation		158,397	145,404	98,010	99,842
Impaired property, plant and equipment	12	(30)	(11,476)	-	-
Impaired exploration and development expenditure	12	(4,843)	(4,933)	(4,944)	(1,423)
Impaired intangible asset	13	-	(2,500)	-	(2,500)
Impaired investment in subsidiary	16	-	-	-	(52,900)
Impaired investment in associate	17	869	(877)	(8)	-
Total impaired assets		(4,004)	(19,786)	(4,952)	(56,823)

Expenses incurred by the Company during the year relating to the preparation for a potential listing totalled $3.8 million, comprising $3.1 million of direct issue expenses (predominantly professional services) and an additional $0.7 million relating to employee compensation and benefits and other expenses. An agreement has yet to be reached with the Crown on recovery of issue expenses.

NOTE 5. INCOME TAX

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
(i) Income tax expense				
Profit before income tax	108,990	185,460	118,853	101,381
Prima facie income tax expense at 28% (2011: 30%) on the profit before tax	(30,517)	(55,638)	(33,279)	(30,414)
Increase/(decrease) in income tax due to:				
• effect of tax rate change on deferred tax	-	823	-	647
• share of associates' tax paid earnings	799	621	-	-
• share of jointly controlled entities' tax paid earnings	(7,743)	881	-	-
• foreign entities tax losses not recognised for deferred tax	(3,598)	(3,792)	-	-
• capital loss	-	(1,440)	-	(17,047)
• other differences	(892)	164	(1,187)	191
Over/(under) provision in prior period	662	(6)	(733)	154
Income tax expense attributable to profit from ordinary activities	(41,289)	(58,387)	(35,199)	(46,469)
Represented by:				
Current tax expense	(74,381)	(69,935)	(66,534)	(62,612)
Deferred tax recognised in the income statement	33,092	11,548	31,335	16,143
Total income tax expense	(41,289)	(58,387)	(35,199)	(46,469)
(ii) Income tax reported in other comprehensive income				
Tax on movements in asset revaluation reserve	(60,484)	(123,675)	(46,480)	(65,700)
Tax on movements in cash flow hedge reserve	(7,772)	32,233	(2,813)	26,554
Tax on movements in available for sale investment reserve	173	258	173	258
Income tax reported in other comprehensive income	(68,083)	(91,184)	(49,120)	(38,888)

Tax on movements in the cash flow hedge reserve includes both current and deferred tax. The current tax component arises due to realised foreign exchange gains or losses on hedge transactions that are rolled on an instalment basis which accumulate in the cash flow hedge reserve until the underlying transaction occurs.

NOTE 6. SHARE CAPITAL

The share capital is represented by 1,400,000,092 (2011: 377,560,546) ordinary shares authorised, issued and fully paid. These shares do not have a par value. On 30 June 2012 the Company made a taxable bonus issue of 1,022,439,546 ordinary shares to its existing shareholders. All shares have equal voting rights and share equally in dividends and any surplus on winding up.

NOTE 7. DIVIDENDS PAID AND PROPOSED

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
(i) Dividends declared and paid during the year				
Final dividend for 2011: 3.26¢ (2010: 2.16¢)	**45,700**	30,300	**45,700**	30,300
Interim dividend for 2012: 5.34¢ (2011: 4.62¢)	**74,800**	64,700	**74,800**	64,700
	120,500	95,000	**120,500**	95,000
(ii) Dividends proposed				
Final dividend for 2012: 3.21¢ (2011: 3.26¢)	**45,000**	45,700	**45,000**	45,700

After the reporting date the final dividend was approved for payment by the Board of Directors. This amount has not been recognised as a liability as at 30 June 2012 but will be brought to account during the 2013 financial year. The 2012 dividend per share has been calculated based on the number of shares outstanding after the bonus share issue on 30 June 2012. The interim and comparative dividend per share figures have been restated as though they had been calculated using the equivalent number of shares on issue to aid comparability.

	Company 2012 $000	Company 2011 $000
(iii) Imputation credits		
Balance at the beginning of the year	**200,149**	177,863
Imputation credits attached to dividends paid during the year	**(19,587)**	(40,714)
Income tax payments made during the year	**62,850**	63,000
Imputation credits attached to bonus issue of shares	**(258,000)**	0
Third provisional tax payment made in July 2012	**17,500**	0
Future imputation credits available	**2,912**	200,149
Imputation credits available to the shareholder in the future are:		
Through direct shareholding in the Company	**2,912**	200,149
Through indirect interests in subsidiaries	**-**	-
	2,912	200,149

NOTE 8. EARNINGS PER SHARE

	Group 2012	Group 2011
Numerator:		
Net earnings for the year ($000)	**67,701**	127,073
Less net earnings attributable to non-controlling interests ($000)	**(74)**	(14)
Net earnings attributable to owners of the parent ($000)	**67,775**	127,087
Denominator (thousands of shares)	**1,400,000**	1,400,000
Basic and diluted earnings per share (Cents)	**4.84**	9.08

This is a first time disclosure for the Company and to aid comparability, the 2011 earnings per share has been calculated using a consistent number of shares on issue at the end of the period as existed at 30 June 2012.

NOTE 9. CASH AND CASH EQUIVALENTS

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Bank balances	38,296	28,722	15,750	3,758

Bank balances earn interest at floating rates based on the daily bank deposit rates.

Short term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

The carrying amounts of cash and cash equivalents represent fair value.

NOTE 10. RECEIVABLES

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Trade receivables and accruals	315,992	198,854	277,356	181,311
Allowance for impairment loss	(5,026)	(6,359)	(3,879)	(6,304)
Net trade receivables and accruals	310,966	192,495	273,477	175,007
Prepayments	9,838	7,514	8,228	6,323
Related party receivables	1,044	237	661,642	706,550
	321,848	200,246	943,347	887,880
Current	316,097	199,868	943,347	886,369
Non-current	5,751	378	-	1,511
	321,848	200,246	943,347	887,880

Trade receivables are non-interest bearing and are generally on 30 day terms, except for international VAT recorded as non-current relating to project development which is recoverable on commencement of operations. For terms and conditions of related party receivables refer to note 30.

Movements in the allowance for impairment loss were as follows:

Balance at the beginning of the year	6,359	3,085	6,304	3,035
Charge for the year	2,025	7,002	933	6,997
Amounts written off	(3,358)	(3,728)	(3,358)	(3,728)
Balance at the end of the year	5,026	6,359	3,879	6,304

Receivables past due but not considered impaired:

Less than one month past due	8,278	8,110	8,053	7,929
Two to three months past due*	64	513	40	468
Three to six months past due*	8	9	5	-
Later than six months past due*	96	328	96	328
	8,446	8,960	8,194	8,725

* Old overdue balances that are subject to approved payment plans, with payments being made as scheduled, are not considered to be impaired.

NOTE 11. INVENTORIES

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Consumable stores	20,427	17,806	13,998	12,761
Meter stock	3,720	5,209	3,720	5,209
	24,147	23,015	17,718	17,970

Consumable stores are held to service and repair operating plant. Meter stock is held in inventory until it is deployed into the field at which time it is transferred into property, plant and equipment

MIGHTY RIVER POWER LIMITED
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NOTE 12. PROPERTY, PLANT AND EQUIPMENT

Group

	Hydro and thermal assets at fair value $000	Other generation assets at fair value $000	Other plant and equipment at cost $000	Meters at cost $000	Office land and buildings at fair value $000	Computer hardware and tangible software at cost $000	Vehicles at cost $000	Capital work in progress at cost $000	Total $000
Balance at 1 July 2010									
Cost or valuation	3,149,753	911,921	28,121	91,291	5,997	23,153	1,559	176,515	4,388,310
Accumulated depreciation	-	(626)	(17,387)	(45,480)	-	(16,397)	(873)	-	(80,763)
Net book value	3,149,753	911,295	10,734	45,811	5,997	6,756	686	176,515	4,307,547
Year ended 30 June 2011									
Opening net book value	3,149,753	911,295	10,734	45,811	5,997	6,756	686	176,515	4,307,547
Additions, including transfers from capital work in progress	13,058	56,802	11,908	25,846	1,001	10,147	305	24,293	143,360
Acquisition of subsidiaries	-	-	53	-	-	-	-	41,461	41,514
Increase in interest in jointly controlled assets	-	202	-	-	-	-	-	-	202
Disposals	(3)	(3,021)	(111)	-	(24)	(84)	(7)	-	(3,250)
Revaluation	219,000	193,250	-	-	-	-	-	-	412,250
Impaired assets	-	(11,476)	-	-	-	-	-	-	(11,476)
Impairment of exploration and development expenditure	-	-	-	-	-	-	-	(4,933)	(4,933)
Exchange difference	-	-	(37)	-	-	-	-	(4,995)	(5,032)
Depreciation charge for the year	(66,081)	(44,658)	(3,823)	(10,754)	(618)	(4,521)	(221)	-	(130,676)
Closing net book value	3,315,727	1,102,394	18,724	60,903	6,356	12,298	763	232,341	4,749,506
Balance at 30 June 2011									
Cost or valuation	3,315,727	1,102,394	33,977	117,133	6,972	33,065	1,656	232,341	4,843,265
Accumulated depreciation	-	-	(15,253)	(56,230)	(616)	(20,767)	(893)	-	(93,759)
Net book value	3,315,727	1,102,394	18,724	60,903	6,356	12,298	763	232,341	4,749,506
Year ended 30 June 2012									
Opening net book value	**3,315,727**	**1,102,394**	**18,724**	**60,903**	**6,356**	**12,298**	**763**	**232,341**	**4,749,506**
Additions, including transfers from capital work in progress	**14,444**	**40,355**	**4,170**	**15,124**	**1,495**	**6,585**	**32**	**247,438**	**329,643**
Decrease in interest in jointly controlled assets	**-**	**(40,086)**	**-**	**-**	**-**	**-**	**(16)**	**(66)**	**(40,168)**
Disposals	**(1,332)**	**(3,106)**	**(191)**	**(120)**	**-**	**-**	**-**	**-**	**(4,749)**
Revaluation	**166,000**	**4,000**	**-**	**-**	**-**	**-**	**-**	**-**	**170,000**
Impaired assets	**-**	**(30)**	**-**	**-**	**-**	**-**	**-**	**-**	**(30)**
Impairment of exploration and development expenditure	**-**		**-**	**-**	**-**	**-**	**-**	**(4,843)**	**(4,843)**
Exchange difference	**-**	**221**	**32**	**-**	**-**	**-**	**-**	**2,502**	**2,755**
Depreciation charge for the year	**(62,846)**	**(55,855)**	**(3,833)**	**(8,843)**	**(489)**	**(5,974)**	**(174)**	**-**	**(138,014)**
Closing net book value	**3,431,993**	**1,047,893**	**18,902**	**67,064**	**7,362**	**12,909**	**605**	**477,372**	**5,064,100**
Balance at 30 June 2012									
Cost or valuation	**3,431,993**	**1,050,844**	**37,269**	**131,848**	**7,851**	**39,746**	**1,639**	**477,372**	**5,178,562**
Accumulated depreciation	**-**	**(2,951)**	**(18,367)**	**(64,784)**	**(489)**	**(26,837)**	**(1,034)**	**-**	**(114,462)**
Net book value	**3,431,993**	**1,047,893**	**18,902**	**67,064**	**7,362**	**12,909**	**605**	**477,372**	**5,064,100**

Exploration work in progress

The Group has completed its gas exploration project. There are no costs (2011: $85 thousand) associated with this project remaining within capital work in progress.

Impaired exploration and development expenditure

Impaired gas exploration expenditure during the year to 30 June 2012 was nil (30 June 2011: $3.5 million).

Management performed a review of development expenditure within capital work in progress to identify whether any indication for impairment exists. An impairment charge was recognised during the year to 30 June 2012 of $4.8 million which readjusts the assets to recoverable value which is based on fair value less costs to sell (2011: $1.4 million).

Company

	Hydro and thermal assets at fair value $000	Other generation assets at fair value $000	Other plant and equipment at cost $000	Meters at cost $000	Office land and buildings at fair value $000	Computer hardware and tangible software at cost $000	Vehicles at cost $000	Capital work in progress at cost $000	Total $000
Balance at 1 July 2010									
Cost or valuation	3,149,753	2,656	26,939	91,283	5,997	22,896	1,536	82,676	3,383,736
Accumulated depreciation	-	(626)	(16,726)	(45,479)	-	(16,255)	(863)	-	(79,949)
Net book value	3,149,753	2,030	10,213	45,804	5,997	6,641	673	82,676	3,303,787
Year ended 30 June 2011									
Opening net book value	3,149,753	2,030	10,213	45,804	5,997	6,641	673	82,676	3,303,787
Additions, including transfers from capital work in progress	13,058	823	10,909	25,846	1,001	9,970	154	1,212	62,973
Disposals	(3)	(2,835)	(109)	-	(24)	(88)	(6)	-	(3,065)
Revaluation	219,000	-	-	-	-	-	-	-	219,000
Impairment of exploration and development expenditure	-	-	-	-	-	-	-	(1,423)	(1,423)
Depreciation charge for the year	(66,081)	(2)	(3,689)	(10,754)	(618)	(4,408)	(201)	-	(85,753)
Closing net book value	3,315,727	16	17,324	60,896	6,356	12,115	620	82,465	3,495,519
Balance at 30 June 2011									
Cost or valuation	3,315,727	18	31,778	117,125	6,972	32,628	1,482	82,465	3,588,195
Accumulated depreciation	-	(2)	(14,454)	(56,229)	(616)	(20,513)	(862)	-	(92,676)
Net book value	3,315,727	16	17,324	60,896	6,356	12,115	620	82,465	3,495,519
Year ended 30 June 2012									
Opening net book value	**3,315,727**	**16**	**17,324**	**60,896**	**6,356**	**12,115**	**620**	**82,465**	**3,495,519**
Additions, including transfers from capital work in progress	**14,444**	**15,318**	**2,917**	**15,124**	**1,495**	**6,430**	**32**	**4,791**	**60,551**
Disposals	**(1,332)**	**-**	**(191)**	**(120)**	**-**	**-**	**-**	**-**	**(1,643)**
Revaluation	**166,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**166,000**
Impairment of exploration and development expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,944)**	**(4,944)**
Depreciation charge for the year	**(62,846)**	**(1,022)**	**(3,347)**	**(8,841)**	**(489)**	**(5,843)**	**(155)**	**-**	**(82,543)**
Closing net book value	**3,431,993**	**14,312**	**16,703**	**67,059**	**7,362**	**12,702**	**497**	**82,312**	**3,632,940**
Balance at 30 June 2012									
Cost or valuation	**3,431,993**	**15,334**	**33,790**	**131,840**	**7,851**	**39,058**	**1,486**	**82,312**	**3,743,664**
Accumulated depreciation	**-**	**(1,022)**	**(17,087)**	**(64,781)**	**(489)**	**(26,356)**	**(989)**	**-**	**(110,724)**
Net book value	**3,431,993**	**14,312**	**16,703**	**67,059**	**7,362**	**12,702**	**497**	**82,312**	**3,632,940**

Assets carried at fair value

All hydro, thermal and other generation assets shown at valuation (except consents) were revalued using a net present value methodology by PricewaterhouseCoopers, an independent valuer as at 30 June 2012. This resulted in an increase to the carrying value of generation assets of $170 million in the current year. This is in addition to the $219 million revaluation increase recognised in 2011. As a consequence of the revaluation, accumulated depreciation on these assets was reset to nil.

The key assumptions that are used in the valuation include the forecast of the future wholesale electricity price path, volumes, projected operational and capital expenditure, capacity and life assumptions and discount rate. In all cases there is an element of judgement required.

The following table outlines the valuation impact of changes to assumptions, keeping all other valuation inputs constant, that the valuation is most sensitive to.

	Sensitivity	Valuation impact
Future wholesale electricity price path	+/- 10%	**$616 million / ($616 million)**
Discount rate	+/- 0.5%	**$547 million / ($416 million)**
Operational expenditure	+/- 10%	**($210 million) / 210 million**

Revalued office land and buildings were restated to net market value as determined by Darroch Limited, an independent valuer, on 18 May 2010. At that time the revaluation accumulated depreciation was reset to nil.

The carrying amount of revalued assets had they been recognised at cost are as follows:

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Hydro and thermal assets	**1,096,421**	1,106,684	**1,096,421**	1,106,684
Other generation assets	**545,151**	602,158	**-**	11
Office land and buildings	**6,434**	5,433	**6,434**	5,433

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NOTE 13. INTANGIBLE ASSETS

	Group				Company		
	Intangible software $000	Rights $000	Goodwill $000	Total $000	Intangible software $000	Rights $000	Total $000
Balance at 1 July 2010							
Cost	64,643	20,839	1,296	86,778	64,619	9,755	74,374
Accumulated amortisation	(47,179)	(7,485)	-	(54,664)	(47,154)	(5,504)	(52,658)
Net book value	17,464	13,354	1,296	32,114	17,465	4,251	21,716
Year ended 30 June 2011							
Opening net book value	17,464	13,354	1,296	32,114	17,465	4,251	21,716
Additions	14,927	5,425	-	20,352	14,898	1,727	16,625
Acquisition of subsidiaries	17	-	-	17	-	-	-
Disposals	(361)	-	-	(361)	(346)	-	(346)
Impaired assets	-	(2,500)	-	(2,500)	-	(2,500)	(2,500)
Exchange difference	(3)	-	-	(3)	-	-	-
Amortisation for the year	(9,100)	(1,698)	-	(10,798)	(9,099)	(1,060)	(10,159)
Closing net book amount	22,944	14,581	1,296	38,821	22,918	2,418	25,336
Balance at 30 June 2011							
Cost	78,222	23,764	1,296	103,282	78,169	8,983	87,152
Accumulated amortisation	(55,278)	(9,183)	-	(64,461)	(55,251)	(6,565)	(61,816)
Net book value	22,944	14,581	1,296	38,821	22,918	2,418	25,336
Year ended 30 June 2012							
Opening net book value	**22,944**	**14,581**	**1,296**	**38,821**	**22,918**	**2,418**	**25,336**
Additions	**13,842**	**11,546**	**-**	**25,388**	**13,735**	**1,607**	**15,342**
Decrease in interest in jointly controlled assets	**-**	**(20)**	**-**	**(20)**	**-**	**-**	**-**
Disposals	**(25)**	**-**	**-**	**(25)**	**(25)**	**-**	**(25)**
Exchange difference	**2**	**(355)**	**-**	**(353)**	**-**	**-**	**-**
Amortisation for the year	**(11,112)**	**(2,904)**	**-**	**(14,016)**	**(11,087)**	**(1,951)**	**(13,038)**
Closing net book amount	**25,651**	**22,848**	**1,296**	**49,795**	**25,541**	**2,074**	**27,615**
Balance at 30 June 2012							
Cost	**91,986**	**34,935**	**1,296**	**128,217**	**91,826**	**10,589**	**102,415**
Accumulated amortisation	**(66,335)**	**(12,087)**	**-**	**(78,422)**	**(66,285)**	**(8,515)**	**(74,800)**
Net book value	**25,651**	**22,848**	**1,296**	**49,795**	**25,541**	**2,074**	**27,615**

The majority of the rights relates to land access agreements for generation development.

All intangible assets except goodwill have been assessed as having a finite life. The costs of finite life intangible assets are amortised over the life of the assets on a straight line basis.

If an indication of impairment arises for finite life intangible assets, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

For the purposes of impairment testing, all goodwill is allocated to one cash generating unit which is not a separately reportable segment. The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. The pre-tax cash flow projections are discounted using a pre-tax discount rate of 12%.

Key assumptions in the value in use calculation include gross margin and the discount rate. Gross margin has been based on past performance and Management's expectations of market development. The discount rate reflects Management's estimate of the time value of money and the risks specific to the cash generation unit that are not already reflected in the cash flows.

No impairment charge has been recognised against goodwill as a result of the value in use calculation.

NOTE 14. EMISSIONS UNITS

	2012				2011			
	Group		Company		Group		Company	
	Units	$000	Units	$000	Units	$000	Units	$000
Balance at the beginning of the year	332,020	429	331,822	425	-	-	-	-
Allocated units	307,493	-	-	-	416,000	-	416,000	-
Purchased units	461,977	5,285	261,159	3,300	50,463	1,018	21,213	425
Units received as consideration for sales	12,861	229	12,861	229	-	-	-	-
Units surrendered as consideration for purchases	(51,619)	-	(51,619)	-	(56,025)	-	(56,025)	-
Surrendered to the Crown	(131,088)	(377)	(81,281)	-	(78,418)	(589)	(49,366)	-
Sale of units	(410,811)	(1,243)	-	-	-	-	-	-
Balance at the end of the year	520,833	4,323	472,942	3,954	332,020	429	331,822	425

The New Zealand emissions trading scheme sets out a transition period which runs from 1 July 2010 to 31 December 2012. During the transition period there is a requirement to surrender one New Zealand Unit (NZU) to the Crown for every two tonnes of emissions produced. After the transition period one NZU will need to be surrendered for every one tonne of emissions produced. The Government announced in July 2012 that it intends to extend the transitional measures beyond 2012.

