



Mighty River Power Limited
Annual Report
2009





2009 marks our first ten years of business. In just a decade Mighty River Power has undergone dramatic changes. Starting out as a hydro business, today's mix of hydro, geothermal, gas-fired thermal and soon wind demonstrates that we have moved at pace to build a diverse generation portfolio, and a retail customer base to match.

And our results speak for themselves.

**Best ever
financial result**

**\$159.6 million
net profit**

**Renewable
generation up 36%**

**33,000 new
Mercury Energy
customers**

Mighty River Power is an integrated energy generator, trader, retailer and metering business. The Company's brands are Mighty River Power, Mercury Energy and Metrix. Visit www.mightyriver.co.nz to find out more about the Company.

Contact Us

We welcome your feedback. Please contact one of our offices or send your questions or feedback to enquiries@mightyriver.co.nz

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Chair and Chief Executive's Report

10 Years Strong

This annual report marks the Company's 10th year of consistently successful and profitable operation. In 1999 we concluded the Chair and Chief Executive's Review by saying, "...Mighty River Power is determined to meet the challenges of tomorrow by taking opportunities to further strengthen its position. The Company will enter the millennium as a strong and vital business." What better way to celebrate ten years in an increasingly competitive environment than to post the Company's best ever financial result, realising a net profit after tax of \$159.6 million, an increase of \$48.7 million on the prior year.

Earnings before interest, tax, depreciation, amortisation and financial instruments (EBITDAF) were a record \$445.4 million, a 46 per cent increase on the prior year. Similarly, underlying earnings after tax were \$209.9 million, a \$73.7 million increase on the prior year.

The company's performance was achieved through value-focussed trading activities assisted by fortuitous weather conditions in the first quarter, and was supported by underlying growth in renewable generation. This geothermal growth was the result of deliberate strategic planning that began years ago.

Fast forward to the commissioning of the 100MW Kawerau Geothermal Power Station in the year in review, and our commitment to geothermal is unarguable. As New Zealand's largest geothermal development in more than 20 years, Kawerau's contribution to the financial result was threefold; it was commissioned ahead of plan, at a larger capacity and under budget.

Our hydro generation business also helped deliver the year's outstanding result. The Waikato Hydro System had higher than average hydro generation; 700GWh (19 per cent) more than last year. In the first quarter of the financial

year we had the highest inflows ever recorded in a 90 day period. This meant Lake Taupo storage was rebuilt from the lows of June 2008 and we generated 23 per cent more than the same quarter last year. These higher volumes received higher wholesale prices in the first quarter, driven by low South Island storage levels at that time. In the fourth quarter, hydro and gas plant flexibility realised pricing benefits from market volatility associated with a range of abnormal conditions including outages of competitors' thermal plant, becalmed wind turbines and restricted HVDC interisland transmission capacity.

A third factor underpinning the year's result was the significantly reduced use of the gas-fired Southdown plant, 651GWh less than last year, which correspondingly reduced fuel costs. This illustrates the flexibility of the plant to adjust for hydrological and wind conditions to meet the continuously changing demands of the market while contributing to a secure electricity supply.

The Mercury Energy business grew rapidly in the second half of the year, with customer numbers increasing by 33,000. Such steep growth demonstrates the value in being flexible and competitive. It is exciting to see the Company's early success from expansion into new areas in the lower North Island, Christchurch and Dunedin. Mercury Energy's expansion has delivered profitable growth in market share and provided better value for money to customers. The very competitive conditions are reflected in Mercury Energy's commitment to hold prices for 12 months until April 2010.