The Group has agreements with the Crown under the Projects to Reduce Emissions (PRE) Scheme. These agreements result in the receipt of emission units upon verification of emission reductions generated. The projects have been completed and the first units allocated under those agreements.

The Group has entered into several forward purchase agreements to acquire emissions units to be used to meet its obligations under the emissions trading scheme. The cost of the acquisitions under these contracts are recognised when the units are acquired. Under these contracts the Company expects to acquire 3.6 million emissions units over a 15 year period which will partially satisfy the Group's obligations under the emissions trading scheme. The commitments under these forward purchase agreements are included in note 28.

NOTE 15. AVAILABLE FOR SALE FINANCIAL ASSETS

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Shares - New Zealand listed	572	1,191	572	1,191

Available for sale financial assets consist of investments in ordinary shares, they therefore have no fixed maturity date or coupon rates. The fair value has been determined by reference to published price quotations in an active market.

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NOTE 16. INVESTMENT IN SUBSIDIARIES

	Company 2012 $000	Company 2011 $000
Shares in subsidiaries at cost	441,505	231,455

Subsidiaries include:

Name of Entity		% Holding 2012	% Holding 2011	Principal Activity	Country of Incorporation	Balance Date
Direct Subsidiaries						
Mighty River Power Geothermal Limited		100	100	Investment holding	New Zealand	30 June
Mighty River Power Gas Investments Limited		-	100	Investment holding	New Zealand	30 June
Mercury Energy Limited		100	100	Non trading	New Zealand	30 June
Metrix Limited		100	-	Non trading	New Zealand	30 June
ECNZ International Limited		100	100	Investment holding	New Zealand	30 June
Bosco Connect Limited		100	100	Retail of utilities	New Zealand	30 June
Indirect Subsidiaries - Domestic						
Rotokawa Geothermal Limited		100	100	Investment holding	New Zealand	30 June
Rotokawa Generation Limited		100	100	Electricity generation	New Zealand	30 June
Kawerau Geothermal Limited		100	100	Geothermal development	New Zealand	30 June
Ngatamariki Geothermal Limited		100	100	Geothermal development	New Zealand	30 June
Mighty Geothermal Power Limited		100	100	Investment holding	New Zealand	30 June
Mighty Geothermal Power International Limited		100	100	Investment holding	New Zealand	30 June
Special General Partner Limited		100	100	Investment holding	New Zealand	30 June
Indirect Subsidiaries - International						
PT ECNZ Services Indonesia		100	100	Non trading	Indonesia	31 December
Mighty River Power (US) LLC		100	100	Investment holding	United States	30 June
Mighty River Power (UK) Limited		-	100	Non trading	United Kingdom	30 June
GeoGlobal Partners 1 Limited Partnership		99.86	99.86	Investment holding	United Kingdom	30 June
GeoGlobal U.S. Holdings LLC		99.86	99.86	Investment holding	United States	30 June
GeoGlobal U.S. EnergySource LLC		99.86	99.86	Investment holding	United States	30 June
GeoGlobal U.S. Gabbs LLC		99.86	99.86	Geothermal development	United States	30 June
GGE NRI-Peru Holdings Limited		99.86	99.86	Investment holding	Ireland	30 June
GGE FinCo-Peru Limited		99.86	99.86	Finance management	Ireland	30 June
GGE Holdings-Peru Limited		99.86	99.86	Investment holding	Ireland	30 June
GGE Peru Holding LLC		99.86	99.86	Investment holding	United States	30 June
GGE Peru S.R.L.		99.86	99.86	Geothermal development	Peru	30 June
GGE NRI-Chile Holdings Limited		99.86	99.86	Investment holding	Ireland	30 June
GGE FinCo-Chile Limited		99.86	99.86	Finance management	Ireland	30 June
GGE Holdings-Chile Limited		99.86	99.86	Investment holding	Ireland	30 June
GGE Chile Holding LLC		99.86	99.86	Investment holding	United States	30 June
GGE Chile Holdings II Limitada		99.86	99.86	Investment holding	Chile	30 June
Geotermia Curacautín Limitada (formerly GGE Chile SpA)		99.86	99.86	Geothermal development	Chile	30 June
GeoGlobal Energy Exploración Limitada	*	99.86	99.86	Geothermal development	Chile	30 June
GGE NRI-Germany Holdings Limited		99.86	99.86	Investment holding	Ireland	30 June
GGE FinCo-Germany Limited		99.86	99.86	Finance management	Ireland	30 June
GGE Holdings-Germany Limited		99.86	99.86	Investment holding	Ireland	30 June
Erdwärme Bayern Management GmbH		99.86	99.86	Investment holding	Germany	30 June
Erdwärme Bayern GmbH & Co. KG		99.86	99.86	Investment holding	Germany	30 June
Erdwärme Bayern Asset Management GmbH & Co. KG		99.86	99.86	Investment holding	Germany	30 June
Erdwärme Oberland GmbH		99.86	99.86	Geothermal development	Germany	30 June
Erdwärme Chiemgau GmbH	#	99.86	-	Geothermal development	Germany	30 June
Erdwärme Aying GmbH	#	99.86	-	Geothermal development	Germany	30 June
Erdwärme Alz GmbH	#	99.86	-	Geothermal development	Germany	30 June
Erdwärme Isar GmbH	#	99.86	-	Geothermal development	Germany	30 June

Erdwärme Bayern Asset Management GmbH & Co. KG acquired four shell companies on 7 November 2011.
* GGE Chile SpA performed a spin off effective 2 March 2012 which resulted in the creation of GeoGlobal Energy Exploración Limitada. At that time GGE Chile SpA also changed its name to Geotermia Curacautín Limitada.

During the year the company recapitalised a number of its subsidiaries by $210,050,000. Consideration was by way of reduction in related party loans.

Mighty River Power Gas Investments was amalgamated, by way of short-form amalgamation under section 222 of the Companies Act 1993, with Mighty River Power Limited on 31 December 2011.

In the 2011 parent financial statements a write down of the investment in Mighty River Power Gas Investments Limited, previously recorded at cost, was recorded for $52.9 million. The exploration and development expenditure associated with this investment was impaired at Group level progressively over several years. As this impairment has already been recorded in the Group's financial statements, it had no impact on the 2011 reported results of the Group.

NOTE 17. INVESTMENT AND ADVANCES TO ASSOCIATES

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Balance at the beginning of the year	**76,252**	113,614	**4,535**	31,806
Additions during the year	**-**	52,251	**-**	631
Equity accounted earnings	**2,852**	2,069	**-**	-
Equity accounted share of movement in other comprehensive income	**1,165**	(3,065)	**-**	-
Dividends received during the year	**(3,513)**	(1,525)	**-**	-
Repayment of advances during the year	**-**	(27,006)	**-**	(27,006)
Loans originally made to associates converted to equity when the entities became subsidiaries of GeoGlobal Partners 1 Limited Partnership	**-**	(54,289)	**-**	-
Accrued interest on advances	**-**	339	**-**	308
Exchange movements	**397**	(5,259)	**15**	(1,204)
Impaired investment in associate	**869**	(877)	**(8)**	-
Balance at the end of the year	**78,022**	76,252	**4,542**	4,535

Associates include:

Name of entity	Interest Held 2012	Interest Held 2011	Principal activity	Country of incorporation
TPC Holdings Limited	25.00%	25.00%	Investing in Tuaropaki Power Company Limited	New Zealand
Hot Water Innovations Limited	34.71%	34.71%	Development of a hot water storage solution	New Zealand
GeoGlobal Energy LLC	29.23%	29.23%	Geothermal development	United States
EnergyHedge Limited	0.00%	20.00%	Operator EnergyHedge electricity hedge trading market	New Zealand

The investment in TPC Holdings Limited includes a $15 million prepayment made in 2008 for an additional interest which will be acquired upon the commissioning of an expansion, or at another date agreed by both parties. It also includes an $8 million payment in compensation for the extension and variation of the shareholders agreement from 2027 to 2037 at which point the equity in TPC Holdings Limited will revert to Tuaropaki Kaitiaki Limited for $1 plus working capital adjustments. The impairment charge recognised in the prior year has been reversed following an internal valuation that supported the previous carrying value of the investment.

On 21 November 2011 EnergyHedge Limited was liquidated and removed from the Companies Office register.

Aggregate summary financial information of associates, not adjusted for the percentage held by the Group

	Group 2012 $000	Group 2011 $000
Total assets	**562,536**	566,668
Total liabilities	**361,498**	372,272
Total revenues	**83,196**	72,060
Total profit for the year	**16,072**	16,109

NOTE 18. INVESTMENT IN JOINTLY CONTROLLED ASSETS

Name of joint venture	Interest Held 2012	Interest Held 2011	Principal activity
Rotokawa	64.80%	74.68%	Steamfield operation
Nga Awa Purua	65%	75%	Electricity generation

The joint venture partner in Rotokawa and Nga Awa Purua exercised an option to acquire an additional 9.88% and 10% interest in the respective joint ventures. Proceeds of $40.5 million were recognised on the disposal of the interests which was effective from 31st March 2012.

NOTE 19. INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Balance at the beginning of the year	**98,970**	111,926	-	-
Additions during the year	**2,001**	4,130	-	-
Equity accounted earnings	**(27,655)**	2,935	-	-
Equity accounted share of movements in other comprehensive income	**31,621**	-	-	-
Exchange movements	**3,167**	(20,021)	-	-
Balance at the end of the year	**108,104**	98,970	-	-

Jointly controlled entities include:

	Economic Interest Held			
Name of entity	**2012**	**2011**	**Principal activity**	**Country of incorporation**
Energy Source LLC	20.31%	20.27%	Investment holding	United States
Hudson Ranch Holdings LLC	75%	75%	Investment holding	United States

The Group's interest in the above jointly controlled entities is held by GeoGlobal U.S. EnergySource LLC.

Due to the nature of the contractual arrangement that surround these entities, which allows for a reduction in the Group's economic interest once prescribed preferred returns have been achieved, the share of movements in earnings and reserves has been calculated based on the Hypothetical Liquidation at Book Value method. This method more closely aligns the recognition of earnings through time with the expected contractually agreed economic outcomes compared to the recognition of earnings based on a strict percentage of ownership. The Hypothetical Liquidation at Book Value method closely approximates the equity accounting method at balance date.

Aggregate summary financial information of jointly controlled entities, not adjusted for the percentage held by the Group

	Group 2012 $000	Group 2011 $000
Total assets	**705,302**	414,386
Total liabilities	**546,095**	258,686
Total revenues	**22,735**	1,942
Total loss for the year	**(50,048)**	(11,942)

The losses of jointly controlled entities in the current year mainly relate to fair value losses on interest rate derivatives. The losses of jointly controlled entities in the 2011 year mainly arose due to an increase in the level of feasibility expenditure.

NOTE 20. ADVANCES

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Loan to Rotokawa joint venture partner	**13,992**	10,877	**-**	-

For terms and conditions of related party receivables refer to note 30.

NOTE 21. PAYABLES AND ACCRUALS

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Trade payables and accruals	**294,597**	189,733	**255,141**	169,888
Employee entitlements	**8,521**	6,582	**7,642**	6,191
Sundry creditors	**1,606**	2,790	**1,035**	1,822
Related party payables	**1,660**	2,624	**-**	0
	306,384	201,729	**263,818**	177,901
Current	**289,221**	180,431	**246,655**	156,603
Non-current	**17,163**	21,298	**17,163**	21,298
	306,384	201,729	**263,818**	177,901

Trade payables are non-interest bearing and are normally settled on 30 - 60 day terms, except for a swaption premium which is payable over 5 years.

NOTE 22. PROVISIONS

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Balance at the beginning of the year	**4,200**	2,673	**230**	211
Provisions made during the year	**2,217**	1,215	**1,746**	-
Movement in effect of discounting	**129**	312	**17**	19
Balance at the end of the year	**6,546**	4,200	**1,993**	230

Provisions have been recognised for the abandonment and subsequent restoration of areas from which geothermal resources have been extracted. The provision is calculated based on the present value of management's best estimate of the expenditure required, and the likely timing of settlement. The increase in provision resulting from the passage of time (the discount effect) is recognised as an interest expense.

NOTE 23. LOANS

	Borrowing Currency Denomination	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Notional value of bank loans	NZD	**140,144**	91,087	**140,144**	91,087
Notional value of fixed rate bonds (unsecured)	NZD	**304,254**	304,243	**304,254**	304,243
Notional value of floating rate bonds (unsecured)	NZD	**351,076**	351,082	**351,076**	351,082
Notional value of US Private Placement	USD	**260,906**	260,881	**260,906**	260,881
Notional value of commercial paper programme (unsecured)	NZD	**99,517**	-	**99,517**	-
Deferred financing costs		**(2,010)**	(2,728)	**(2,010)**	(2,728)
Fair value adjustments		**27,485**	(19,084)	**27,485**	(19,084)
Carrying value of loans		**1,181,372**	985,481	**1,181,372**	985,481
Current		**305,684**	12,081	**305,684**	12,081
Non-current		**875,688**	973,400	**875,688**	973,400
		1,181,372	985,481	**1,181,372**	985,481

The NZD denominated bank loans represent $140 million drawn against $650 million of committed and unsecured bank loan facilities with final repayment due in December 2015. The remaining undrawn $510 million provides liquidity support, with $250 million due in December 2013, $200 million in March 2015, and $60 million due in December 2015. The average interest rate for the drawn $140 million bank facility at 30 June 2012 was 3.4% (3.4% as at 30 June 2011).

The $300 million Fixed Rate Bonds consist of $200 million retail bonds with an interest rate of 8.36% expiring in May 2013, $70 million wholesale bonds with an interest rate of 7.55% expiring in October 2016, and $30 million wholesale bonds with an interest rate of 8.21% expiring in February 2020.

The unsecured and unsubordinated credit wrapped Floating Rate Bonds of $300 million have a maturity in September 2021, unless the Company exercises its early repayment option to redeem the Bonds annually from the 7th anniversary (7 Sep 2013) of the issue date.

The unsecured and unsubordinated wholesale Floating Rate Bonds of $50 million mature on 12 October 2016. The average interest rate as at 30 June 2012 was 4.6% (4.5% as at 30 June 2011).

The US Private Placement are USD denominated Notes issued in December 2010 to US based institutional investors and consist of US$125 million 10 year notes, US$30 million 12 year notes, and US$45 million 15 year notes with fixed rate coupons of 4.25%, 4.35% and 4.6% respectively. The proceeds from the US Private Placements have been swapped to NZD through cross currency interest rate swaps to eliminate foreign exchange and USD interest rate risks. Foreign borrowings are held at amortised cost less deferred financing costs adjusted by fair value movements associated with fair value hedges.

In February 2012 the Group established a $200 million Commercial Paper programme which is fully backed by committed and undrawn bank facilities. Notes issued under the programme are short-term money market instruments, unsecured and unsubordinated and targeted at professional investors. The programme is rated A2 by Standard & Poor's and as at 30 June 2012 $100 million of notes have been issued.

The Company has entered into a Master Trust Deed and Supplementary Trust Deeds for all its NZD denominated Fixed and Floating Rate Bonds with the New Zealand Guardian Trust Company Limited, acting as trustee for the holders of the Fixed and Floating Rate Bonds, in which the Company has agreed subject to certain exceptions, not to create or permit to exist a security interest over or affecting its assets to secure indebtedness, and to maintain certain financial covenants. There has been no breach of the terms of these deeds.

The Company has entered into a negative pledge deed in favour of its bank financiers in which the Company has agreed subject to certain exceptions, not to create or permit to exist a security interest over or affecting its assets to secure its indebtedness, and to maintain certain financial ratios in relation to the Company. These undertakings and covenants also apply to the US Private Placement terms and conditions. There has been no breach of the terms of this deed or the terms and conditions of the US Private Placement.

NOTE 24. DEFERRED TAX

(i) Recognised deferred tax assets and liabilities

	Assets 2012 $000	Assets 2011 $000	Liabilities 2012 $000	Liabilities 2011 $000	Net 2012 $000	Net 2011 $000
Group						
Property, plant and equipment	-	-	(1,001,381)	(950,201)	(1,001,381)	(950,201)
Financial instruments	104,704	92,900	(15,580)	(21,319)	89,124	71,581
Employee benefits and other provisions	1,193	1,162	-	-	1,193	1,162
Other	2,894	2,286	(196)	(170)	2,698	2,116
	108,791	96,348	(1,017,157)	(971,690)	(908,366)	(875,342)
Company						
Property, plant and equipment	-	-	(814,241)	(775,160)	(814,241)	(775,160)
Financial instruments	110,058	86,308	(22,931)	(21,570)	87,127	64,738
Employee benefits and other provisions	1,152	1,133	-	-	1,152	1,133
Other	2,123	2,042	(120)	(170)	2,003	1,872
	113,333	89,483	(837,292)	(796,900)	(723,959)	(707,417)

(ii) The movement in deferred tax

	Property, plant and equipment $000	Financial instruments $000	Employee entitlements $000	Other $000	Total $000
Group					
Balance as at 1 July 2010	(838,140)	45,952	1,498	1,096	(789,594)
Charged/(credited) to the income statement	2,743	7,177	(269)	1,074	10,725
Charged/(credited) to other comprehensive income	(125,040)	20,782	-	-	(104,258)
Balance transferred to joint venture partner	165	-	-	-	165
Change in tax rate recognised in the income statement	1,826	(882)	(67)	(54)	823
Change in tax rate recognised in other comprehensive income	8,245	(1,448)	-	-	6,797
Balance as at 30 June 2011	(950,201)	71,581	1,162	2,116	(875,342)
Balance as at 1 July 2011	(950,201)	71,581	1,162	2,116	(875,342)
Charged/(credited) to the income statement	5,387	27,069	31	605	33,092
Charged/(credited) to other comprehensive income	(58,358)	(8,480)	-	-	(66,838)
Partial disposal of interest in jointly controlled assets	1,791	(1,046)	-	(23)	722
Balance as at 30 June 2012	(1,001,381)	89,124	1,193	2,698	(908,366)
Company					
Balance as at 1 July 2010	(721,721)	44,193	1,481	911	(675,136)
Charged/(credited) to the income statement	7,264	7,511	(284)	1,005	15,496
Charged/(credited) to other comprehensive income	(67,065)	15,014	-	-	(52,051)
Balances transferred	322	-	-	-	322
Change in tax rate recognised in the income statement	1,660	(905)	(64)	(44)	647
Change in tax rate recognised in other comprehensive income	4,380	(1,075)	-	-	3,305
Balance as at 30 June 2011	(775,160)	64,738	1,133	1,872	(707,417)
Balance as at 1 July 2011	(775,160)	64,738	1,133	1,872	(707,417)
Charged/(credited) to the income statement	5,297	25,888	19	131	31,335
Charged/(credited) to other comprehensive income	(44,354)	(3,499)	-	-	(47,853)
Balances transferred	(24)	-	-	-	(24)
Balance as at 30 June 2012	(814,241)	87,127	1,152	2,003	(723,959)

The corporate income tax rate changed from 30% to 28% effective for the Group from 1 July 2011. An adjustment was made to deferred tax in 2011 in relation to temporary differences that reverse after that date.

Tax depreciation deductions are disallowed for buildings from 1 July 2011. An adjustment to deferred tax was made in the 2010 year relating to office and other buildings. While it is Management's view that powerhouse assets should not be captured, they accept that there is a potential risk that a portion of the asset may be considered by the Inland Revenue to be a building for tax purposes with the balance more appropriately being identified as plant. Consequently, as a prudent measure, a deferred tax liability was also recognised for a portion of the powerhouse assets. Deferred tax was increased by $9.8 million as a result of this change. In the event that all powerhouse assets were deemed to be buildings by the Inland Revenue an additional deferred tax liability of $21.3 million would need to be recognised.

Property, plant and equipment is held on capital account for income tax purposes. Where assets are revalued, with no similar adjustment to the tax base, a taxable temporary difference is created that is recognised in deferred tax. The deferred tax liability on these revaluations is unlikely to crystallise in the forseeable future under existing income tax legislation.

NOTE 25. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, cash and short term deposits, debt, available for sale investments and derivatives.

Exposure to price, credit, foreign exchange, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to proactively manage these risks with the aim of protecting shareholder wealth. The Group uses derivative financial instruments to hedge these exposures.

Risk management is carried out by a central Treasury function (Treasury) for interest rate and foreign exchange exposures. Risk management activities in respect of electricity exposures are undertaken by the Generation Group (Generation). Both Treasury and Generation operate under policies approved by the Board of Directors.

Price Risk - Energy Contracts

The Group enters into energy contracts that establish a fixed price at which future specified quantities of electricity are purchased, sold or otherwise exchanged. The Group's exposure to spot electricity prices is limited by the Board approved Market and Credit Risk Policy.

On maturity of the energy contracts, any difference between the contract price and the spot market price is settled between the parties. Settlement occurs irrespective of the amount of electricity actually supplied or consumed.

At balance date, the principal value of energy contracts, including both buy and sell contracts, some with terms of up to 15 years, were:

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Energy contracts	**3,419,863**	3,408,191	**3,462,622**	3,325,934

Sensitivity analysis

The following table summarises the impact of increases and decreases in the relevant electricity forward prices on the Group and Company's post tax profit for the year and on other components of equity. The sensitivity analysis is based on an assessment of the reasonably possible movements in forward price, with all other variables held constant.

	Impact on post tax profit		Impact on equity	
	2012 $000	2011 $000	2012 $000	2011 $000
Group				
Electricity forward price increased by 10%	**15,331**	7,613	**(61,211)**	(45,737)
Electricity forward price decreased by 10%	**(14,702)**	(7,319)	**61,211**	45,737
Company				
Electricity forward price increased by 10%	**15,198**	7,596	**(57,500)**	(39,247)
Electricity forward price decreased by 10%	**(14,572)**	(7,303)	**57,500**	39,247

Credit Risk

To the extent that the Group has a receivable from another party there is a credit risk in the event of non-performance by that counterparty. Financial instruments that potentially subject the Group to credit risk principally consist of bank balances, receivables, investments and derivative financial instruments.

The Group manages its exposure to credit risk under policies approved by the Board of Directors. The Group performs credit evaluations on all electricity customers and normally requires a bond from customers who have yet to establish a suitable credit history. Customer bonds of $1.2 million are held in a separate bank account (2011: $1.9 million).

It is the Group's policy to only enter into derivative transactions with banks that it has signed an ISDA master agreement with, and which have a minimum long term Standard & Poor's (or Moody's equivalent) credit rating of A- or higher. The Group monitors the credit quality of the major counterparties to its derivative financial instruments and does not anticipate non-performance by them.

With respect to energy contracts, the Group has potential credit risk exposure to the counterparty dependent on the spot market price at settlement, although it does not anticipate any non performance of any obligations which may exist on maturity of these contracts. Credit risk in relation to these counterparties is managed in accordance with the Market and Credit Risk Policy.

In the event of a failure by a retailer to settle its obligations to the Energy Clearing House, following the exhaustion of its prudential security, a proportionate share of the shortfall will be assumed by all generator class market participants. The Group consequently will be impacted in the event that this occurs.

The carrying amounts of financial assets recognised in the balance sheet best represent the Group's maximum exposure to credit risk at the reporting date without taking account of any collateral held by way of customer bonds. However, in the case of offshore bank accounts credit risk is reduced in the United States (through FDIC insurance) and in Chile (under Chilean law) while German law offers partial protection. Credit risk through these means has been reduced by $7.8 million.

Included in receivables are the following balances:

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Energy Clearing House Limited	**65,260**	32,013	**51,469**	25,618

The Group does not have any other significant concentrations of credit risk.

Foreign Exchange Risk

The Group is exposed to foreign exchange risk as a result of transactions denominated in a currency other than the Group's functional currency, New Zealand dollars (NZD). The currencies giving rise to this risk are primarily US dollar, Japanese yen, Pound sterling, Euro, Australian dollar, Chilean peso and Peruvian Nuevo Sol.

Foreign exchange risk arises from future commercial transactions (including the purchase of capital equipment and maintenance services), recognised assets and liabilities (including borrowings) and net investments in foreign operations.

It is the Group's policy to enter into forward exchange contracts to support its domestic capital expenditure programme. To do this foreign exchange contracts are taken out to hedge spot rate risk on highly probable forecast transactions where there is some uncertainty around timing. These contracts are rolled on an instalment basis until there is certainty around both the amount and timing of payments at which time the contracts are rolled into specific contracts hedging those cash flows.

The hedged anticipated transactions denominated in foreign currency are expected to occur at various dates between 1 month and 5 years from balance date. Gains and losses in the cash flow hedge reserve on foreign currency forward exchange contracts as at 30 June will be released when the underlying anticipated transactions occur and will be recognised in the income statement or capitalised to the cost of the asset acquired.

At balance date the principal or contract amounts of foreign currency forward exchange contracts are:

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Foreign currency forward exchange contracts	**97,588**	218,365	**97,717**	218,365

The group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of foreign operations is currently unhedged but may be managed on a case by case basis through the use of derivative contracts or through borrowings denominated in the same currency.

At balance date the Group has US funds of US$0.5 million (2011: US$1.2 million), Japanese funds of ¥0.3 million (2011: ¥0.6 million), Euro funds of €0.2 million (2011: €0.0 million), Australian funds of A$0.0million (2011: A$0.1 million) Chilean Pesos of $4.2 million (2011: $0.7 million) and Peruvian Nuevo Sol of $8.1 thousand (2011: nil) held in foreign currency bank accounts that are not hedged. This excludes bank accounts held in the functional currency of offshore subsidiaries.

Sensitivity analysis

The following table summarises the impact on post tax profits and other components of equity of the New Zealand dollar weakening or strengthening against the most significant currencies for which the Group has foreign exchange exposure. The sensitivity analysis is based on an assessment of the reasonably possible movements in foreign exchange rates over a one year period based on the average actual movements experienced over the prior 10 years, with all other variables held constant.

	Impact on post tax profit Group 2012 $000	Impact on post tax profit Group 2011 $000	Impact on equity Group 2012 $000	Impact on equity Group 2011 $000
New Zealand Dollar - United States Dollar				
Currency strengthens by 10% (2011: 7.5%)	**195**	153	**(19,836)**	(17,754)
Currency weakens by 10% (2011: 10%)	**(238)**	(244)	**24,245**	28,276
New Zealand Dollar - Japanese Yen				
Currency strengthens by 10% (2011: 7.5%)	**-**	-	**(207)**	(312)
Currency weakens by 10% (2011: 10%)	**-**	-	**253**	497
New Zealand Dollar - Euro				
Currency strengthens by 10% (2011: 7.5%)	**-**	-	**(408)**	(418)
Currency weakens by 10% (2011: 10%)	**-**	-	**408**	665

Interest Rate Risk

The group has exposure to interest rate risk to the extent that it borrows for fixed terms at floating interest rates. The Group manages its cost of borrowing by limiting the ratio of fixed to floating rate cover held. The Group uses interest rate swaps and interest rate options to manage this exposure.

Financial instruments are held to protect a portion of future borrowings forecast to fund the capital expenditure programme, even though the underlying facility is not yet placed.

At balance date the principal or contract amounts of interest rate swaps and interest rate options outstanding (including forward starts) are:

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Interest rate swaps	2,715,824	2,745,824	2,715,824	2,745,824
Interest rate options	100,000	100,000	100,000	100,000

Sensitivity analysis

The following table summarises the impact on post tax profit due to movements in interest rates. The sensitivity analysis is based on an assessment of the reasonably possible movement in the 10 year swap rate over a one year period based on actual movements over the last 10 years, with all other variables held constant. The movement in post tax profits are due to higher/lower interest costs from variable rate debt and cash balances combined with the result of fair value changes in interest rate swaps and options that are valid economic hedges but which do not qualify for hedge accounting under NZ IAS 39. There would be no effect on other components of equity.

	Impact on post tax profit Group and Company 2012 $000	2011 $000
Interest rates higher by 100 bpts (2011: 100 bpts)	47,019	44,680
Interest rates lower by 100 bpts (2011: 50 bpts)	(51,804)	(23,785)

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of various funding sources. The Group's ability to readily attract cost effective funding is largely driven by its credit rating.

Liquidity risk is monitored by continuously forecasting cash flows and matching these to funding facilities. Policy requires that prescribed headroom is available in undrawn and committed facilities to cover unanticipated needs and that only a limited amount of facilities mature over the immediate 12 month forward-looking period.

Non derivative financial liabilities

The following liquidity risk disclosures reflect all contractually fixed payoffs, repayments and interest from recognised financial liabilities as of 30 June. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract. However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay. It should be noted that the amounts presented are contracted undiscounted cash flows consequently the totals will not reconcile with the amounts recognised on the Balance Sheet.

Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that a combination of liquid assets and undrawn facilities are available to meet all the required short term cash payments.

Group June 2012	Less than 6 months $000	6 to 12 months $000	1 to 5 years $000	Later than 5 years $000	Total $000
Liquid financial assets					
Cash and cash equivalents	38,296	-	-	-	38,296
Receivables	305,688	571	5,751	-	312,010
	343,984	571	5,751	-	350,306
Financial liabilities					
Payables and accruals	(289,221)	-	(17,163)	-	(306,384)
Loans	(125,269)	(224,892)	(391,451)	(715,262)	(1,456,874)
	(414,490)	(224,892)	(408,614)	(715,262)	(1,763,258)
Net inflow/(outflow)	(70,506)	(224,321)	(402,863)	(715,262)	(1,412,952)

Group June 2011	Less than 6 months $000	6 to 12 months $000	1 to 5 years $000	Later than 5 years $000	Total $000
Liquid financial assets					
Cash and cash equivalents	28,722	-	-	-	28,722
Receivables	192,354	-	378	-	192,732
	221,076	-	378	-	221,454
Financial liabilities					
Payables and accruals	(180,431)	-	(21,298)	-	(201,729)
Loans	(29,492)	(23,837)	(445,411)	(890,169)	(1,388,909)
	(209,923)	(23,837)	(466,709)	(890,169)	(1,590,638)
Net inflow/(outflow)	11,153	(23,837)	(466,331)	(890,169)	(1,369,184)

Company June 2012	Less than 6 months $000	6 to 12 months $000	1 to 5 years $000	Later than 5 years $000	Total $000
Liquid financial assets					
Cash and cash equivalents	**15,750**	**-**	**-**	**-**	**15,750**
Receivables	**271,847**	**1,630**	**-**	**-**	**273,477**
	287,597	**1,630**	**-**	**-**	**289,227**
Liabilities					
Payables and accruals	**(246,655)**	**-**	**(17,163)**	**-**	**(263,818)**
Loans	**(125,269)**	**(224,892)**	**(391,451)**	**(715,262)**	**(1,456,874)**
	(371,924)	**(224,892)**	**(408,614)**	**(715,262)**	**(1,720,692)**
Net inflow/(outflow)	**(84,327)**	**(223,262)**	**(408,614)**	**(715,262)**	**(1,431,465)**

Company June 2011	Less than 6 months $000	6 to 12 months $000	1 to 5 years $000	Later than 5 years $000	Total $000
Liquid financial assets					
Cash and cash equivalents	3,758	-	-	-	3,758
Receivables	173,496	-	1,511	-	175,007
	177,254	-	1,511	-	178,765
Liabilities					
Payables and accruals	(156,603)	-	(21,298)	-	(177,901)
Loans	(29,492)	(23,837)	(445,411)	(890,169)	(1,388,909)
	(186,095)	(23,837)	(466,709)	(890,169)	(1,566,810)
Net inflow/(outflow)	(8,841)	(23,837)	(465,198)	(890,169)	(1,388,045)

While the above table gives the impression of a liquidity shortfall, the analysis does not take into account expected future operating cash flows or committed and undrawn debt facilities which will provide additional liquidity support. For example, net cash provided by operating activities over the last two financial years has averaged $284.9 million. At balance date, $510 million of committed and undrawn debt facilities existed which will enable the Group to meet its short-term obligations.

Derivative financial liabilities

The table below details the liquidity risk arising from derivative liabilities held by the Group at balance date. Net settled derivatives include interest rate derivatives and electricity price derivatives. Gross settled derivatives relate to foreign exchange derivatives that are used to hedge future purchase commitments. As mentioned previously foreign exchange derivatives are rolled on an instalment basis until the underlying transaction occurs. While the maturity of these derivatives are short term the underlying expenditure is forecast to occur over different time periods.

Group June 2012	**Less than 6 months $000**	**6 to 12 months $000**	**1 to 5 years $000**	**Later than 5 years $000**	**Total $000**
Derivative liabilities - net settled	**(26,988)**	**(24,530)**	**(200,734)**	**(212,363)**	**(464,615)**
Derivative liabilities - gross settled					
Inflows	**97,219**	**-**	**-**	**-**	**97,219**
Outflows	**(100,997)**	**-**	**-**	**-**	**(100,997)**
Net maturity	**(30,766)**	**(24,530)**	**(200,734)**	**(212,363)**	**(468,393)**

Group June 2011	**Less than 6 months $000**	**6 to 12 months $000**	**1 to 5 years $000**	**Later than 5 years $000**	**Total $000**
Derivative liabilities - net settled	(16,881)	(30,852)	(141,049)	(167,056)	(355,838)
Derivative liabilities - gross settled					
Inflows	206,622	-	-	-	206,622
Outflows	(216,120)	-	-	-	(216,120)
Net maturity	(26,379)	(30,852)	(141,049)	(167,056)	(365,336)

Company June 2012	**Less than 6 months $000**	**6 to 12 months $000**	**1 to 5 years $000**	**Later than 5 years $000**	**Total $000**
Derivative liabilities - net settled	**(27,050)**	**(24,615)**	**(200,801)**	**(212,363)**	**(464,829)**
Derivative liabilities - gross settled					
Inflows	**97,348**	**-**	**-**	**-**	**97,348**
Outflows	**(101,132)**	**-**	**-**	**-**	**(101,132)**
Net maturity	**(30,834)**	**(24,615)**	**(200,801)**	**(212,363)**	**(468,613)**

Company June 2011	**Less than 6 months $000**	**6 to 12 months $000**	**1 to 5 years $000**	**Later than 5 years $000**	**Total $000**
Derivative liabilities - net settled	(16,935)	(30,983)	(141,312)	(167,056)	(356,286)
Derivative liabilities - gross settled					
Inflows	206,622	-	-	-	206,622
Outflows	(216,120)	-	-	-	(216,120)
Net maturity	(26,433)	(30,983)	(141,312)	(167,056)	(365,784)

The above tables summarise the payments that are expected to be made in relation to derivative liabilities. The Group and Company also expect to receive funds relating to derivative asset settlements. The expectation of cash receipts in relation to derivative assets should also be considered when assessing the ability of the Group and Company to meet its obligations.

Fair values

The carrying amount of financial assets and liabilities recorded in the financial statements approximates their fair values except for the Fixed Rate Bonds and the US Private Placement, the fair values for which have been calculated at $324 million (2011: $326 million) and $262 million (2011: $234 million) respectively based on quoted market prices for each bond issue.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 - the fair value is calculated using quoted prices in active markets;
- Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

Group June 2012	Quoted market price Level 1	Valuation technique - market observable inputs Level 2	Valuation technique - non-market observable inputs Level 3	Total
Financial assets	**$000**	**$000**	**$000**	**$000**
Derivative instruments				
Interest rate derivatives	-	29,676	-	29,676
Cross currency interest rate derivatives	-	19,787	-	19,787
Electricity price derivatives	-	-	124,744	124,744
Available for sale investments				
Listed investments	572	-	-	572
	572	49,463	124,744	174,779
Financial liabilities				
Derivative instruments				
Interest rate derivatives	-	249,127	-	249,127
Cross currency interest rate derivatives	-	10,014	-	10,014
Electricity price derivatives	-	-	181,266	181,266
Foreign exchange rate derivatives	-	3,282	-	3,282
	-	262,423	181,266	443,689

Group June 2011	Quoted market price Level 1	Valuation technique - market observable inputs Level 2	Valuation technique - non-market observable inputs Level 3	Total
Financial assets	**$000**	**$000**	**$000**	**$000**
Derivative instruments				
Interest rate derivatives	-	21,106	-	21,106
Electricity price derivatives	-	-	127,448	127,448
Foreign exchange rate derivatives	-	4	-	4
Available for sale investments				
Listed investments	1,191	-	-	1,191
	1,191	21,110	127,448	149,749
Financial liabilities				
Derivative instruments				
Interest rate derivatives	-	144,431	-	144,431
Cross currency interest rate derivatives		42,324		42,324
Electricity price derivatives	-	-	201,863	201,863
Foreign exchange rate derivatives	-	10,404	-	10,404
	-	197,159	201,863	399,022

Company June 2012	Quoted market price Level 1	Valuation technique - market observable inputs Level 2	Valuation technique - non-market observable inputs Level 3	Total
Financial assets	**$000**	**$000**	**$000**	**$000**
Derivative instruments				
Interest rate derivatives	-	29,676	-	29,676
Cross currency interest rate derivatives	-	19,787	-	19,787
Electricity price derivatives	-	-	132,382	132,382
Available for sale investments				
Listed investments	572	-	-	572
	572	49,463	132,382	182,417
Financial liabilities				
Derivative instruments				
Interest rate derivatives	-	249,127	-	249,127
Cross currency interest rate derivatives	-	10,014	-	10,014
Electricity price derivatives	-	-	182,949	182,949
Foreign exchange rate derivatives	-	3,274	-	3,274
	-	262,415	182,949	445,364

Company June 2011	Quoted market price Level 1	Valuation technique - market observable inputs Level 2	Valuation technique - non-market observable inputs Level 3	Total
Financial assets	**$000**	**$000**	**$000**	**$000**
Derivative instruments				
Interest rate derivatives	-	21,106	-	21,106
Electricity price derivatives	-	-	152,992	152,992
Foreign exchange rate derivatives	-	4	-	4
Available for sale investments				
Listed investments	1,191	-	-	1,191
	1,191	21,110	152,992	175,293
Financial liabilities				
Derivative instruments				
Interest rate derivatives	-	144,431	-	144,431
Cross currency interest rate derivatives	-	42,324	-	42,324
Electricity price derivatives	-	-	205,370	205,370
Foreign exchange rate derivatives	-	10,404	-	10,404
	-	197,159	205,370	402,529

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

Financial instruments that use a valuation technique with only observable market inputs, or unobservable inputs that are not significant to the overall valuation, include interest rate derivatives and foreign exchange rate derivatives not traded on a recognised exchange.

Financial instruments that use a valuation technique which includes non-market observable data include electricity derivatives which are valued using a discounted cash flow methodology using a combination of ASX market prices for the first five years, combined with Management's internal view of forward prices for the remainder of the contracts. Management's internal view of forward prices is determined by a demand supply based fundamental model which takes account of current hydrological conditions, future inflows, an assessment of thermal fuel costs, anticipated demand and supply conditions and future committed generation capacity.

Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument there are two key variables being used; the forward price curve and the discount rate. Where the derivative is an option then the volatility of the forward price is another key variable. The selection of the variables requires significant judgement, and therefore there is a range of reasonably possible assumptions in respect of these variables that could be used in estimating the fair values of these derivatives. Maximum use is made of observable market data when selecting variables and developing assumptions for the valuation technique.

Reconciliation of Level 3 fair value movements

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Opening balance	**(74,415)**	(42,844)	**(52,378)**	(36,523)
New contracts	**4,448**	21,482	**5,029**	18,865
Matured contracts	**(2,197)**	(5,081)	**(13,100)**	(4,532)
Ineffectiveness of electricity derivative cash flow hedges recognised through the income statement	**37**	(1,959)	**37**	(1,850)
Gains and losses				
Through the income statement	**(3,347)**	2,770	**(1,523)**	2,770
Through other comprehensive income	**18,952**	(48,783)	**11,368**	(31,108)
Closing balance	**(56,522)**	(74,415)	**(50,567)**	(52,378)

Deferred 'inception' gains/(losses)

There is a presumption that when derivative contracts are entered into on an arm's length basis, fair value at inception would be zero. The contract price of non ASX traded electricity derivative contracts are agreed on a bilateral basis, the pricing for which may differ from the prevailing derived market price curve for a variety of reasons. In these circumstances an inception adjustment is made to bring the initial fair value of the contract to zero at inception. This inception value is amortised over the life of the contract by adjusting the future price path used to determine the fair value of the derivatives by a constant amount to return the initial fair value to zero.

The table below details the movements in inception value gains/(losses) included in the fair value of derivative financial assets and liabilities as at 30 June.

Electricity price derivatives	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Opening deferred inception gains/(losses)	41,765	27,740	25,497	4,874
Deferred inception gains/(losses) on new hedges	1,830	13,056	1,830	16,149
Deferred inception gains/(losses) realised during the year	(3,698)	969	(1,829)	4,474
Closing inception gains/(losses)	39,897	41,765	25,498	25,497

Capital risk management objectives

Management seeks to maintain a sustainable financial structure for the Group having regard to the risks from predicted short and medium-term economic, market and hydrological conditions along with estimated financial performance. Capital is managed to provide sufficient funds to undertake required asset reinvestment as well as to finance new generation development projects and other growth opportunities to increase shareholder value at a rate similar to comparable private sector companies.