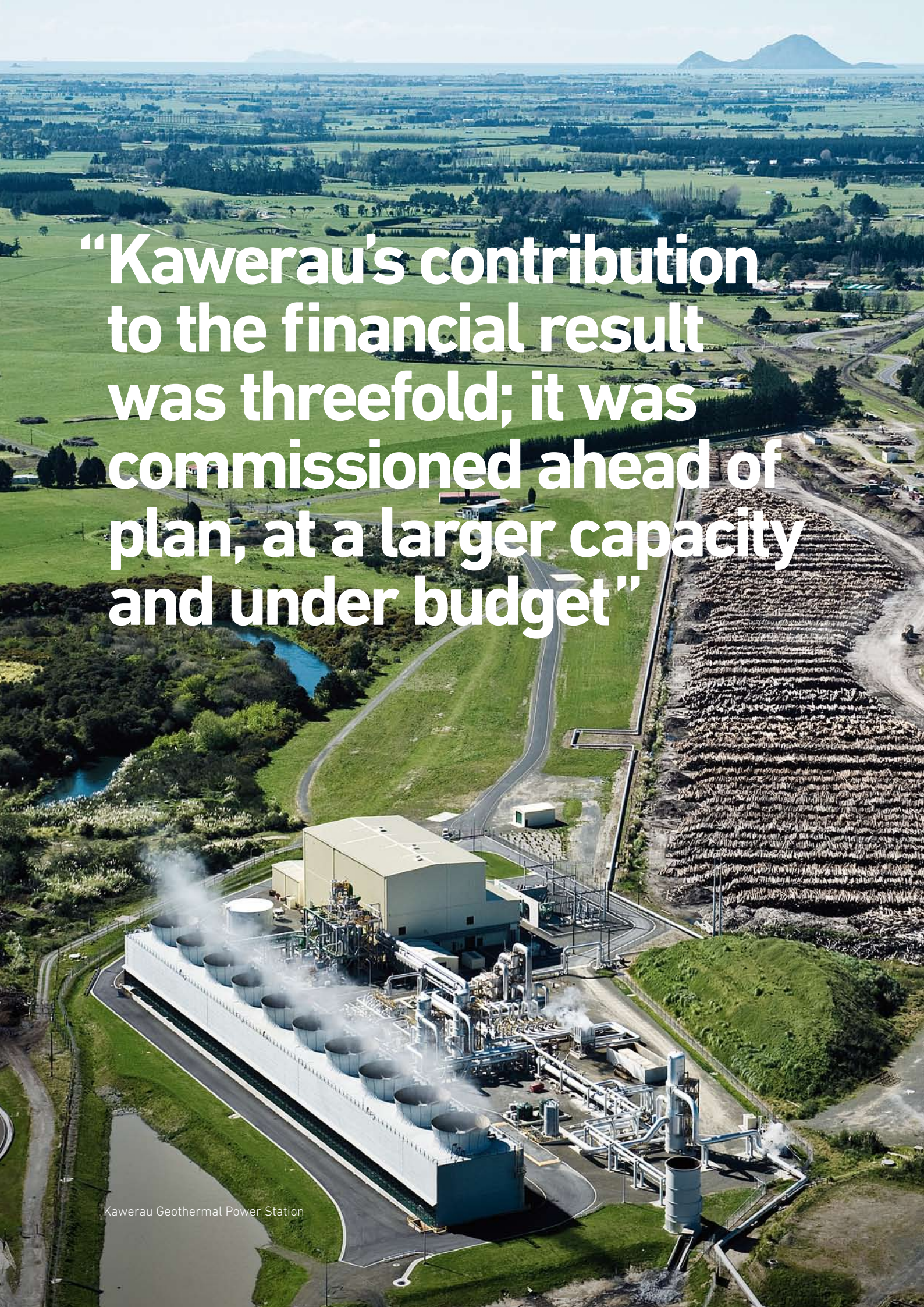
Operating cash flow of \$317.1 million was 53 per cent higher than the prior year, a reflection of the excellent operating conditions experienced this year combined with the impact of a change in provisional tax payment

dates resulting in two, rather than the usual three, income tax payments in the current year.

The Company will pay an Ordinary Dividend of \$79.8 million representing 50 per cent of FY2009 NPAT, plus a Special Dividend of \$150 million. The Ordinary Dividend is consistent with the policy set out in last year's Statement of Corporate Intent. The Special Dividend reflects the one-off nature of several cash benefits received in the year including the sale of Marsden B, and excellent trading results from the extraordinary hydro conditions in the first quarter. With the successful completion of the Kawerau station the Company now has a very strong operating leverage consistent with a very high renewable portfolio of which base-load geothermal is a significant and growing component. The financial profile of the Company is now stronger and more able to support higher debt levels than in its initial decade, notwithstanding the significant investment commitments planned for the next five years.

Net debt at year end is \$585.9 million, a decrease of \$38.8 million from the prior year. In October 2008 the Company increased one of its facilities by \$50 million and extended the entire facility to a term of four years, reinforcing the Company's strong liquidity in its debt portfolio. April 2009 saw the repayment of the ECNZ residual loan of \$16 million. Bank facilities total \$792 million with drawings of \$642 million. This strong liquidity position, together with the hedging of interest rate risk, provides certainty for our development programme. Since balance date the Company has negotiated a \$50 million seven year wholesale bond and arranged a further \$250 million two year facility.

Our geothermal developments are undertaken in conjunction with our Maori Land Trust partners. Through

An aerial photograph of the Kawerau Geothermal Power Station. The station is a large industrial complex with several large cylindrical cooling towers emitting white steam. It is situated in a green, rural landscape with rolling hills, a winding river, and a large field of sheep in the background. The sky is clear and blue.