In order to maintain or adjust the capital structure, changes may be made to the amount paid as dividends to the shareholders, capital may be returned or injected or assets sold to reduce borrowings.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (both current and non-current) less cash and cash equivalents. Total capital is calculated as shareholders' equity plus net debt. The gearing ratio is calculated below:

	Group 2012 $000	Group 2011 $000
Loans at carrying value	1,181,372	985,481
Fair value adjustments US Private Placement	(27,485)	19,084
Less cash and cash equivalents	(38,296)	(28,722)
Net debt	1,115,591	975,843
Total equity	3,014,162	2,906,542
Total capital	4,129,753	3,882,385
Gearing Ratio	27.0%	25.1%

Under the negative pledge deed in favour of its bank financiers the Group must, in addition to not exceeding its maximum gearing ratio, exceed minimum interest cover ratios and minimum shareholder's equity.

The Group also seeks to maintain its current credit metrics sufficient to support the credit rating on an ongoing basis and monitors its position against the following thresholds:

	Threshold	Group 2012	Group 2011
Free funds from operations interest coverage (x)	4.0	4.1	4.8
Free funds from operations to total debt (%)	25.0%	25.0%	30.9%

NOTE 26. DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of derivative financial instruments together with the designation of their hedging relationship are summarised below:

	Group 2012 $000	Restated Group 2011 $000	Company 2012 $000	Restated Company 2011 $000
CURRENT				
Interest rate derivative assets	**6,570**	4,335	**6,570**	6,421
Electricity price derivative assets	**8,506**	15,761	**11,385**	22,302
Foreign exchange rate derivative assets	**-**	4	**-**	4
Cross currency interest rate derivative asset	**693**	-	**693**	-
	15,769	20,100	**18,648**	28,727
Interest rate derivative liabilities	**7,434**	4,388	**7,434**	4,388
Electricity price derivative liabilities	**13,063**	9,706	**13,063**	9,706
Foreign exchange rate derivative liabilities	**3,282**	10,404	**3,274**	10,404
	23,779	24,498	**23,771**	24,498
NON-CURRENT				
Interest rate derivative assets	**23,106**	16,771	**23,106**	14,685
Electricity price derivative assets	**116,238**	111,687	**120,997**	130,690
Cross currency interest rate derivative asset	**19,094**	-	**19,094**	-
	158,438	128,458	**163,197**	145,375
Interest rate derivative liabilities	**241,693**	140,043	**241,693**	140,043
Cross currency interest rate derivative liabilities	**-**	30,287	**-**	30,287
Cross currency interest rate derivative liabilities - margin	**10,014**	12,037	**10,014**	12,037
Electricity price derivative liabilities	**168,203**	192,157	**169,886**	195,664
	419,910	374,524	**421,593**	378,031

The current/non-current split of the fair value of interest rate derivatives was restated in the 31 December 2011 interim financial statements. Accounting standards state that derivatives are classified as held for trading unless they are accounted for as hedges. The held for trading category would usually be expected to carry a designation of current. However, if the intent is not to actually trade instruments with maturities greater than one year but to hold them long term to match the maturities of the underlying debt that they are hedging, then those instruments would more appropriately be classified as non-current. As a consequence the fair value of interest rate derivatives with maturities greater than 12 months have now been reclassified from current to non-current for the comparative period.

Interest rate derivatives, short term low value foreign exchange derivatives, and short term low value electricity price derivatives that are traded on the ASX, while economic hedges, are not designated as hedges under NZ IAS 39 but are treated as at fair value through profit and loss. All other foreign exchange and electricity price derivatives (except those described below) are designated as cash flow hedges under NZ IAS 39.

Cross currency interest rate swaps, which are used to manage the combined interest and foreign currency risk on borrowings issued in foreign currency, have been split into two components for the purpose of hedge designation. The hedge of the benchmark interest rate is designated as a fair value hedge and the hedge of the issuance margin is designated as a cash flow hedge.

Electricity Contracts not designated as hedges for accounting purposes

The Tuaropaki Power Company Foundation Hedge contract was originated in 1997 between the Tuaropaki Power Company (seller) and ECNZ (buyer). The contract was subsequently novated to Mighty River Power Limited. The contract has been amended and now settles on a moving hedge index rather than wholesale electricity prices.

Basis swaps: The company has entered into a number of contracts to hedge wholesale electricity price risk between the North and South Island generically called basis swaps. The most significant is the virtual asset swap with Meridian Energy which is a 15 year contract.

Reserve price caps: The Company has sold and bought electricity reserve price caps in the North and South Island to limit exposure to high reserve prices impacting wholesale electricity spot prices.

Swaptions: The Company has entered into swaptions to provide optionality around hedging its exposure to wholesale electricity spot price exposure during pre-defined periods. If exercised, the Company will receive a swap (contract-for-difference) for the period exercised. This swap will be designated as a hedge for accounting purposes.

The Company has entered into an outage cover contract with Nga Awa Purua to support the Joint Venture's generation revenue in the event of a forced station outage for which it receives an annual premium.

The changes in fair values of derivative financial instruments recognised in the income statement and other comprehensive income are summarised below:

	Income Statement Group		Other Comprehensive Income Group	
	2012 $000	2011 $000	2012 $000	2011 $000
Cross currency interest rate derivatives	49,235	(30,141)	-	-
Borrowings - fair value change	(46,568)	19,084	-	-
	2,667	(11,057)	-	-
Interest rate derivatives	(94,969)	(13,822)	-	-
Cross currency interest rate derivatives - margin	-	-	2,765	(11,604)
Electricity price derivatives	(693)	2,397	21,005	(56,851)
Foreign exchange rate derivatives	108	(588)	3,988	(38,990)
Total change in fair value of financial instruments	(92,887)	(23,070)	27,758	(107,445)

	Income Statement Company		Other Comprehensive Income Company	
	2012 $000	2011 $000	2012 $000	2011 $000
Cross currency interest rate derivatives	49,235	(30,141)	-	-
Borrowings	(46,568)	19,084	-	-
	2,667	(11,057)	-	-
Interest rate derivatives	(94,969)	(13,822)	-	-
Cross currency interest rate derivatives - margin	-	-	2,765	(11,604)
Electricity price derivatives	(125)	1,279	3,296	(37,921)
Foreign exchange rate derivatives	108	(588)	3,985	(38,990)
Total change in fair value of financial instruments	(92,319)	(24,188)	10,046	(88,515)

Movement in cash flow hedge reserve	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Opening balance	(140,023)	(63,390)	(119,850)	(56,829)
The effective portion of cash flow hedges recognised in the reserve	28,959	(115,803)	15,185	(96,875)
Amortisation of fair values[1]	742	433	742	433
The amount transferred to the income statement relating to forecast transactions that are no longer expected to occur[1]	1,687	3,497	1,687	3,497
The amount transferred to the income statement on disposal of interest in jointly controlled asset[1]	3,938	-	-	-
The amount transferred to balance sheet	(7,568)	4,428	(7,568)	4,428
Equity accounted share of associates' movement in other comprehensive income	1,165	10	-	-
Tax effect of movements	(7,772)	32,233	(2,813)	26,554
Deferred tax rate change adjustment	-	(1,431)	-	(1,058)
Closing balance	(118,872)	(140,023)	(112,617)	(119,850)

Total income statement fair value movements

Ineffectiveness of cash flow hedges recognised in the income statement	136	(2,551)	(139)	(2,551)
Other changes in fair value recognised through the income statement	(92,887)	(23,070)	(92,319)	(24,188)
Fair value movements recognised through the income statement	(92,751)	(25,621)	(92,458)	(26,739)

[1] *Amounts reclassified to the income statement recognised in amortisation*

NOTE 27. RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Profit for the year	**67,701**	127,073	**83,654**	54,912
Items classified as investing or financing activities				
• Capitalised interest	**(14,889)**	(6,870)	**(14,889)**	(6,870)
• Loan charges	**1,092**	1,835	**1,092**	1,835
• Transfers between group companies and related parties	**-**	-	**(1,886)**	2,942
• Net foreign exchange loss	**-**	-	**(3,023)**	28,281
Adjustments for:				
Depreciation and amortisation	**158,397**	145,404	**98,010**	99,842
Net loss on sale of property, plant and equipment	**4,280**	727	**1,174**	794
Net loss on sale of intangibles	**25**	-	**25**	-
Net gain on disposal of emission units	**(7,005)**	-	**-**	-
Net gain on disposal of interest in jointly controlled assets	**(8,252)**	-	**-**	-
Change in the fair value of financial instruments	**92,751**	25,621	**92,458**	26,739
Impaired assets	**4,004**	19,786	**4,952**	56,823
Movement in effect of discounting on long term provisions	**372**	312	**17**	19
Share of earnings of associate companies	**(2,852)**	(2,069)	**-**	-
Share of earnings of jointly controlled entities	**27,655**	(2,935)	**-**	-
Other non-cash items	**1,652**	1,996	**(745)**	3,226
Net cash provided by operating activities before change in assets and liabilities	**324,931**	310,880	**260,839**	268,543
Change in assets and liabilities during the year:				
• Increase in trade receivables and prepayments	**(114,497)**	(21,402)	**(96,987)**	(15,642)
• (Increase)/decrease in inventories	**(1,363)**	(2,790)	**252**	(2,509)
• Increase in trade payables and accruals	**89,477**	10,880	**84,065**	13,063
• Increase/(decrease) in provision for tax	**14,637**	(6,325)	**(3,923)**	(16,536)
• (Decrease)/increase in deferred tax	**(36,192)**	1,583	**(32,448)**	(3,378)
Net cash inflow from operating activities	**276,993**	292,826	**211,798**	243,541

NOTE 28. COMMITMENTS

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Capital commitments				
Commitments for future capital expenditure include:				
Property, plant and equipment	**101,189**	325,238	**15,906**	91,486
Emission units	**98,124**	41,288	**98,124**	41,288
	199,313	366,526	**114,030**	132,774
Within one year	**103,423**	236,915	**19,657**	92,179
One to two years	**5,942**	84,644	**4,426**	878
Two to five years	**18,390**	11,604	**18,390**	6,354
Later than five years	**71,557**	33,363	**71,557**	33,363
	199,313	366,526	**114,030**	132,774

In the event the emissions trading scheme is terminated the forward purchase agreements for the acquisition of emission units which cover a 15 year period will also terminate.

Operating lease commitments				
Future minimum lease payments under non cancellable operating leases are:				
Within one year	**5,243**	3,688	**5,124**	3,446
One to two years	**5,001**	3,035	**4,956**	2,972
Two to five years	**13,872**	8,021	**13,832**	7,984
Later than five years	**20,210**	7,011	**20,202**	7,011
	44,326	21,755	**44,114**	21,413
Other operating commitments				
Commitments for other operating items are:				
Within one year	**2,165**	2,421	**1,934**	2,400
One to two years	**2,393**	1,163	**2,198**	1,054
Two to five years	**1,894**	1,789	**1,446**	1,772
Later than five years	**1,462**	1,210	**1,305**	1,210
	7,914	6,583	**6,883**	6,436

The operating leases are of a rental nature and are on normal commercial terms and conditions. The majority of the lease commitments are for building accommodation, the leases for which have remaining terms of between 1 and 15 years and include an allowance for either annual, biennial or triennial reviews. The remainder of the operating leases relate to vehicles, plant and equipment.

NOTE 29. CONTINGENCIES

Mighty River Power Limited holds land and interests that may be impacted by certain claims that have been brought or are pending against the Crown under the Treaty of Waitangi Act 1975. In the event that the Crown agrees to the return of some or all of the impacted land, resumption would be effected by the Crown under the Public Works Act 1981 and compensation would be payable to the Company. A claim relating to fresh water and geothermal resources is currently being heard by the Waitangi Tribunal. The outcome and impact of this claim is unknown at this time.

From time to time the Company will issue letters of credit and guarantees to various suppliers in the normal course of business. However, there is no expectation that any outflow of resource relating to these letters of credit or guarantees will be required as a consequence.

The group has no other material contingent assets or liabilities.

NOTE 30. RELATED PARTY TRANSACTIONS

Ultimate shareholder

The ultimate shareholder of Mighty River Power Limited is the Crown. All transactions with the Crown and other State-Owned Enterprises are at arm's length and at normal market prices and on normal commercial terms. Transactions cover a variety of services including trading energy, postal, travel and tax.

Transactions with related parties

Notes 16, 17, 18 and 19 provide details of subsidiaries, associates, jointly controlled assets and jointly controlled entities. All of these entities are related parties of the Company.

During the year the Company entered into the following transactions with these entities:

	Transaction Value For the year ended 30 June		Balance Outstanding As at 30 June	
	2012 $000	2011 $000	2012 $000	2011 $000
Management fees and service agreements received (paid)				
Subsidiaries	5,965	3,350	-	-
Associates	(6,842)	(8,077)	73	(2,038)
Jointly controlled assets	4,857	4,817	-	-
Energy contract settlements received (paid)				
Associates	6,533	(3,618)	679	(752)
Jointly controlled assets	14,013	(25,610)	4,012	(3,113)
Interest income (expense)				
Subsidiaries	10,605	327	10,269	-
Associates	-	339	-	-
Jointly controlled assets	1,666	1,929	-	-

Energy contracts, management and other services are made in arm's length transactions at normal market prices and on normal commercial terms. The Tuaropaki Power Company Foundation Hedge contract as described in note 26 while it is at arm's length and negotiated on commercial terms does not settle at normal market prices for energy contracts.

Advances to subsidiaries are interest free and repayable on demand with the exception of Mighty River Power Geothermal Limited's advances to Rotokawa Geothermal Limited and Mighty River Power Limited's advances to Mighty Geothermal Power Limited, Mighty Geothermal Power International Limited and Special General Partner Limited which carry a floating market interest rate and are repayable on demand.

Advances to TPC Holdings Limited of $4 million (2011: $4 million) are interest free and repayable on demand subject to certain conditions being met.

The remaining outstanding advance to GeoGlobal Energy LLC, $0.5 million, is also interest free and repayable on demand subject to certain conditions being met. All other advances made to GeoGlobal Energy LLC and its subsidiaries were repaid during the prior year, or were converted to equity as part of the acquisition programme described in note 31.

The advance from GeoGlobal Energy LLC to GGE Peru S.R.L. of US$0.6 million carries a simple interest rate of 2.03%.

The long term advance to our Rotokawa Joint Venture partner carries a floating interest rate. Repayments under the advance are linked to the level of receipts under the geothermal energy supply agreement. There is no fixed repayment date, the agreement will terminate on receipt of any outstanding balances.

No related party debts have been written off, forgiven, or any impairment charge booked.

Key management personnel

Key management personnel compensation (paid and payable) comprised:

	Group 2012 $000	Group 2011 $000	Company 2012 $000	Company 2011 $000
Directors fees	657	502	657	502
Salary and other short term benefits of the Chief Executive and Senior Management	4,560	3,927	4,560	3,927
Long term benefits of the Chief Executive and Senior Management	1,094	643	1,094	643
	6,311	5,072	6,311	5,072

Other transactions with key management personnel

Directors and employees of the Group deal with Mighty River Power Limited as electricity consumers on normal terms and conditions within the ordinary course of trading activities.

A number of key management personnel provide directorship services to other entities as part of their employment without receiving any additional remuneration. A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel were conducted on an arms length basis.

NOTE 31. BUSINESS COMBINATIONS

There were no business combinations entered into in the current year.

On 28 February 2011 GeoGlobal Partners 1 Limited Partnership acquired from GeoGlobal Energy LLC, an associate company, the following entities:

GGE Chile Holdings and its subsidiary GGE Chile SpA
GeoGlobal U.S. Gabbs LLC
Erdwärme Oberland GmbH
Erdwärme Bayern Management GmbH and its subsidiaries Erdwärme Bayern GmbH & Co. KG and Erdwärme Bayern Asset Management GmbH & Co. KG

On 23 May 2011 GeoGlobal Partners 1 Limited Partnership made a further acquisition from GeoGlobal Energy LLC, as follows:

GGE Peru Holding LLC and its subsidiary GGE Peru S.R.L.

GeoGlobal Partners 1 Limited Partnership acquired 100% of the voting rights of these subsidiaries.

These acquisitions were part of an implementation of an efficient holding, financing and management investment structure for Chilean, German and Peruvian geothermal exploration and development opportunities which will facilitate third party investment at multiple entry points as required.

The fair values of the identifiable assets and liabilities of these entities as of the date of acquisition were:

	Consolidated fair value at acquisition date $000
Cash and cash equivalents	18,900
Receivables	3,427
Property, plant and equipment	41,514
Intangible assets	17
	63,858
Payables and accruals	(9,117)
Fair value of identifiable net assets	54,741

Acquisition date fair value of consideration transferred:

Cash paid	452
Agreement to convert related party debt funding to equity	54,289
	54,741
Direct costs relating to the acquisition	48

The net cash inflow on acquisition was as follows:

Net cash acquired	18,900
Cash paid	(452)
Net cash inflow	18,448

The impact on the income statement if the acquisition had occurred at the beginning of the reporting period:

Revenue	1,115
Net loss	(4,062)

NOTE 32. SUBSEQUENT EVENTS

There are no material events subsequent to balance date that would affect the fair presentation of these financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MIGHTY RIVER POWER LIMITED AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The Auditor-General is the auditor of Mighty River Power Limited (the company) and group. The Auditor-General has appointed me, Brent Penrose, using the staff and resources of Ernst & Young to carry out the audit of the financial statements of the company and group, on her behalf.

We have audited the financial statements of the company and group on pages 2 to 45 that comprise the balance sheet as at 30 June 2012, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion on the financial statements

In our opinion the financial statements of the company and group on pages 2 to 45:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the company and group's:
    - financial position as at 30 June 2012 and
    - financial performance and cash flows for the year ended on that date.

Opinion on other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 28 August 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company and group's financial position, financial performance and cash flows.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 19(1) of the State Owned Enterprises Act 1986.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Partners and staff of Ernst & Young may deal with the group on normal terms within the ordinary course of trading activities of the business of the group. Ernst & Young on behalf of the Auditor-General performed an audit of the group's financial statements for the six months ended 31 December 2011. Ernst & Young Transaction Advisory Services Limited has been also engaged as investigating accountants in connection with the proposed public offer of shares in the company. Other than these matters and the audit, we have no relationship with or interests in the company and group.

BRPenrose

Brent Penrose
Ernst & Young
On behalf of the Auditor-General
Auckland, New Zealand

28th August 2012

Financial Results

12 Months ended 30 June 2012

MIGHTY RIVER POWER

Presented by:

Doug Heffernan
Chief Executive

William Meek
Chief Financial Officer

Disclaimer

- The information in this presentation was prepared by Mighty River Power Limited with due care and attention with every effort made to ensure its accuracy.

- Due to Securities Act restrictions the company is not presently in a position to provide forward looking financial information nor to answer questions about its activities or prospects. This presentation does not constitute financial advice.

Agenda

2012 Highlights

Financial performance

- EBITDAF increased 4% to $461 million in line with increased guidance
- NPAT decreased to $68 million, reflecting significant non-cash changes in fair value of financial instruments
- Underlying earnings flat at $163 million reflecting increased operational earnings offset by increased depreciation and lower reported equity accounted earnings
- Declared total dividends up 9% to $120 million reflecting current dividend policy

Operational performance

- FPVV electricity sales prices and volumes to customers both increased 5%
- Hydro generation down 2% reflecting lower inflows into the Waikato catchment in the last quarter, but still 294GWh above annual average
- Flexible portfolio able to take advantage of higher wholesale prices

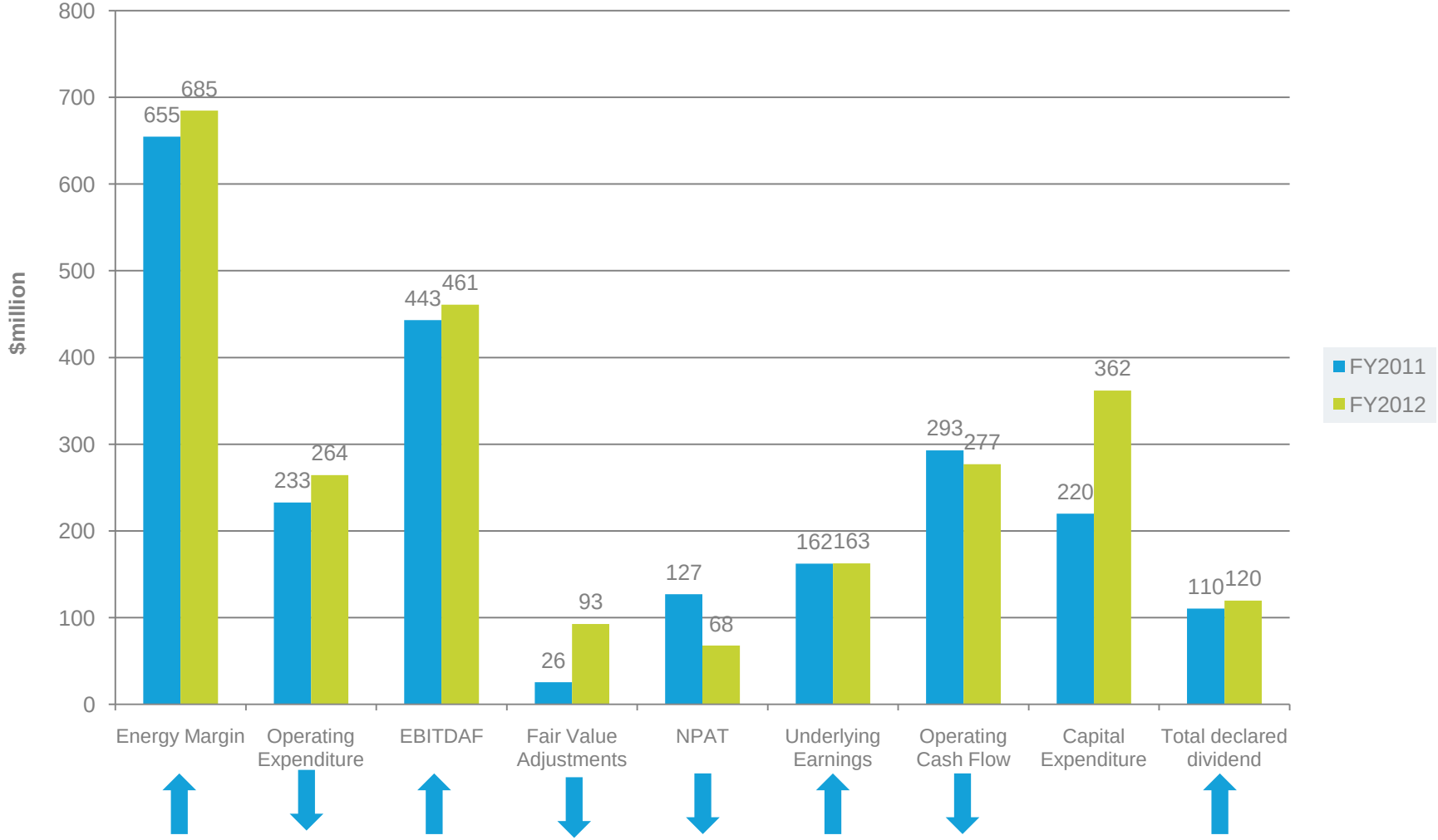
Portfolio developments

- Development of 82MW Ngatamariki geothermal plant on track for commissioning in mid-2013
- Energy Source's John L Featherstone plant operating since March 2012 with a 99% capacity factor in it's first full quarter

Capital structure

- Extended liquidity headroom to $510 million
- BBB+ Standard & Poor's credit rating, with Stable outlook

2012 Financials

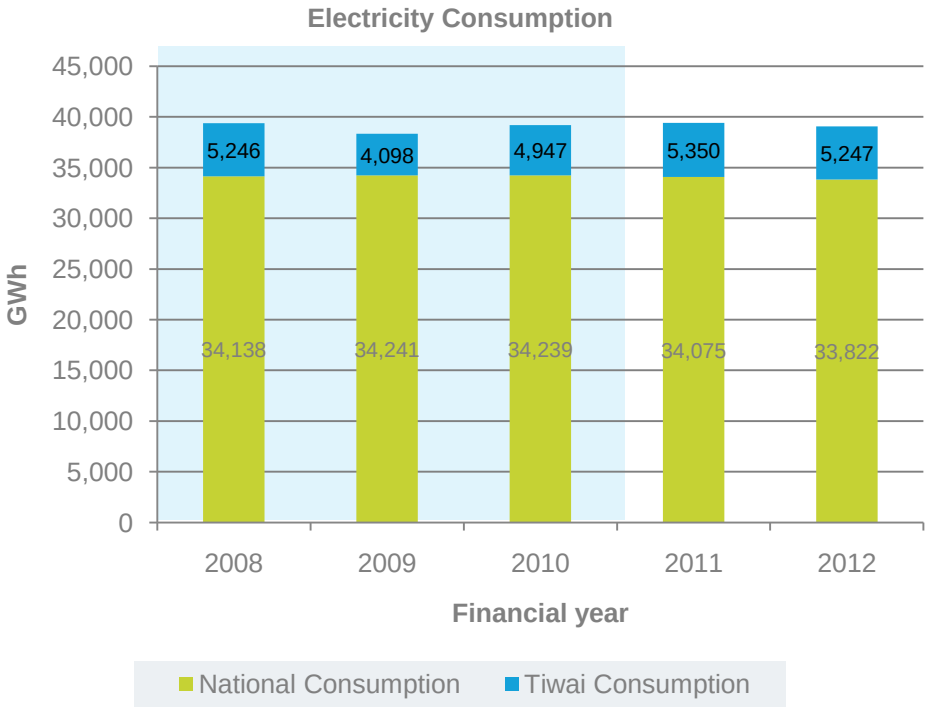


	Energy Margin	Operating Expenditure	EBITDAF	Fair Value Adjustments	NPAT	Underlying Earnings	Operating Cash Flow	Capital Expenditure	Total declared dividend
% change	5%	(14%)	4%	(263%)	(47%)	0.3%	(5%)	64%	9%
$m change	$30m	($32m)	$18m	($67m)	($59m)	$0.5m	($16m)	$142m	$9m

2012 Market Dynamics

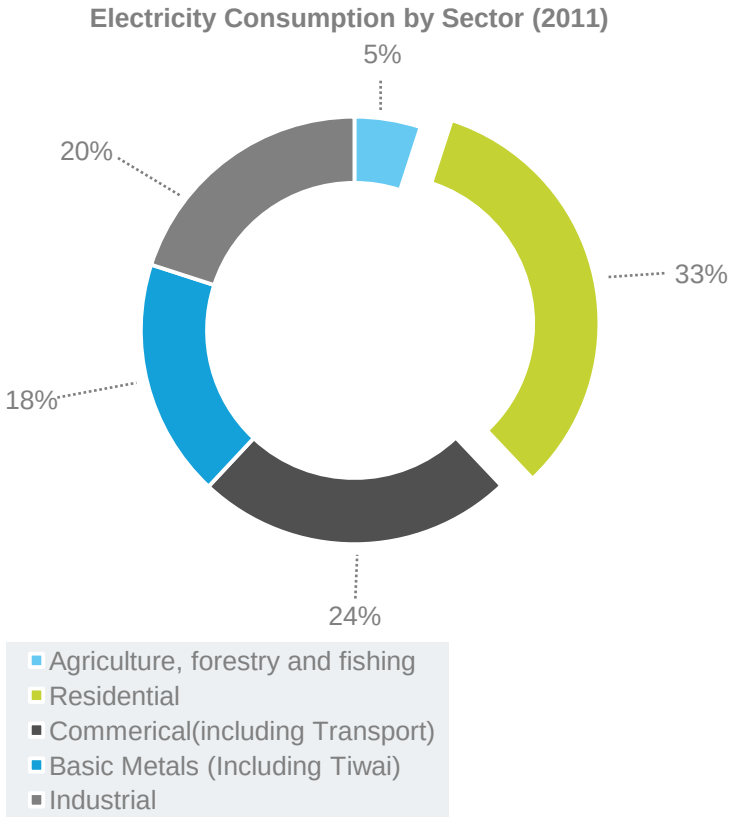
Demand

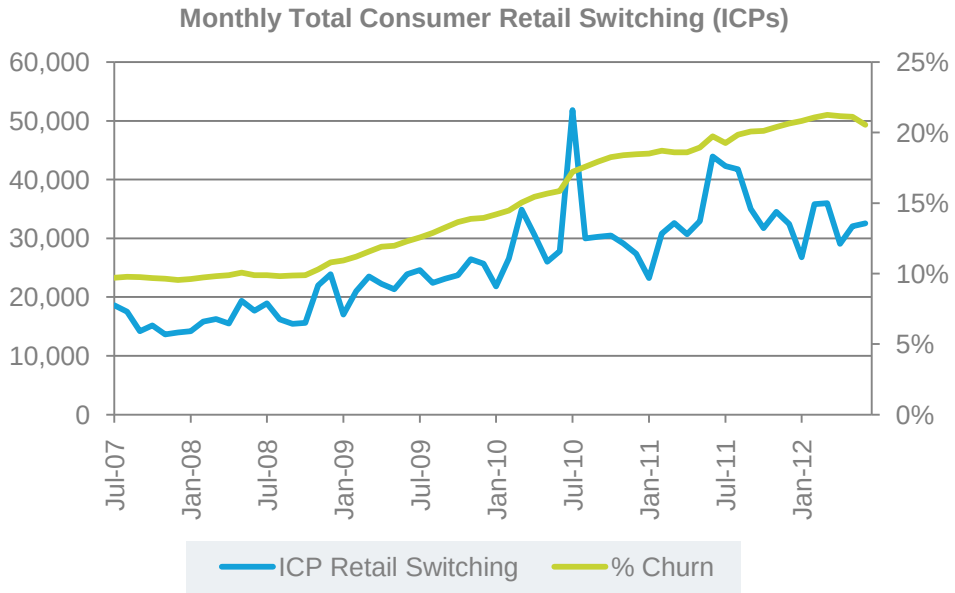
- Consumption broadly flat in the last five years reflecting
  - fluctuating demand from Tiwai
  - weak economic conditions
  - Christchurch earthquake
- Excluding Tiwai demand continued to be relatively flat in FY2012 at 33,822GWh
- Tiwai decreased consumption by 103GWh over the year mainly in the second half



Demand

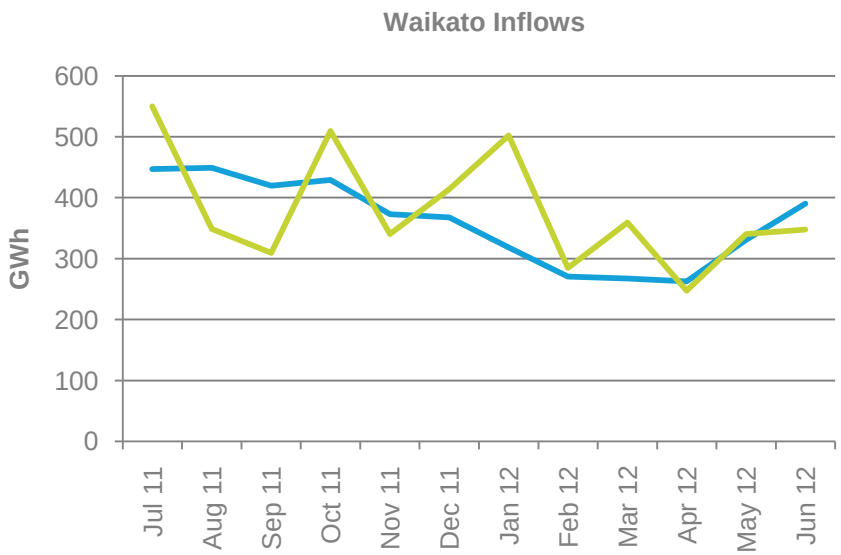
- Residential households account for 33% of total national electricity consumption by volume (GWh) and 87% by Individual Connection Points (ICPs)
- Retail churn within ICPs, which are predominately residential, remains high but recently levelled out

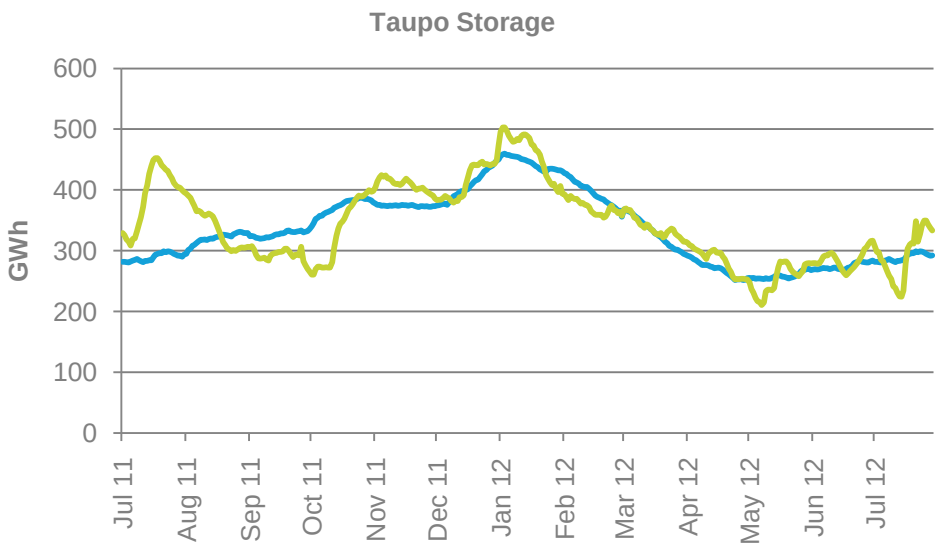




Supply

- Above average inflows into the Waikato Catchment in the first nine months, lower than average in the last quarter
- Record low South Island hydrology during the year
- Nationally, low cost hydro generation was replaced with higher cost gas and coal production
  - Hydro generation down 13% to 21,848GWh
  - Thermal (coal & gas) generation was up 29% to 11,631GWh



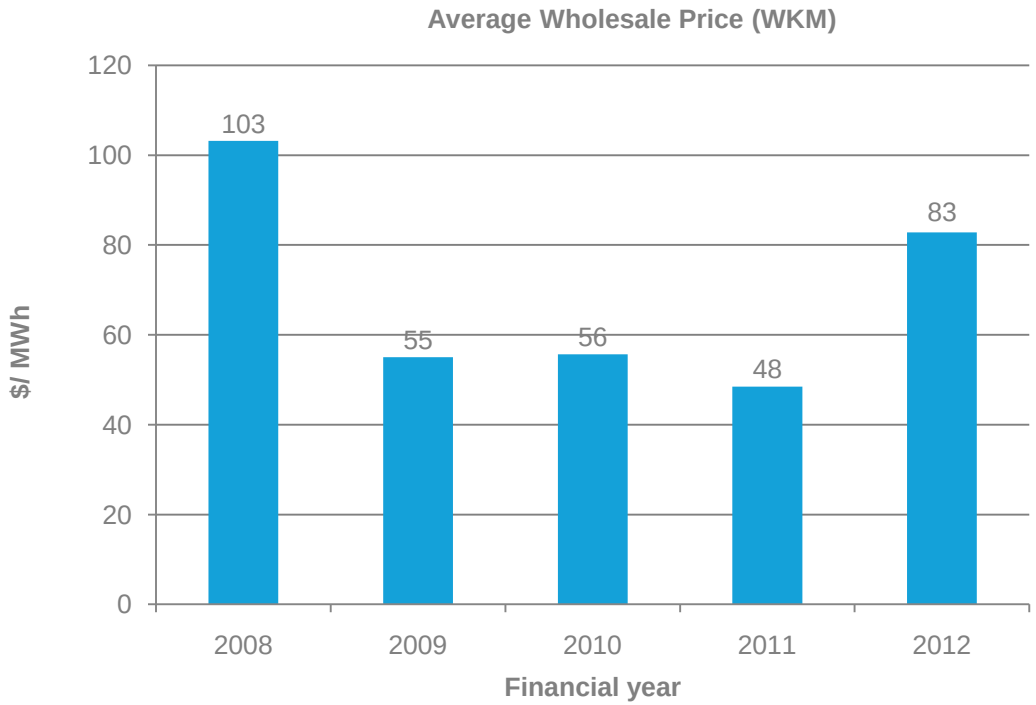


Average Actual

Note: Average for Waikato inflows calculated since 1927 and average for storage since 1999 when Might y River Power began operating the Waikato Hydro system

Wholesale prices

- Despite a record dry spell in the South Island wholesale price increases were relatively modest compared to dry spell in 2008
- Since 2008, renewables have displaced thermal capacity, leaving more thermal capacity able to respond to dry conditions
- Increased competition between thermal plants, led to higher availability of lower priced hedge contracts than in 2008 by these plants

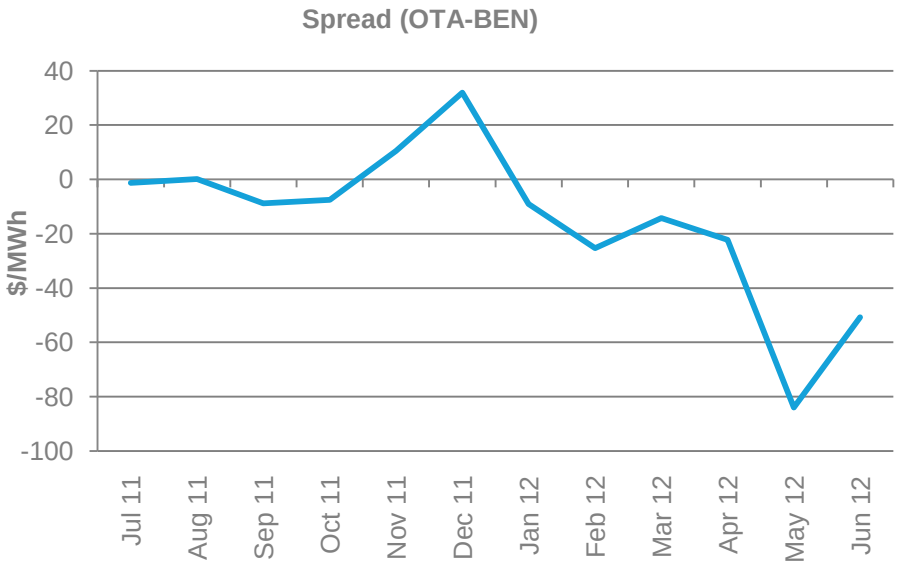


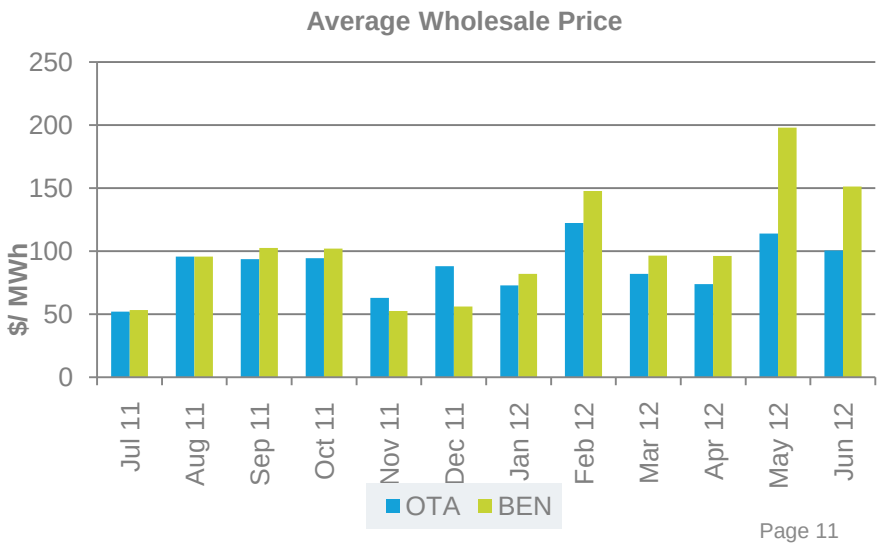
North Island – South Island differential

- Wholesale price spread given the record low South Island hydrology in the last nine months of the year
- Spread significant in the fourth quarter given
  - transmission capacity restrictions
  - South Island reserve offers

Transmission upgrades

- Transpower is increasing the northward and southward capacity of the HVDC inter-island link
- Expansion will mean less reserve market pressures