“Kawerau’s contribution to the financial result was threefold; it was commissioned ahead of plan, at a larger capacity and under budget”

Kawerau Geothermal Power Station

Chair and Chief Executive's Report

these long-term partnerships we are currently active in four geothermal fields; Kawerau, Rotokawa, Mokai and Ngatamariki. These partnerships make us unique amongst New Zealand generators and underpin our geothermal success. The joint approach works financially, culturally and socially, bringing significant benefit to all parties. We continue to work with our Maori partners and iwi, to explore ways to create increased value and to invest capital to better utilise the geothermal resources that lie under their land.

The extensive geothermal development programme is supported by significant investment decisions in exploration made years before any production is realised. It is a courageous approach, but one that we have the people, expertise, experience and foresight to make. Without the willingness to take educated risks and actively pursue long-term opportunities, Mighty River Power would not have built its geothermal generation capacity to become one of the top ten geothermal operators in the world.

In 2008 the Company developed a strategy to leverage New Zealand's capabilities in geothermal energy globally. We now have a large-scale geothermal business in global terms with an integrated capability from resource to market. We see the opportunity to leverage this with New Zealand's potential for academic and scientific excellence in geothermal, along with new capital, to create an international business that exploits a rare global capability. In 2008 the Company committed, subject to investment and economic criteria being met, an initial USD100 million to develop a global geothermal business.

Our investment in 2008 in GeoGlobal Energy (GGE) as a 25 per cent shareholder and principal investor was our first major offshore venture. We invested US\$3.5m during the

financial year towards geophysical surveys and exploration well drilling, primarily in Chile. The early investment has paid off with GGE achieving commercial drilling success, the first in Chile in 40 years, on the Tolhuaca permit in early 2009.

After just 18 months GGE has identified a pipeline of investments that will fully utilise the Company's initial capital commitment. The Company is reviewing options to further support and drive the global geothermal strategy.

Following an earlier decision not to proceed with any future development at Marsden we entered and successfully negotiated an agreement for the sale of the Marsden B generation assets, part of the asset portfolio originally acquired from ECNZ. This transaction resulted in the recognition of a \$20.4 million gain on sale. The Company has retained ownership of the underlying land.

The risks associated with undertaking our development programme were brought into focus this year by the recognition of \$45.2 million of impairment charges associated with our exploration and development activities. Of this, \$32.6 million related to three development opportunities that, upon review, are deemed to be uneconomic and are now unlikely to proceed. The remaining \$12.6 million related to unsuccessful gas exploration expenditure.

Mighty River Power is a perpetual borrower and hedges its interest costs into the future. The significant volatility in interest rates over the year resulted in a \$50.8 million adverse movement in the fair value of interest rate derivatives. Mighty River Power does not hedge account for these derivatives and accordingly the unrealised losses are expensed to the income statement. Other fair value movements through the income statement relate to un-hedged

electricity and foreign exchange derivatives (a benefit of \$1.9 million) and the hedge ineffectiveness associated with electricity and foreign exchange derivatives (a benefit of \$1.7 million).

Capital expenditure (excluding realised gains or losses on foreign exchange hedge contracts supporting the development programme for which the underlying expenditure has yet to occur) was \$289.2 million compared to \$287.2 million in the prior comparable period. In the coming year planned capital expenditure is significant as the Nga Awa Purua Geothermal Power Station gears up to be commissioned ahead of next winter.

An independent valuation of the Kawerau geothermal assets based on the predicted future performance of the plant was undertaken by PricewaterhouseCoopers as at 30 June 2009. The revaluation resulted in the recognition of a \$244.3 million increase in value. The after tax impact of the revaluation, \$171.0 million, has been recognised as an increase in the asset revaluation reserve within Shareholders' Equity.

Depreciation and amortisation charges increased from \$86.3 million to \$104.9 million due to the impact of the hydro asset revaluation at 30 June 2008 and the commencement of depreciation at Kawerau.

Investment decisions around future plant are made years in advance, therefore the record performance we achieved this year was partly due to strategic decisions taken by the Company five to ten years ago. This means that judging performance of the energy sector requires a long-term view and with this in mind we welcomed the government's formation of a Ministerial Advisory Group to review the electricity sector's performance.

Our geothermal focus and the

location of our generation assets means we are relatively unaffected by transmission issues as main load centres are close to the power stations. However, long approval times for major transmission projects can stall generation development and create more acute transmission challenges for the country as a whole. An appropriately sized and unconstrained transmission system is central to the country's economic well-being. To continue to be competitive, the electricity sector needs a transmission system that provides open access to generators and facilitates the efficient movement of electricity across the country, to deliver secure efficiently-priced supply.

The Waikato Hydro System remains at the core of our business. Hydro generation contributed over 70 per cent of the energy produced by Mighty River Power in the year under review. Continued secure access to that water, and retention of our limited storage in Taupo, is therefore critical for delivery to the country's electricity demands as seen particularly in 2008 and 2009. Water is also valuable to recreational users, farmers and growers for irrigation and as a potable source. We are actively working with policy makers, iwi partners, regulators and other stakeholders in maintaining our shared, legacy access to this valuable resource and are committed to using it sustainably and responsibly.

As a business we act responsibly to limit carbon emissions, while also being conscious of the need to ensure security of supply. We support the introduction of a mechanism that embeds an effective price of carbon in goods and services. This will signal to emitters, consumers and investors that reducing emissions is desirable. Currently at more than 90 per cent renewable, our diverse generation portfolio means we are unlikely to have more than limited exposure

Operating Information	2009		2008	
Customer Numbers				
Residential Customers	341,000			315,000
Other fixed price variable volume customers (FPVV)	70,000			58,000
Total	411,000			373,000
Volumes/Pricing				
	GWh	\$/MWh	GWh	\$/MWh
Generation				
Hydro	4,350	68	3,650	105
Geothermal ¹	1,293	53	497	101
Co-generation	443	100	1,094	127
Biomass	32	62	41	102
Sales				
Residential	2,389	103	2,247	96
Other FPVV	1,961	96	1,755	92
Spot	1,919	58	1,398	106
Net electricity contracts	1,529		1,000	
Purchases				
NZ Energy Market purchases	6,493	65	5,784	111
Gas Purchases				
	PJ	\$/GJ	PJ	\$/GJ
Co-generation	4	6.3	10	5.4
Retail	1.1	-	0.8	-

¹ Includes 25% equity share of Mokai production



Nga Awa Purua Geothermal
Power Station under construction

Chair and Chief Executive's Report

to future carbon emission costs but naturally we are keen to see some certainty in this area.

National electricity demand dropped slightly as large customers reduced consumption and commercial activity declined. However, the residential market continued to be more affected by weather conditions, with average consumption by residential customers up 13 percent in a much colder than usual May. Even in the recession the Company is on a steep growth path and continues to build capacity, putting the Company and New Zealand in a strong position when global economic conditions improve.

For us, capacity and capability are intrinsically linked. Growth in geothermal capacity is a strategic focus, alongside the growth we have fostered in our people's capability. We continue to provide staff with strategic pathways to develop and enable the Company to leverage our world-class capabilities.

The year's result does not make us complacent. Our goals remain ambitious and looking ahead to 2010 we aim to have achieved a number of milestones. These include: completing the 132MW Nga Awa Purua Geothermal Power Station; securing resource consents for both the circa 300MW (depending on turbine configuration) Turitea Wind Farm and a new geothermal development at Ngatamariki; market share growth from Mercury Energy expanding further into the lower North Island and the South Island; extending our programme of offshore geothermal activity and, importantly, preserving existing access and operational flexibility of the Waikato Hydro System and Lake Taupo water resources.

The year under review was one in which the stars aligned for Mighty River Power. The wholesale market conditions for 2010 are very different to 2009, with high South Island lake levels and very low wholesale prices.

By contrast, Lake Taupo experienced lower than average inflows until some recovery in August. Notwithstanding expectations of a more normal result from our hydro operation, we expect to have a further increase in geothermal generation with the commencement of Nga Awa Purua in autumn 2010, although the full financial benefits won't be experienced until 2011.

The words we wrote in 1999 remain equally relevant today. As we enter the Company's second decade Mighty River Power will meet the challenges of tomorrow by taking all opportunities to further strengthen its position and maintain a strong and vital business.

During the financial year Directors Sir Paul Reeves and Dr Graham Hill left the Board. On 31 October 2009, the terms of Deputy Chair John Baird and Director Neil Ranford will also come to an end. We thank them all for their contributions to both the Board and the Company's business during their tenure.

The Chair and Chief Executive acknowledge the team at Mighty River Power who helped achieve this record result. Thank you also to the Board and management team for their continued support.



CAROLE DURBIN
Chair



DOUG HEFFERNAN
Chief Executive

Carole Durbin



Carole Durbin has retired after five years as Chair of Mighty River Power. Prior to that she had been Deputy Chair since the foundation of the Company in 1999.

Since that time, her belief in and support for the enduring importance of personal relationships with key stakeholders has seen Mighty River Power develop and further extend its important associations throughout the Waikato and Central North Island.