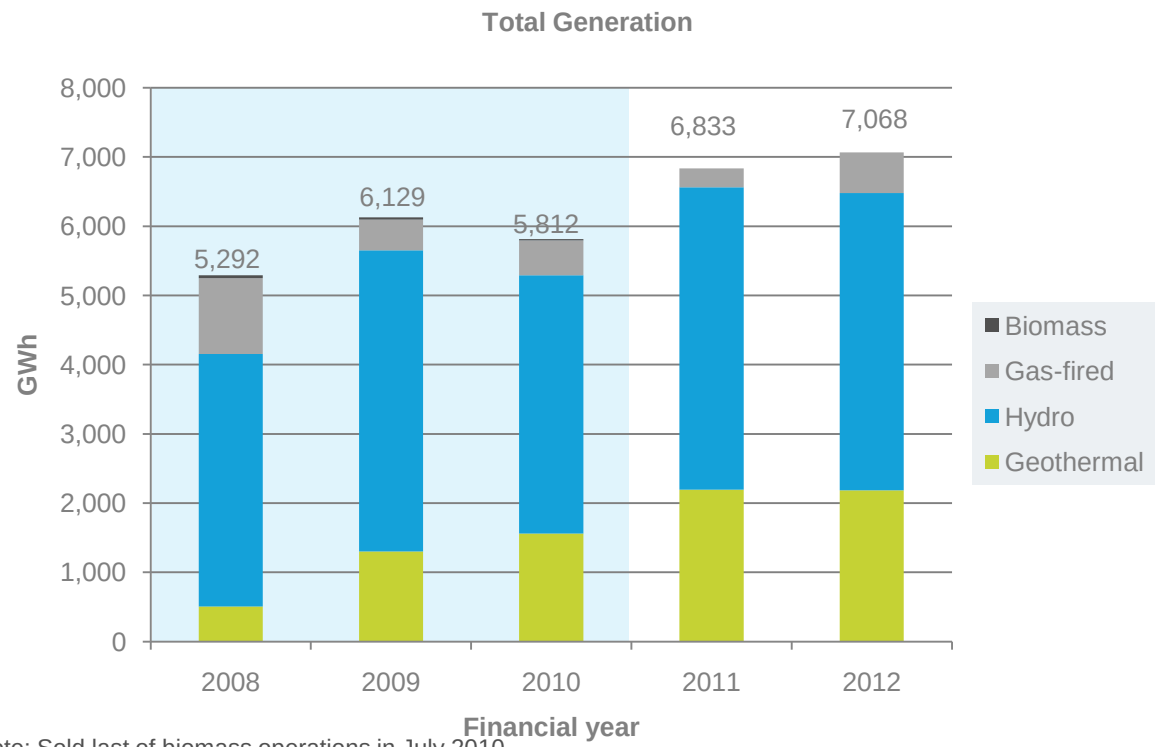




Operational Update

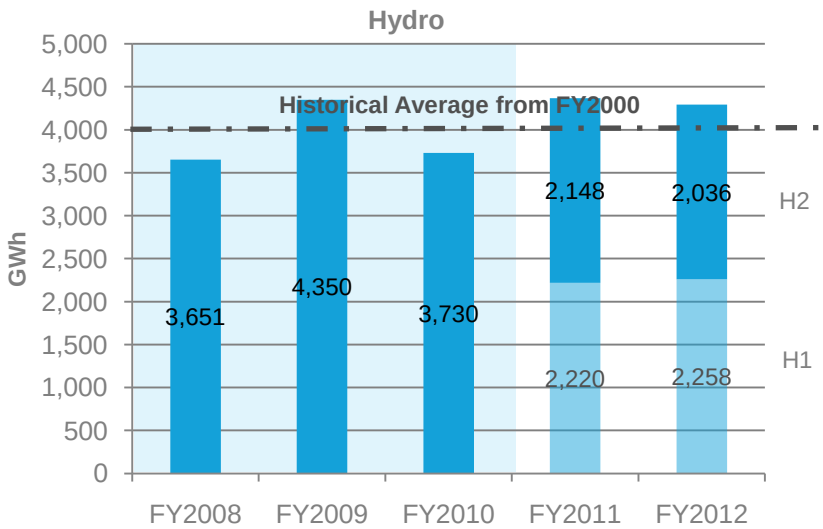
Electricity Generation

- 1,597MW in operation (1,464MW by equity share), 82MW geothermal station under construction
- Diversified and flexible portfolio annual production increased by 3% to 7,068GWh
  - 61% hydro –peaking capacity with limited storage in Taupo lake; mainly rain fed (not snow fed)
  - 31% geothermal – high availability, low fuel cost renewable base-load – 'premium' renewable
  - 8% gas-fired – can take advantage of wholesale market opportunities and provides dry-year cover

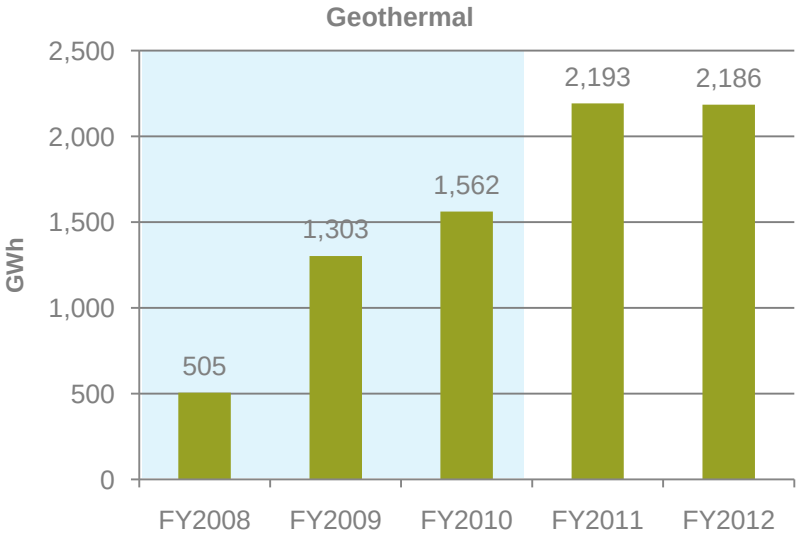


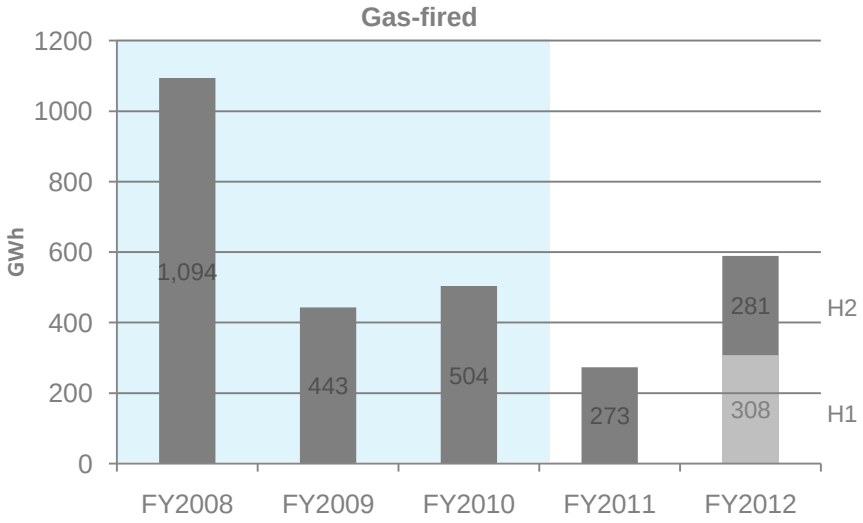
Note: Sold last of biomass operations in July 2010

Electricity Generation

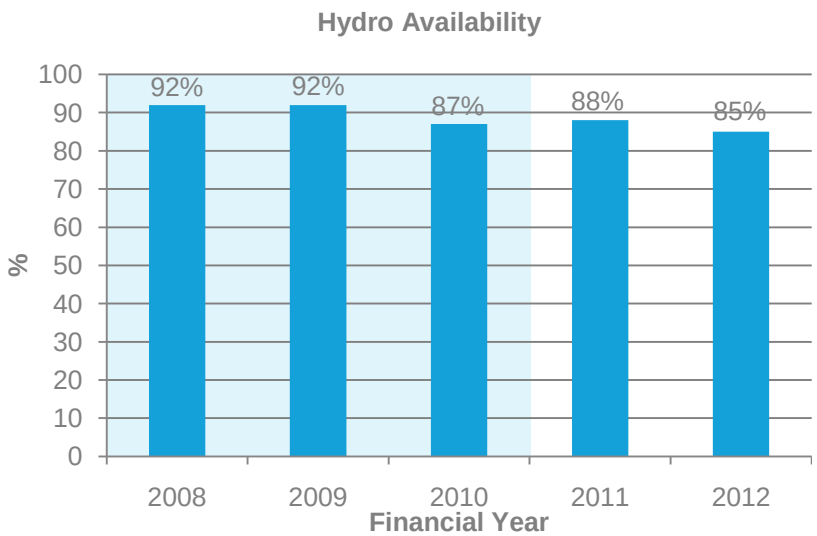


- Hydro generation down 2% from FY2011 but still 294GWh above annual average
- Used Southdown's flexibility to take advantage of high wholesale prices
- Geothermal base load generation had average availability factor of 95%
- 2 April sold 10% interest in Nga Awa Purua (30GWh reduction in generation per quarter)

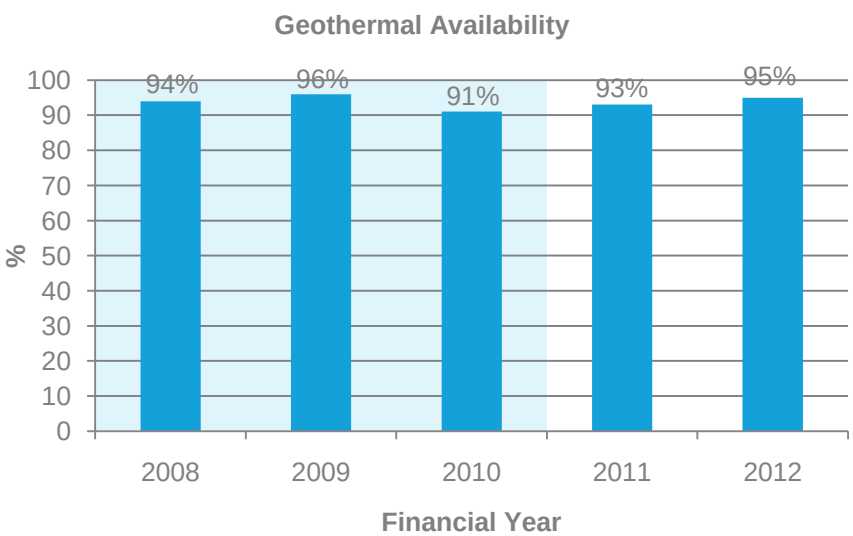


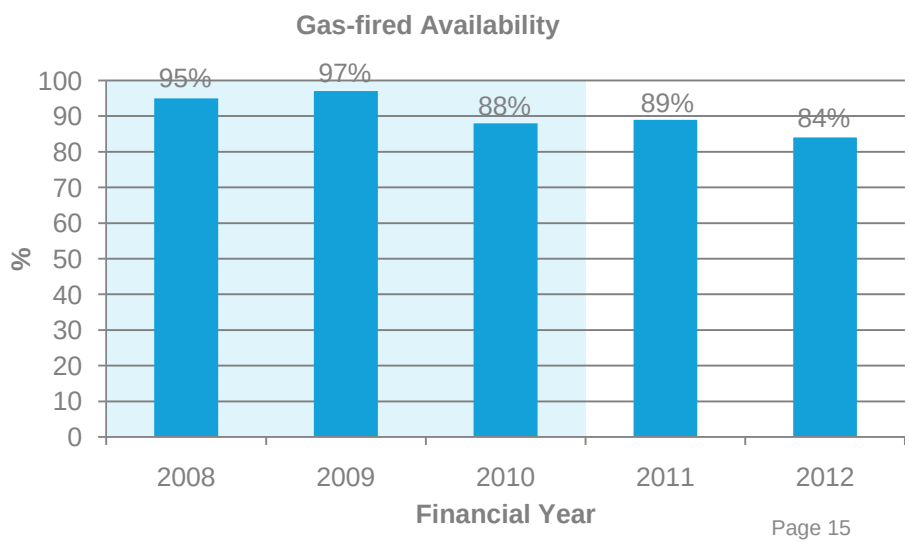


Generation Plant Operations



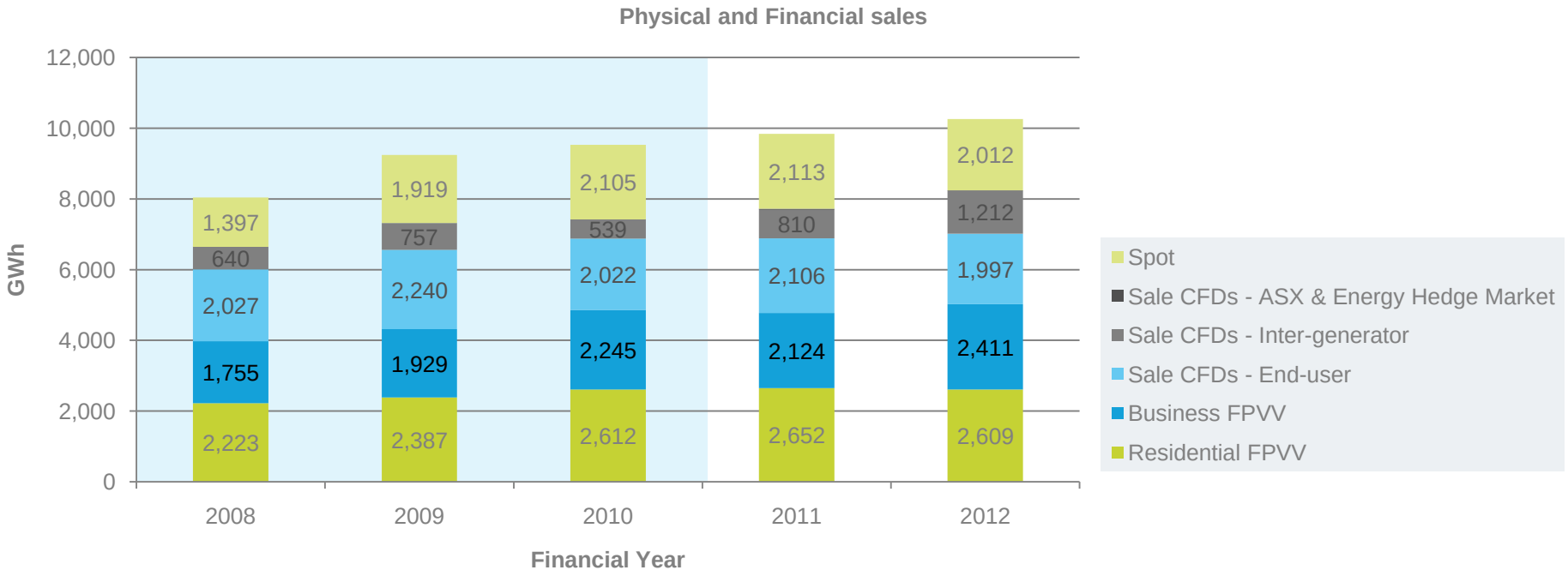
- Increased planned outages in FY2012 as life-cycle work continues on hydro stations namely Ohakuri and Arapuni
- Transformer and gas turbine failures at Southdown in FY2012
- Geothermal availability 99.7% in the last quarter





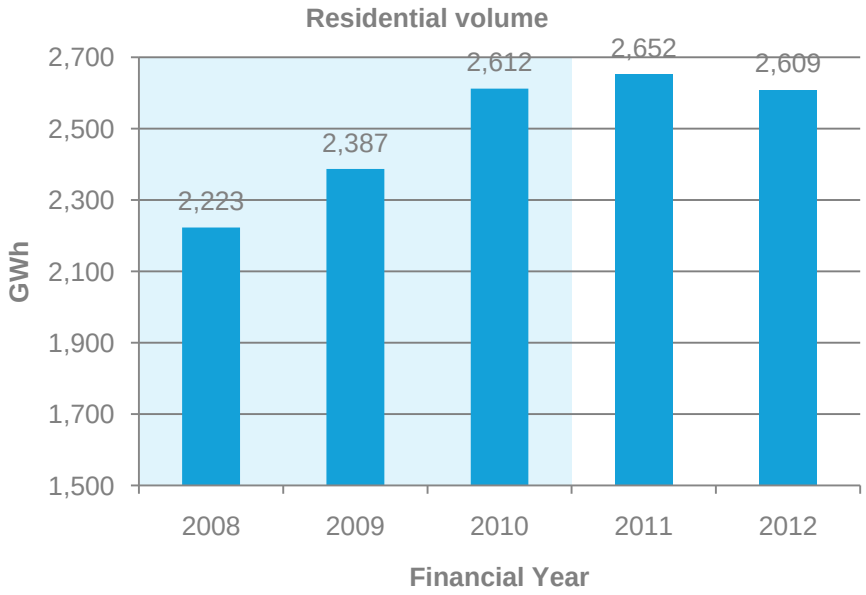
Electricity Sales

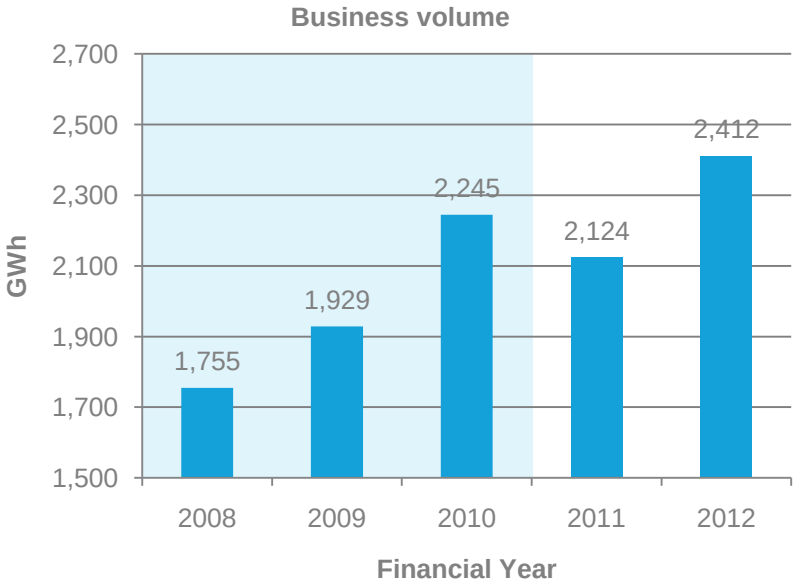
- Physical sales (FPVV) volumes increased 5% to 5,021GWh, reflecting a strong increase in commercial volumes
- Contract to move approx 5,000 of Meridian's Christchurch pre-pay customers to GLO-BUG by the end of September
- FY2012 debt write-offs $3.6 million (2011: $3.8 million) – represents $9 per customer
- Continued success of 3 year fixed plan with more than 84,000 customers on this tariff plan (2011: 68,000)



Electricity Sales

- Residential volumes fell back slightly to FY10 levels
- 14% lift in business sales volumes to 2,412GWh
- Medium business segment experienced the highest growth and the average contract term for new business has grown from 2.0 to 2.7 years in FY2012



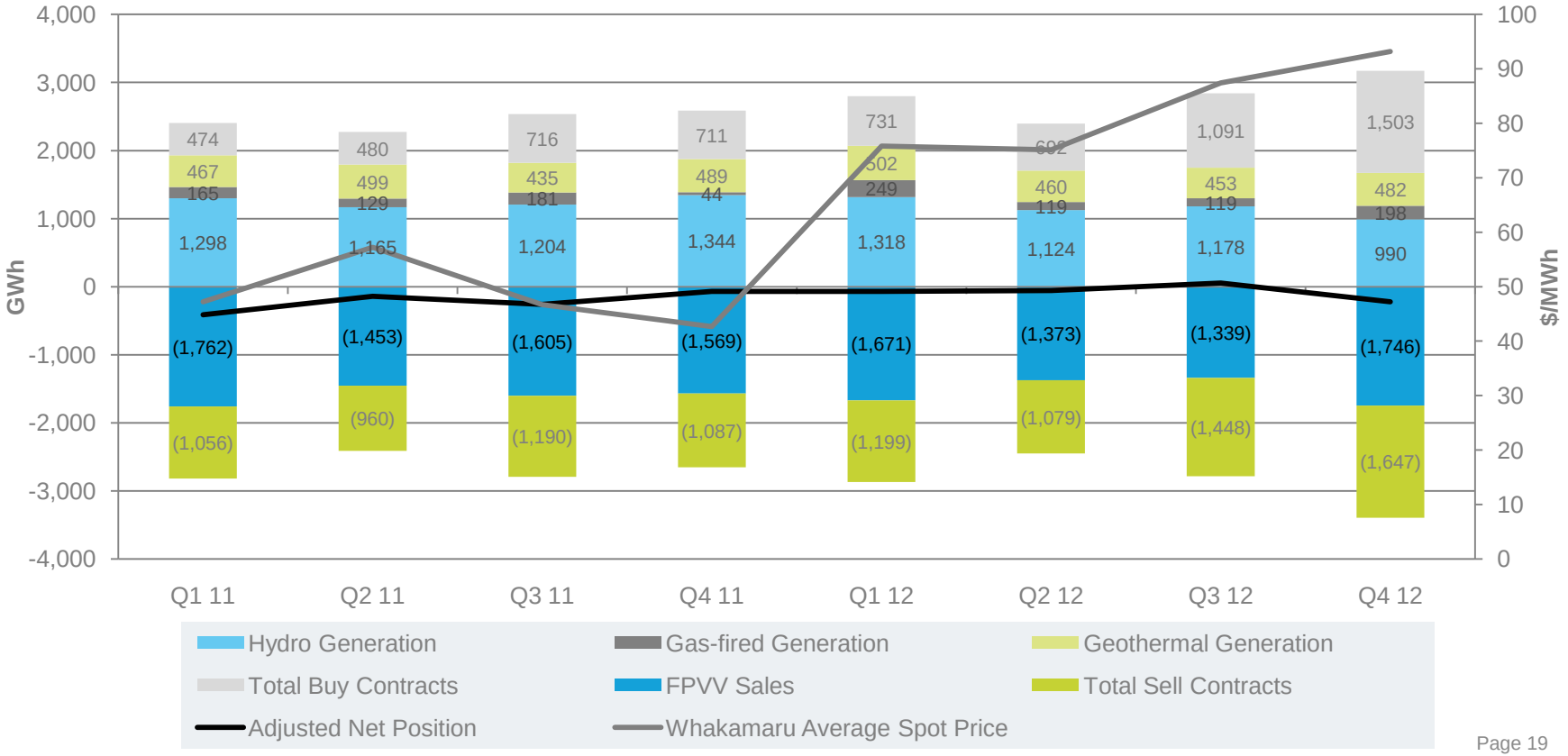


Contracts for Difference

> Only major change, VAS contract increased by 300GWh in January 2012 (buy and sell-side Inter-generator CFD)