Carole's leadership has been characterised by her vigorous commitment to embedding fundamental human values into the conduct of all of the Company's operational and strategic activities. She ably led the Board through some difficult challenges during her time as its Chair. Her considered, consistent and empathetic leadership style played a crucial role in ensuring that the Company was able to meet those various challenges, and to move beyond them.

Chief Executive Doug Heffernan noted Carole's strong contributions to Mighty River Power's increasing commercial success, and thanked her for her unwavering support for the Company during her ten years as a Director.

Generation

Providing energy solutions for today, and tomorrow, Mighty River Power's generation portfolio is diverse and able to respond readily to the country's requirements.

Our generation capacity mix was more than 90 per cent renewable in 2009 through our hydro and geothermal generation. Used judiciously, our gas-fired plant at Southdown supports the renewable mix, providing discretionary supply when national hydro inflows are low or wind turbines aren't turning.

An integrated mix of hydro, geothermal and thermal generation offers a range of energy solutions and was central to achieving the year's outstanding performance.

Geothermal

In fewer than ten years we have built a \$2 billion geothermal business. That takes expertise, planning and a good dose of courage. Today we are seeing the benefits of strategic decisions made years ago.

Exciting geothermal milestones were achieved this year, and looking ahead, our development pipeline is extensive. Staging the development of projects is proving valuable for improvements and learning as we progress our geothermal ambitions.

Coming in under budget and commissioned ahead of time, the Kawerau Geothermal Power Station was the standout performer of the year. Some seven years in the planning and construction, Kawerau is an example of our growth strategy based on geothermal development. Kawerau is the single largest high efficiency geothermal development built in New Zealand in the last 20 years and provides 100MW of base load generation. Much of the 840GWh delivered by the station each year will be used locally in the Bay of Plenty. Located near its biggest customer, Norske Skog Tasman,

Kawerau provides electricity cost and supply certainty to the mill, and that proximity reduces the need for costly transmission investment. Kawerau also significantly contributes to New Zealand's emission reductions by reducing the need for thermal generation and its associated emissions.

Officially opened in November 2008, Kawerau contributed to our record financial performance by boosting the output of the Company's equity interest in geothermal power plants by 796GWh (160 per cent) compared to the prior year. Geothermal generation more than doubled to 21 per cent from 9.5 per cent last year and is predicted to increase yet again in the coming year.

The Kawerau Geothermal Power Station was awarded the 2009 Electricity Supply Industry Engineering Excellence Award in June this year, cited by judges as "enabling the rebuilding of New Zealand's world-renowned geothermal engineering expertise."

As a major player in geothermal generation, together with our partners, we are one of the world's top ten geothermal generators by energy produced. A strong forward development programme will see continued growth with the 132MW Nga Awa Purua plant, a joint venture between Mighty River Power and Tauhara North No.2 Trust, expected to be fully operational in time for next winter. Exploration drilling in the nearby Ngatamariki field has also provided early positive results. Approximately \$45 million has been spent exploring this field and resource consent applications are expected to be filed in the new financial year. This means we are well on track to reach our ambitious target of delivering more than 400MW of geothermal generation by 2012.

The 34MW Rotokawa Geothermal Power Station experienced a year of record plant availability and geothermal

output. Its 295GWh output for the year is the best since Rotokawa was commissioned in 1997 and its availability at 99.4 per cent was the highest since commissioning.

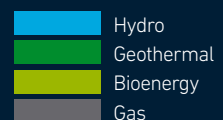
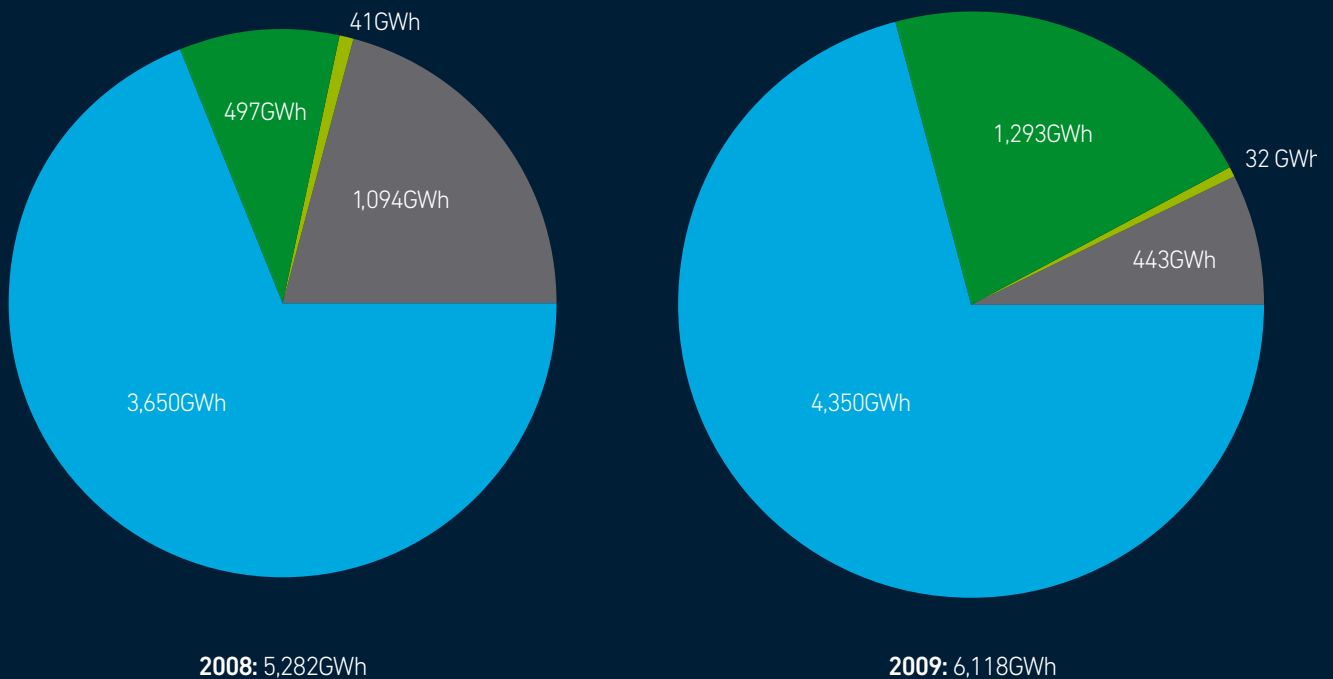
Our successful investment in geothermal plant relies on the involvement of world-class geothermal experts. Construction of the Nga Awa Purua Power Station is utilising the capability and knowledge developed during the Kawerau build. In the last year alone the Mighty River Power geothermal team has increased by more than 30 per cent. In total our people have worldwide experience in more than 30 developed geothermal fields across 10 countries and more than 100 exploration projects. This experience and geothermal know-how is invaluable and underlines our commitment as New Zealand's number one geothermal operator. The next exciting step will be to leverage our people's skills and expertise as Mighty River Power invests in offshore geothermal development.

Geothermal highlights:

- August 2008 – Kawerau Geothermal Power Station fully operational
- December 2008 – Ngatamariki reservoir exploration delivers a proven reservoir with over 100MW development potential
- March 2009 – World's biggest geothermal turbine delivered to the Nga Awa Purua Geothermal Power Station
- April 2009 – Drilling success for GGE in Tolhuaca, Chile
- June 2009 – Local employment on the Nga Awa Purua station build peaks at 350
- June 2009 – Mighty River Power wins the 2009 Electricity Supply Industry Engineering Excellence Award for the Kawerau Geothermal Power Station

“92% of the energy we produced this year was from renewable sources”

Growth from an increasingly renewable portfolio





Atiamuri Hydro Power Station

Generation

Hydro Generation

Following the 2008 summer-autumn drought, Mighty River Power capitalised on record 90-day inflows to the Waikato Hydro System in July to September last year by producing electricity to make up the shortfall experienced by competing generators due to low storage and dry conditions in the South Island. These hydro conditions meant we started the year in a strong position, lifting our energy margin by \$40 million (31 per cent) over the same quarter in the previous year.

Good hydrological conditions in the first quarter were subsequently followed by market volatility across the country due to transmission limitations, competitors' thermal plant availability and becalmed wind farms. The resulting energy market worked in our favour, with trading capability capturing opportunities made possible by our flexible production portfolio. The impact of recessionary pressures on business consumers had little impact on our year's performance due to a strong and actively managed forward sales position.

Our approach to the management of natural resources and the surrounding environment takes account of the principles of kaitiaki. Our hydro generation activities are non-consumptive and we use the water from the Waikato River and Lake Taupo many times over as it flows through the hydro generation system. In fact, hydro generation is the largest user of water in New Zealand. With the constant and growing need for energy supply it is important for legacy assets, such as hydro power stations, to play an ongoing role in underpinning the country's economic wellbeing.

Environment Waikato ruled that the maximum allocable flow (the volume of water that can be extracted from the Waikato River) should remain as it currently stands. This decision is now subject to appeals through the

Environment Court. Given the importance of this fuel source to the Company's value, and to electricity consumers dependent on security of supply, we will assertively defend the Environment Waikato allocation ruling.