Net Position adjusted for volume profile and generation locations

- Vertically integrated portfolio largely square through the year, slightly short in the fourth quarter due to elevated South Island prices and slightly reduced hydrology
  - adjusted short position: 221GWh, unadjusted short position: 34GWh
- VAS increased by 300GWh in January 2012 and exercised 51GWh of swaption in the fourth quarter



Financial Update

Change in Segment Reporting

- "Wholesale" and "Retail" segments have been combined in a new segment called "Energy Markets"
- The "Other segment" includes metering, upstream gas and international geothermal developments
- The "Unallocated" includes other corporate support services and other elimination adjustments

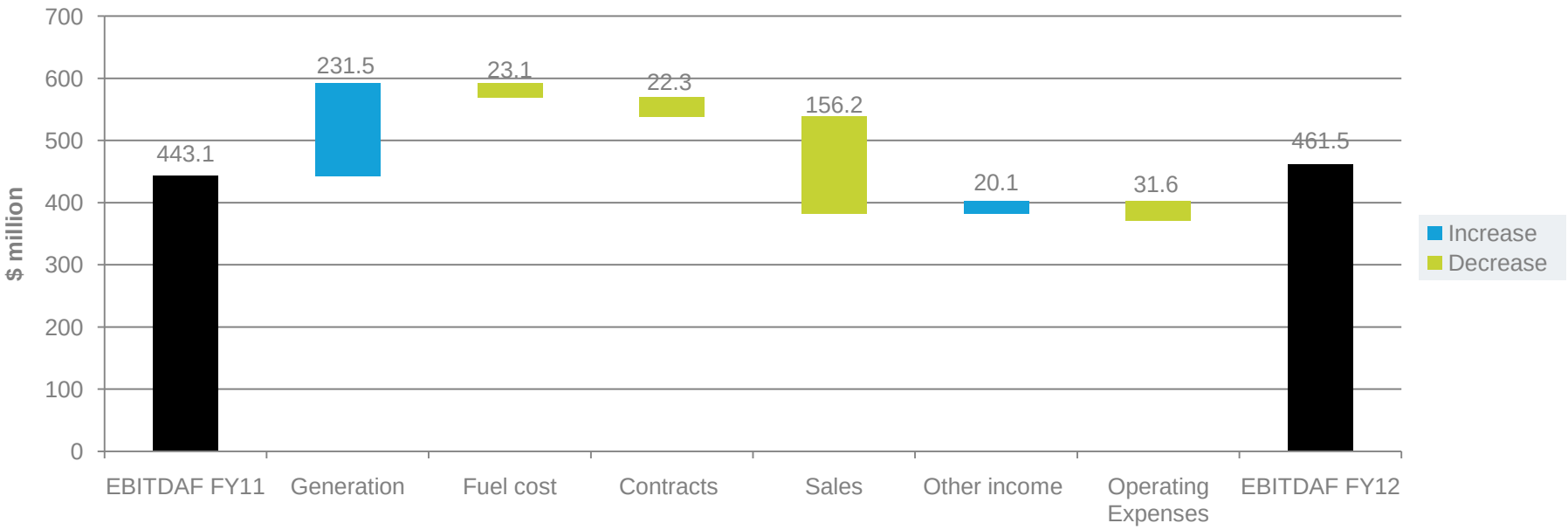
Year ended 30 June $million	2012	2011 (new disclosure)	2011 (old disclosure)
Wholesale			336.5
Retail			133.7
Energy Markets	499.0	470.1	
Other Segments	0.7	2.8	(27.1)
Unallocated	(38.2)	(29.9)	-
EBITDAF	**461.5**	**443.1**	**443.1**

Income Statement

Year ended 30 June $ million	2012	2011	$m change	% change
Energy Margin	**684.6**	**654.7**	**29.9**	**4.6%**
Other income	41.3	21.2	20.1	94.8%
Operating expenses	(264.4)	(232.9)	(31.5)	13.5%
EBITDAF	**461.5**	**443.1**	**18.4**	**4.2%**
Depreciation and amortisation	(158.4)	(145.4)	(13.0)	8.9%
Change in fair value of financial instruments	(92.8)	(25.6)	(67.2)	262.5%
Impairments	(4.0)	(19.8)	15.8	(79.8%)
Equity accounted earnings of interest in jointly controlled entities and associates	(24.8)	5.0	(29.8)	(596.0%)
EBIT	**181.5**	**257.2**	**(75.7)**	**(29.4%)**
Net interest expense	(72.6)	(71.8)	(0.8)	1.1%
Income tax expense	(41.3)	(58.4)	17.1	(29.3%)
Net profit after tax	**67.7**	**127.1**	**(59.4)**	**(46.7%)**
Underlying earnings after tax	**162.7**	**162.2**	**0.5**	**0.3%**

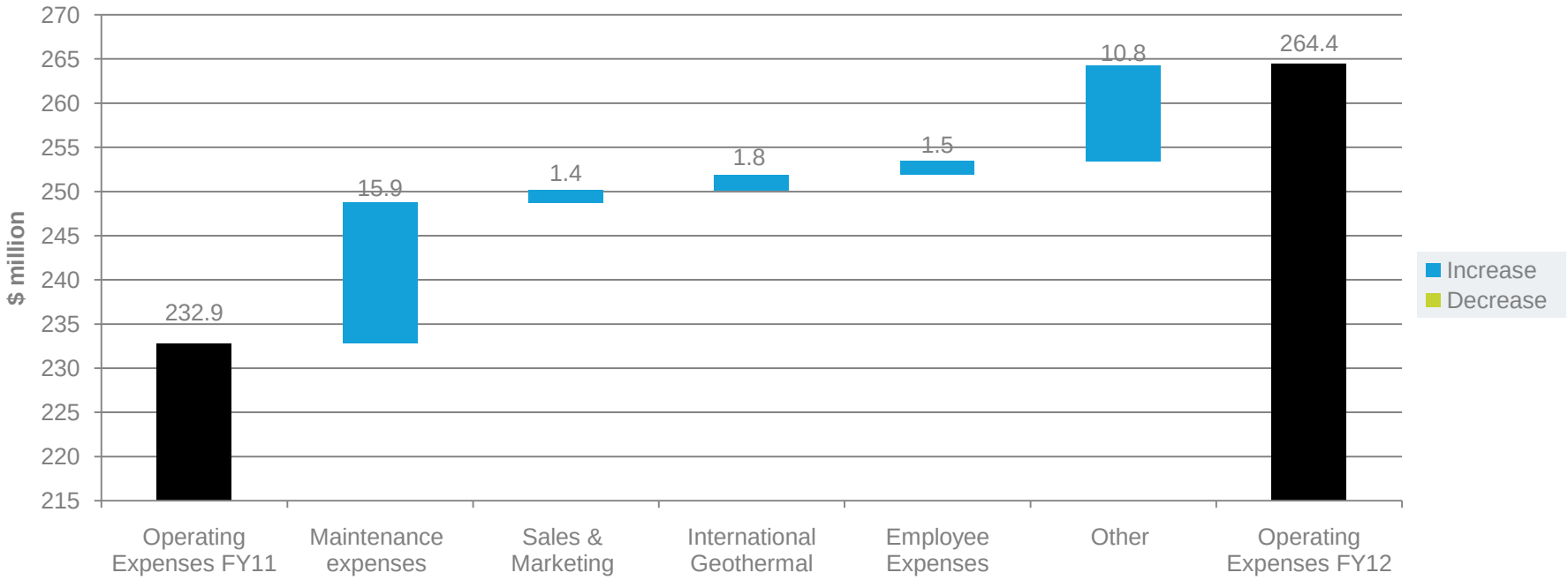
Operating earnings (EBITDAF)

- Generation and Sales changes largely due to higher wholesale prices
- Fuel cost increased due to higher Southdown generation
- Contracts decreased due to net short position and higher wholesale prices
- One-off contribution from the 10% sale of Nga Awa Purua ($8 million) and sale of emission units ($7 million)



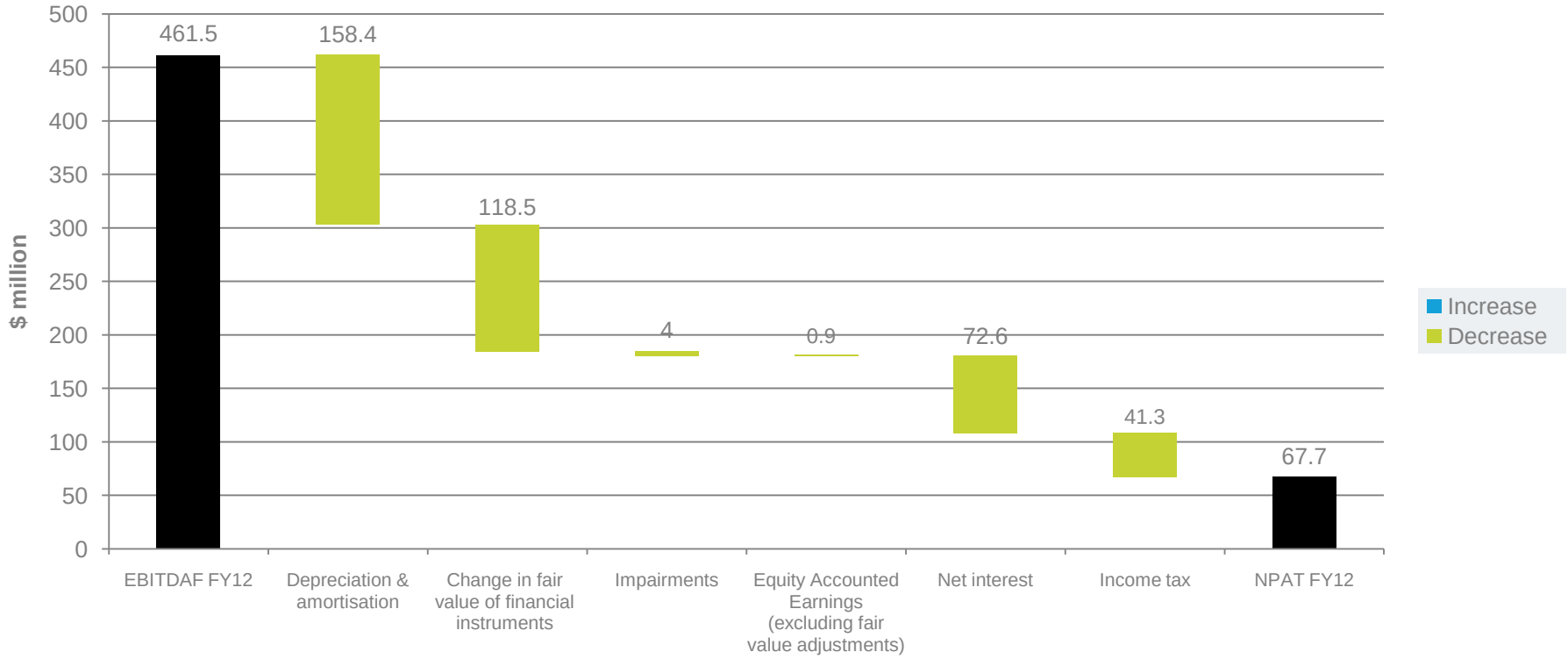
Operating Expenses

- Maintenance expenses up $16 million
  - Costs at Southdown of $12 million, mainly relating to transformer and gas turbine failures
  - Lifecycle work of hydro plants
- Other expenses up $10 million mainly reflecting costs arising from early termination of a long-term contract, higher professional fees and insurance costs
- $3.8 million borne on preparation for potential listing



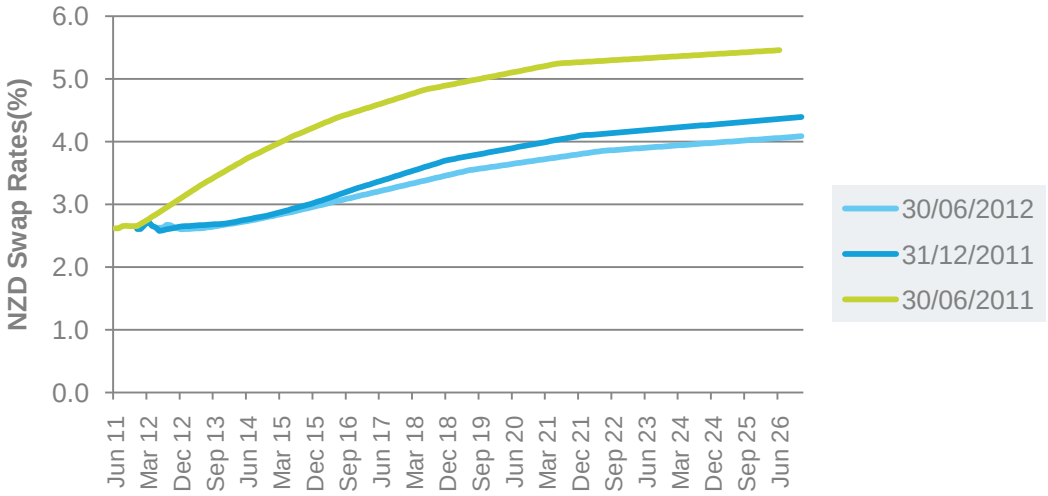
EBITDAF to NPAT

- Depreciation and amortisation increased by $13 million reflecting increased asset valuations in FY2011 and amortisation of intangible assets
- Change in fair value of financial instruments was $118 million, only $13 million in H2
  - $93 million relate to Mighty River Power
  - $25 million relate to associate companies and jointly controlled entities



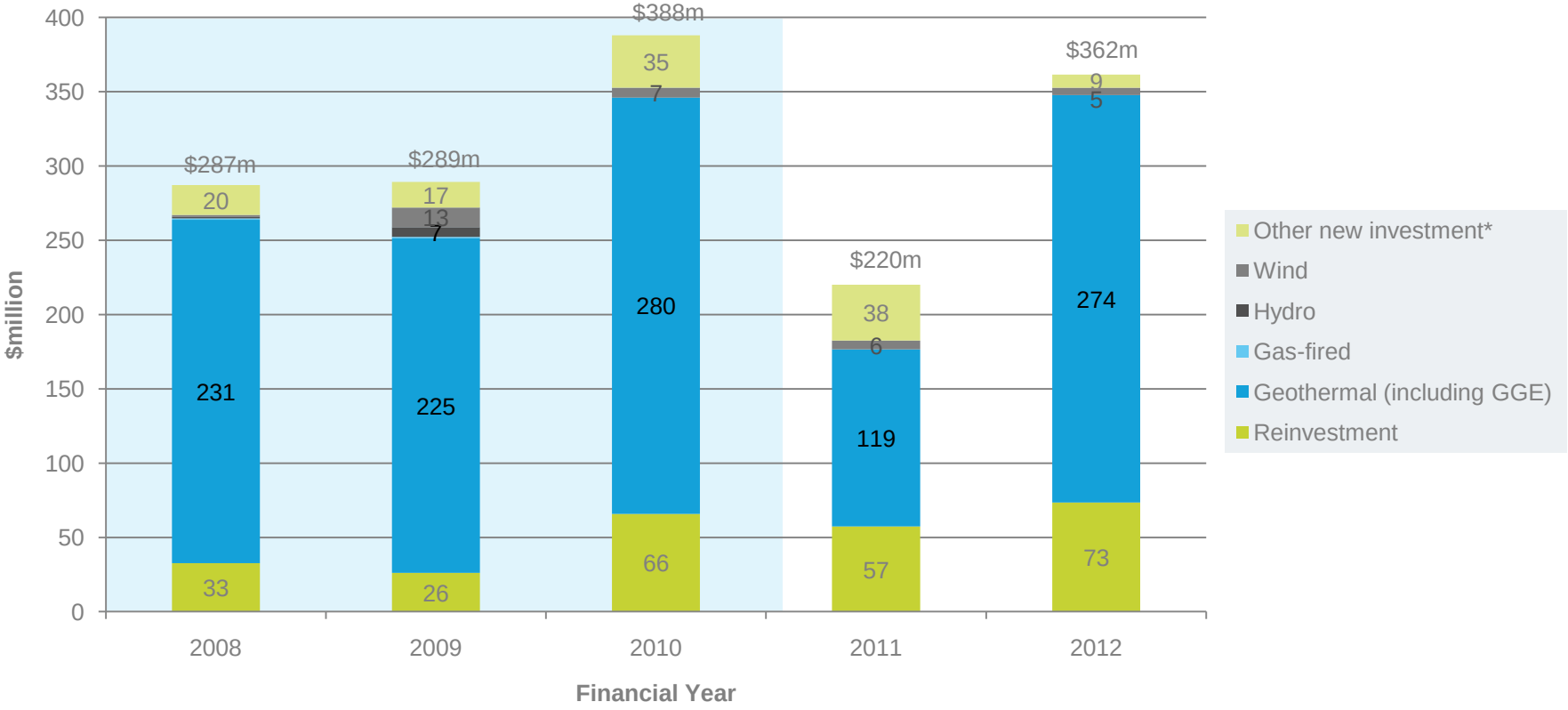
Fair value of financial instruments

- To manage risk and provide certainty, a significant portion of our debt is hedged so the cost of funds is insensitive to movements in interest rates
- Under Accounting Standards financial instruments are required to be valued at the end of each reporting period
- Movements in the non-hedge accounted derivatives are recognised in the income statement
- Change in fair value of financial instruments was $118 million, only $13 million in H2, relating to Mighty River Power and its related international investment companies



Capital Expenditure

- Ngatamariki 82MW geothermal development
  - $287 million spent to date
  - $203 million of which occurred in FY2012
- $74 million of geothermal capital expenditure relates to GGE (2011: $83 million)