We have demonstrated a strong and consistent compliance record, and Environment Waikato saw no need to review the terms of our 35-year hydro resource consents at the first regular review point.

We support the objectives of the co-governance process for the Waikato River and are committed to working in partnership with iwi and the Crown to ensure a strong and effective governance structure is in place. We anticipate any resulting framework will need to recognise the existing use of the Waikato River for national-good activity and also for the preservation of existing hydro storage enabling production of flexible renewable energy for New Zealand's benefit.

In the year under review, capital expenditure within hydro generation was \$9.9 million, spent on transformers, a control system upgrade and other enhancements. The hydro asset condition-monitoring programme identified the need to replace some end-of-life machinery. These replacements will give us the opportunity to increase efficiency in the use of water and take advantage of technological advances made since some parts of the Waikato Hydro System were installed over 80 years ago. Machinery replacements and upgrades in the coming year will require significant capital expenditure, estimated at \$27.3 million.

Wind

We have a strong commitment to utilising wind as an energy source over the next decade, further diversifying our generation portfolio. Already 2009 has seen a significant increase of investment in wind by the Company compared with 2008, and in the coming year this will grow further.

Wind monitoring activity increased with eight sites at various stages from investigation to consenting.

Our resource consent application for the proposed Turitea Wind Farm, near Palmerston North, was called in by the Minister for the Environment in December 2008. The independent Board of Inquiry convened in January 2009 and hearings are expected to conclude in December, with a decision expected several months later.

During the year we acquired a 20 per cent stake (at a cost of \$7.1 million) in Windflow Technologies Ltd, the Christchurch-based manufacturer of small turbines.

Gas

The gas-fired Southdown Power Station reduced output by 60 per cent to 443GWh compared with the prior year. Southdown complemented the Company's diverse fuel mix when national hydrological and wind conditions were unfavourable. It enables the country's, and in particular Auckland's, demand for electricity to be met when weather-dependent energy sources are not productive or competitors' large thermal plants are out for maintenance. Southdown also provides additional energy capacity during times of peak demand.

Mercury Energy

Breaking Growth Records

With a 10-year track record of customer growth, the past year has been particularly successful for Mercury Energy. The business is thriving in a highly competitive market.

The Company's total electricity retail market share continues to grow, achieving an increase of 1.7 per cent compared with the previous year. Total customers grew by 33,000 in the year in review, reaching 382,000 by the end of June 2009. Overall residential market share has grown from 15 per cent in 2002 to 20 per cent in 2009, adding 100,000 customers, the equivalent of all households in Palmerston North and Hamilton combined.

In the domestic gas market we have grown from zero just seven years ago to take nearly 40 per cent share of the Greater Auckland market at the end of June 2009, and increased our customer base by 8,000 new customers in the 12 months under review. Our success in the dual fuel space has led to a very strong competitive response by incumbents.

Much of our success is due to improved operational efficiency and increased sales and marketing effectiveness. The professional approach of our staff is the driving force behind these gains, while we continue to use technology in positive ways that both improve our service levels and reduce our cost to serve. The combined result of these factors is enhanced productivity and contributes to making us New Zealand's fastest growing energy retailer.

Customer Focussed

During the year, Mercury Energy entered both the Christchurch and Dunedin areas. Results in both areas have exceeded expectations in a short timeframe. In addition to offering competitive electricity rates, our approach is to become a valued part of our customers' communities over

time. Part of this is the development of community-based sponsorships that resonate with our customers. In Christchurch we entered into a mutually beneficial partnership with Canterbury Netball that directly supports the Tactix netball team through new customer sign ups and referrals.

Our customers make a significant difference to children's lives by choosing to participate in the Mercury Energy Star Supporters Club, which celebrated its fifth birthday in May 2009. During the period under review Mercury Star Supporters donated a \$165,000 mobile ear clinic, furnished the new Starship Cancer Ward with comfy pull-down beds for parents and caregivers worth \$77,000, and helped save the lives of unborn baby twins through the donation of a \$143,000 laser fetoscope for the treatment of Twin to Twin Transfusion Syndrome. Membership of the Mercury Energy Star Supporters Club doubled during the period under review.

We know that every dollar counts. In the year in review we saved our customers \$1.7 million through our Price Plan Rebate which reviews every customer's account annually to ensure they are on the best plan for them. If we find they would be better off on another Mercury Energy plan, we move them and refund the difference back onto their energy account. Over \$5 million has been refunded to customers since the introduction of Price Plan Rebate in 2006. We also guaranteed to hold electricity prices for residential customers until at least April 2010, helping our customers to budget in increasingly cost-conscious times.