* Includes smart meters

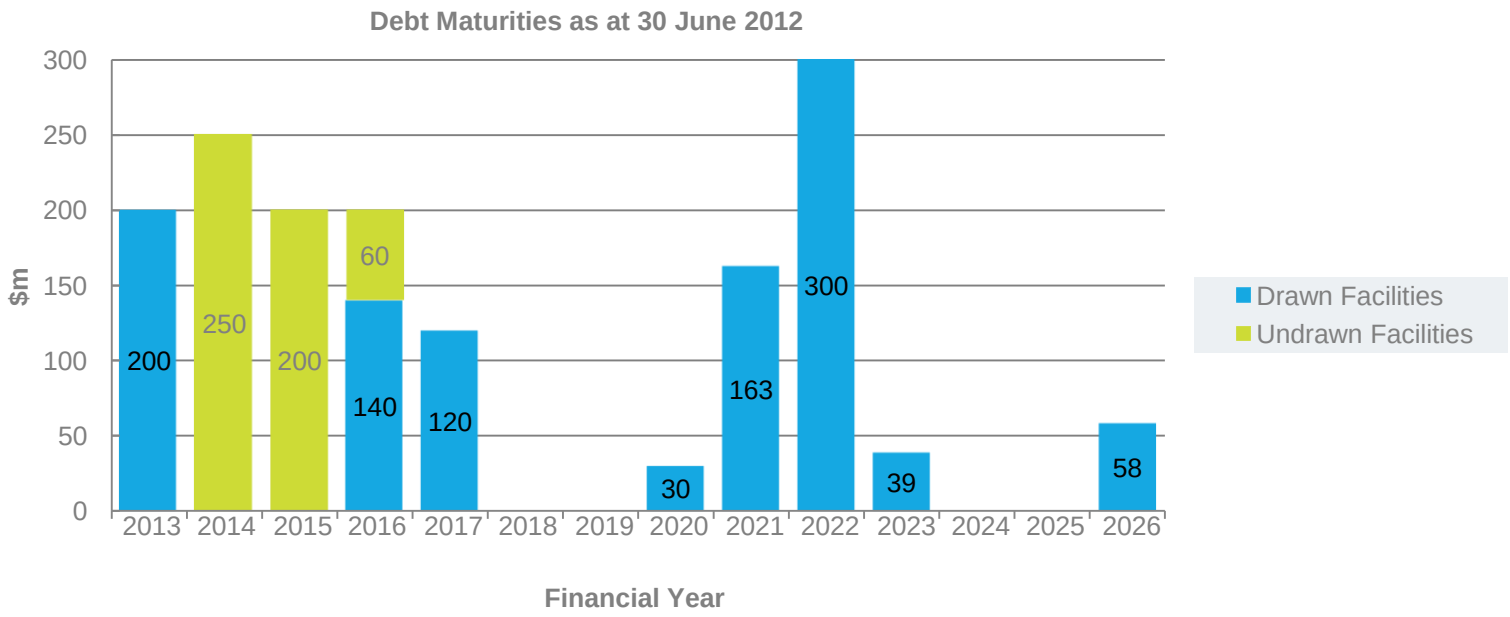
Consolidated Cash Flow

- Net interest increased $8 million reflecting higher debt levels partly offset by less capitalised interest
- Investment outflows include Ngatamariki and further deployment of GGE commitment
- Gain on sale from Nga Awa Purua and emission credit sale included as investing cash flow

$ million	FY2012	FY2011	$m change	% change
Net cash receipts	423.4	431.9	(8.5)	(2.0)
Net interest paid	(83.5)	(76.0)	(7.5)	9.8
Taxes paid	(62.9)	(63.0)	0.1	(0.2)
Net operating cash flow	**277.0**	**292.8**	**(15.8)**	**(5.4)**
Investing cash flow	**(291.6)**	**(202.4)**	**(89.2)**	**44.1**
Financing cash flow	**27.8**	**(68.8)**	**96.6**	**(140.4)**
Net increase in cash	**13.2**	**21.6**	**(8.4)**	**(38.9)**

Funding Profile

- Average debt maturity profile of 5.0 years
- Over FY2012, our debt was hedged 97% through the swap book
- $50 million increase in existing facilities in September 2011
- $200 million commercial paper programme established February 2012, of which $100 million of notes issued as at 30 June 2012
- $200 million three-year bank facilities raised in March 2012 sufficient to cover repayment of $200 million retail bond which matures in May 2013



Note: Undrawn facilities excludes commercial paper programme

Balance Sheet

- Upwards revaluations of $417 million in FY2011 and $170 million in FY2012
- Increase in current liabilities due to commercial paper programme ($200 million) and retail bond maturing in May 2013 ($200 million)
- Increased receivables and payables due to higher wholesale power prices

$ million	FY2012	FY2011	$m change	% change
SHAREHOLDERS' EQUITY				
Total shareholders' equity	**3,014.2**	**2,906.5**	**107.7**	**3.7%**
ASSETS				
Current assets	394.3	271.7	122.6	45.1%
Non-current assets	5,483.1	5,104.9	378.2	7.4%
Total assets	**5,877.4**	**5,376.6**	**500.8**	**9.3%**
LIABILITIES				
Current liabilities	**642.1**	**225.5**	**416.6**	**184.7%**
Non-current liabilities	**2,221.1**	**2,244.6**	**(23.5)**	**(1.0%)**
Total liabilities	**2,863.2**	**2,470.0**	**393.2**	**15.9%**
TOTAL NET ASSETS	**3,014.2**	**2,906.5**	**107.7**	**3.7%**

Financial Ratios

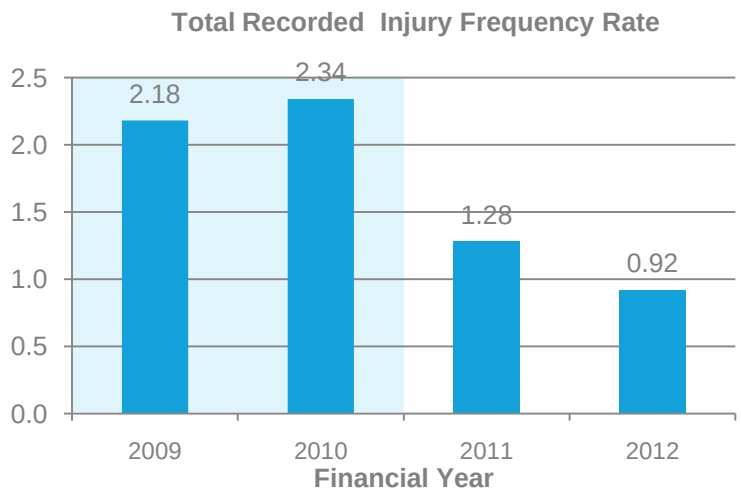
- Standard & Poor's credit rating: BBB+/Stable/A2
- Rating reaffirmed in April 2012

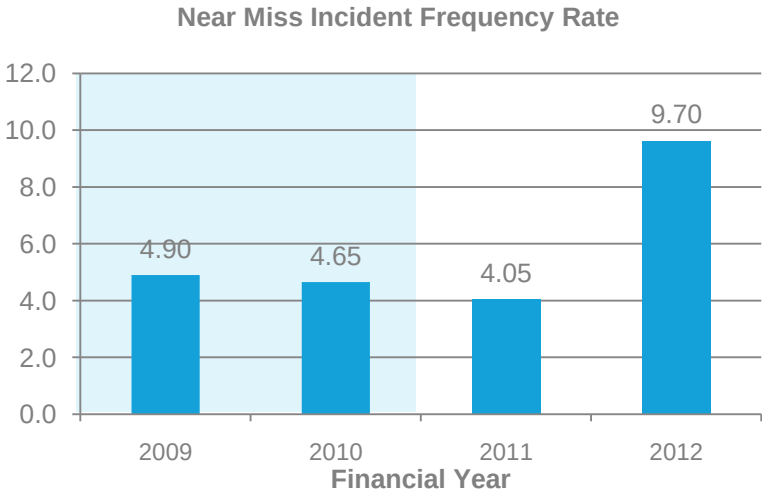
	30 June 2012	30 June 2011
Net debt ($m)	1,115.6	975.8
Equity/total assets (%)	51.3%	54.1%
Net debt/net debt+equity (%)	27.0%	25.1%
Interest (net) cover (times)	6.4x	6.2x
FFO/interest expense (times)	4.1x	4.8x
FFO/debt (times)	25.0x	30.9x

Business Update

Health and Safety

- The health, safety and well-being of our people is an absolute priority
- Total Recordable Injury Frequency rate down 28% due to a focused plan to enhance an existing strong Health and Safety culture
- Raising near miss reporting is important as more reports lead to more learnings and less future injuries
- Achieved one year Employee Lost Time Injury (LTI) free
- Strong participation in StayLive generation safety group which focuses on sharing information and collaboration on key initiatives to lift standards across the industry





Domestic Development

- 82MW Ngatamariki geothermal power station on track for commissioning mid-2013
  - Staged commissioning of the four units beginning after the project is connected to the grid late 2012
  - Power output from first two units in third quarter FY2013
  - Five of the seven wells have now been drilled for the project
  - Challenges with the drilling of the second and third injection wells utilised a significant portion of the contingency within the estimated $466 million project cost
  - Prudent to increase budget contingency by $18 million to be used if drilling of an additional well is needed
  - In the event additional contingency is utilised real LRMC remains less than $80/MWh

Domestic Development

- Reviewed development pipeline to ensure a focused effort on the most economic opportunities
- Progressing geothermal and wind development options to ensure readiness when market conditions support investment economics

Geothermal

- Te ia a Tutea (Taheke field) – development agreements with land owners signed in November with exploration expected in 2013

Wind

- Turitea wind farm achieved final consent in September 2011 – up to 60 turbines and 180MW
- Puketoi wind farm achieved consent (subject to appeal) in June 2012 – up to 53 turbines and 310MW
- Consents includes transmission line linking the two projects together

International Development

- Since establishment of the GGE Fund, secured investment opportunities greater than expected with US$225 million of Mighty River Power's capital deployed
- GGE is currently seeking further capital to advance the development of its projects
- Mighty River Power is working with GGE and will consider contributing further capital alongside new investors
- Key GGE developments over 2012 and to date include:
  - Energy Source's John L Featherstone plant (49.9MW) operational in March 2012. For the last quarter run at a capacity factor of 99% and post construction refinancing underway
  - Completion of two geothermal wells at Tolhuaca, one producing enough high temperature steam to generate 12MW
  - Hudson Ranch II signed a 15-year power purchase agreement, drilling to start in September
  - In Germany acquired four concessions in November 2011 and surface testing and planning underway

Water

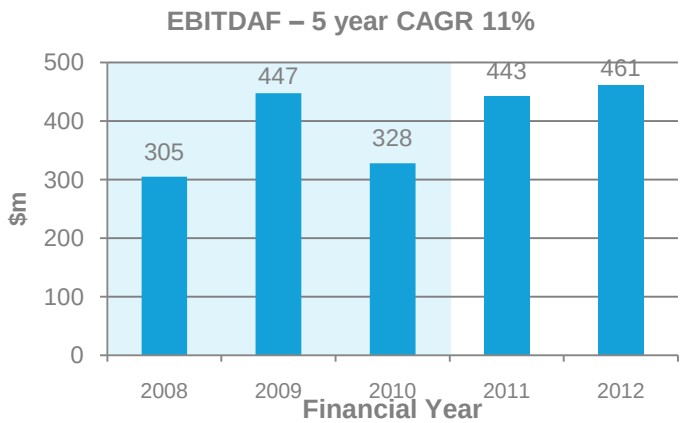
- Treaty of Waitangi issues are a matter for the Crown
- Variation 6 increased the water volume for abstraction (primarily dairy irrigation) from the Waikato River
  - long-term average of 4,000GWh still expected
- Waikato Regional Council to consider whether there should be a 5 year review of consents
  - Requirement for an “effects greater than anticipated” test to be satisfied

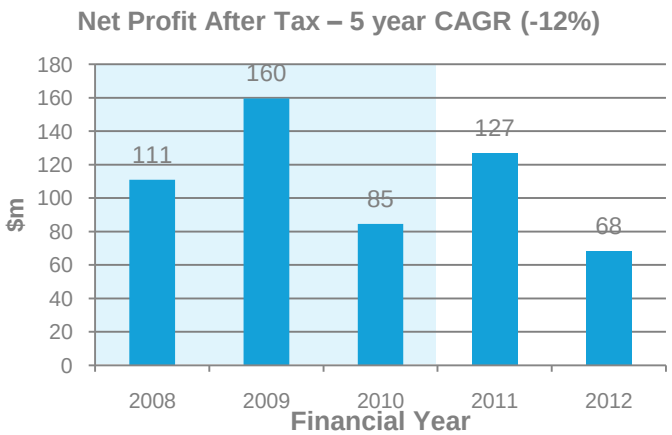
Summary

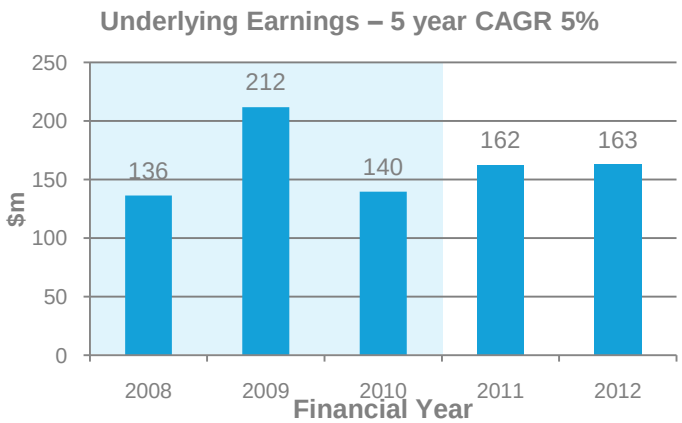
FY2013 to date

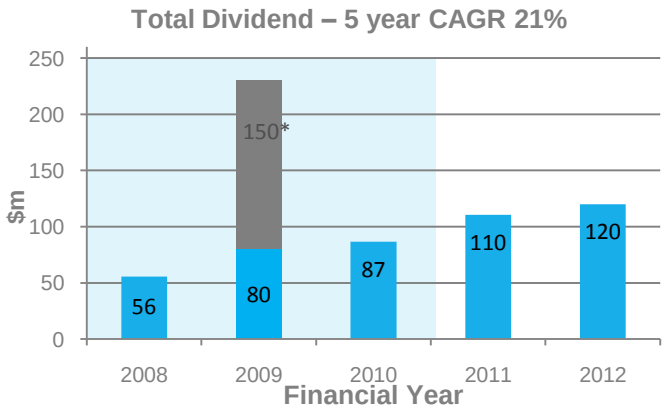
- Inflows into the South Island reservoirs improved from lows experienced in 2012
- South Island storage remains 28% below historical averages
- Solid inflows into the Waikato catchment at 21% above historical averages and 10% above pcp
- Current storage at 348GWh, in line with historical averages
- Customer growth experienced in the second half of FY2012 has continued

5 Year Summary









1. Impacted by fair value accounting of our interest rate swaps
2. Generation assets revalued by over $2 billion over the last five years which has increased depreciation charges
3. A special dividend of $150 million was also declared in FY2009

Appendix

Operating Information FY2012 vs FY2011

	Twelve months ended 30 June 2012		Twelve months ended 30 June 2011	
Electricity Sales	**VWAP[1] ($/MWh)**	**Volume (GWh)**	**VWAP[1] ($/MWh)**	**Volume (GWh)**
FPVV sales to customers	$115.48	5,021	$110.09	4,776
- Residential customers		2,609		2,652
- Commercial customers		2,412		2,124
FPVV purchases from market		5,323		5,089
Spot customer purchases		2,035		2,136
Total NZEM Purchases	**$94.68**	**7,358**	**$56.76**	**7,226**
Electricity Customers (number)	**386,000**		**392,000**	
Contracts for Difference				
- Buy CfD		1,708		1,263
- Sell CfD		3,224		2,947
- Net Sell CfD		1,516		1,684

1. **VWAP is volume weighted average energy only price sold to FPVV customers after lines, metering and fees**

Operating Information FY2012 vs FY2011

	Twelve months ended 30 June 2012		Twelve months ended 30 June 2011	
Electricity Generation	**VWAP[1] ($/MWh)**	**Volume (GWh)**	**VWAP[1] ($/MWh)**	**Volume (GWh)**
- Hydro	$87.89	4,294	$52.87	4,368
- Gas	$100.97	589	$119.90	273
- Geothermal (consolidated)[3]	$82.11	1,946	$47.38	1,956
- Geothermal (equity accounted)[4]	$81.80	239	$48.96	236
Total	**$87.18**	**7,068**	**$53.83[2]**	**6,833**
LWAP/GWAP[5]	**1.09**		**1.05**	
Gas Purchases [6]	**$/GJ**	**PJ**	**$/GJ**	**PJ**
- Retail purchases	$8.73	1.1	$8.15	1.05
- Generation purchases	$8.18	5.47	$7.97	2.97
Carbon Emissions ('000 tonnes CO_2e)	**628**		**502**	

1. VWAP is volume weighted average energy only price sold to FPVV customers after lines, metering and fees
2. Reflects the Electricity Authority's decision to reset prices to around $3,200/MWh in the Auckland region. This ruling is currently under appeal
3. Includes share of Nga Awa Purua generation
4. Tuaropaki Power Company (Mokai) equity share
5. Load weighted and generation weighted average price. This ratio gives an indication of electricity purchase costs compared to the sales price of the electricity produced
6. Prices exclude fixed transmission charges

Operating Information H2 2012 vs H2 2011

	Six months ended 30 June 2012		Six months ended 30 June 2011	
Electricity Sales	**VWAP[1] ($/MWh)**	**Volume (GWh)**	**VWAP[1] ($/MWh)**	**Volume (GWh)**
FPVV sales to customers	$117.45	2,466	$111.74	2,247
- Residential customers		1,202		1,207
- Commercial customers		1,264		1,040
FPVV purchases from market		2,609		2,403
Spot customer purchases		1,040		1,025
Total NZEM Purchases	**$106.06**	**3,649**	**$54.79**	**3,428**
Electricity Customers (number)	**386,000**		**392,000**	
Contracts for Difference				
- Buy CfD		1,017		807
- Sell CfD		1,699		1,458
- Net Sell CfD		682		651

1. VWAP is volume weighted average energy only price sold to FPVV customers after lines, metering and fees
2. CFD for the six months ended 31 December 2011 have been restated to reflect current methodology of including open AXS positions

Operating Information H2 2012 vs H2 2011

	Six months ended 30 June 2012		Six months ended 30 June 2011	
Electricity Generation	**VWAP[1] ($/MWh)**	**Volume (GWh)**	**VWAP[1] ($/MWh)**	**Volume (GWh)**
- Hydro	$95.37	2,036	$52.22	2,159
- Gas	$110.25	281	$168.89[2]	69
- Geothermal (consolidated)[3]	$89.47	965	$41.84	979
- Geothermal (equity accounted)[4]	$90.24	122	$44.36	121
Total	**$94.74**	**3,404**	**$50.90**	**3,329**
LWAP/GWAP[5]	**1.12**		**1.08**	
Gas Purchases [6]	**$/GJ**	**PJ**	**$/GJ**	**PJ**
- Retail purchases	$8.72	0.49	$8.46	0.43
- Generation purchases	$8.25	2.63	8.47	0.93
Carbon Emissions ('000 tonnes CO_2e)	300		217	

1. VWAP is volume weighted average energy only price sold to FPVV customers after lines, metering and fees
2. Reflects the Electricity Authority's decision to reset prices to around $3,200/MWh in the Auckland region. This ruling is currently under appeal
3. Includes share of Nga Awa Purua generation
4. Tuaropaki Power Company (Mokai) equity share
5. Load weighted and generation weighted average price. This ratio gives an indication of electricity purchase costs compared to the sales price of the electricity produced
6. Prices exclude fixed transmission charges

Income Statement – H2 2012 vs H2 2011

Year ended 30 June $ million	H2 2012	H2 2011
Energy Margin	**327.7**	**313.9**
- Other income	28.6	11.1
- Operating expenses	(149.3)	(115.7)
EBITDAF	**207.0**	**209.5**
- Depreciation and amortisation	(85.2)	(77.7)
- Change in fair value of financial instruments	(7.1)	(19.8)
- Impairments	(1.3)	(16.3)
- Equity accounted earnings of interest in jointly controlled entities and associates	(5.3)	(3.6)
EBIT	**108.1**	**92.0**
- Net interest expense	(35.6)	(38.2)
- Income tax expense	(22.5)	(19.6)
Net profit after tax	**50.1**	**34.2**
Underlying Net profit after tax	**61.0**	**72.8**

NPAT to Underlying Earnings FY2012 vs FY2011

$ million	FY2012	FY2011	$m change	% change
NPAT	**67.7**	**127.1**	**(59.4)**	**(46.7)**
- Change in fair value of financial instruments	92.8	25.6	67.2	262.5
- Change in fair value of financial instruments of associate companies	1.5	1.4	0.1	7.1
- Change in fair value of financial instruments of jointly controlled entities	24.2	2.0	22.2	1,110.0
- Impairments	4.0	19.8	(15.8)	(79.8)
- Income tax expense on adjustments	(27.5)	(12.9)	(14.6)	113.2
- Impact of tax legislative changes	-	(0.8)	0.8	(100.0)
Underlying Earnings	**162.7**	**162.2**	**0.5**	**0.3**

NPAT to Underlying Earnings H2 2012 vs H2 2011

$ million	H2 FY2012	H2 FY2011
NPAT	**50.1**	**34.2**
- Change in fair value of financial instruments	7.1	19.8
- Change in fair value of financial instruments of associate companies	1.9	1.6
- Change in fair value of financial instruments of jointly controlled entities	3.6	11.8
-Impairments	1.3	16.3
- Income tax expense on adjustments	(2.8)	(10.1)
- Impact of tax legislative changes	-	(0.8)
Underlying Earnings	**61.0**	**72.8**