The current economic environment means debt issues are not uncommon and we work closely with customers experiencing payment difficulties. For many, the unseasonably cold winter that resulted in average consumption for residential

customers increasing 8 to 13 per cent in the April to June months meant people experienced higher than usual bills in the year under review. Our prepay product, GLO-BUG helps put customers in control, enabling them to match prepay top ups with their income cycle. And because greater awareness of energy consumption can result in behaviour changes, GLO-BUG customers often find they use less power overall.

We continue to have a strong commitment to medically dependent and vulnerable customers and actively maintain an up-to-date register. The annual Electricity Commission Medically Dependent customer audit found no issues with our procedures and protocols. Mercury Energy also worked closely with the Electricity Commission on a review of the industry guidelines regarding medically dependent and vulnerable customers who are having difficulty paying their bills.

Purchase of Bosco Connect Ltd

Bosco Connect Ltd is a utility retailer supplying electricity, telephone and internet services to apartment customers in the Auckland CBD. Mighty River Power purchased 49 per cent of Bosco Connect in October 2006 and since that time the business increased its customer numbers from 1,000 to almost 10,000.

Mighty River Power completed the purchase of the remaining 51 per cent of Bosco Connect on 1 February 2009. Bosco Connect will continue to operate as an independent retail business and will continue to be Mighty River Power's preferred retailer for the apartment market niche in the Auckland CBD.



Metrix

Mighty River Power's metering business, Metrix, is in the process of transitioning from a legacy metering business into a smart meter and data service business.

Currently installing its smart meter technology solution to homes in Auckland, Metrix has deployed a total of 45,000 meters. By late August new installations were set to increase to 2,000 per week.

The installation of the Metrix smart meter solution opens up a range of possibilities for the delivery of future smart retail offerings by its energy retailing clients, including Mercury Energy. Metering is transforming from simple consumption data collection to truly smart technology. Early advantages for consumers will include the elimination of estimated reads, remote reading not requiring access to the property, potentially faster switching between retailers due to on-demand reads, tariffs tailored for consumption and richer information to help consumers manage their electricity use.

The choice of smart meter technology is being driven by a number of factors including population density, topography and customer requirements. The primary metering platform we are deploying for dense urban environments is radio mesh enabled meters, supplemented by GPRS enabled meters. The technology being installed is designed to be flexible and future proofed, enabling it to be adapted and upgraded as requirements develop, including possible Home Area Network (HAN) applications.

Providing monthly meter readings to Mercury Energy's customers is the traditional core of the business. In the 12 months to the end of June 2009, Metrix provided 5.2 million manual meter readings. However this business model is now changing with the advent of smart meters.

The past year has signalled important changes to the Metrix business. Opportunities for service provision in other sectors are being pursued. In conjunction with an expanded service offering, Metrix will continue its operational separation from Mercury Energy. Across the sector there is a need for efficient, effective and, most importantly, uniform metering information delivering consistent, rich data to retailers. Metrix is well positioned to provide this service to retailers beyond Mercury Energy.

Corporate Responsibility

For Mighty River Power corporate responsibility simply makes good business sense. This approach is central to the way the business operates every day, and is not altruism or philanthropy. In practice, corporate responsibility at Mighty River Power is complying with relevant laws and regulations and the Company adapts accordingly to shifting societal values and expectations. Agreed business principles help inform our actions and conduct. Through these we integrate corporate responsibility into our day-to-day operations.

Evidence of the principles and our responsible approach to business can be seen within three key areas; people, the environment and community.

People

We have experienced an exciting period of business growth and achieved a record financial performance in the last 12 months. Our people were the key differentiating factor in delivering that excellent result.

There has been an alignment of effort across the business units despite the challenges of a geographically diverse workforce, with a significant rise in employee engagement shown in the employee survey.

For the record:

Health & Safety

The health and safety of our people is paramount and our health and safety management system aims to eliminate work related injuries on our sites. Data for the year in review shows:

Total annual lost time injuries		
	2009	2008
Employees	3	2
Contractors	5	13
Total	8	15
Total annual lost days due to injury		
Employees	11	14
Contractors	20	5
Total	31	19
Absenteeism		
	1.47%	1.32%
Employees		
Total employees	843	752
Employment type		
Permanent Full Time	716	616
Permanent Part Time	33	83
Fixed Term	78	30
Casual	16	23
Staff turnover		
Voluntary	12.2%	17.4%
Involuntary	5.5%	8.5%
Total	17.7%	25.9%
Apprentices	60	60
Graduate Programme members	12	
Summer internships	14	10
Staff enrolled in Kiwisaver	53%	51%

Employee Remuneration

Employees of Mighty River Power and its subsidiaries, not Directors or the Chief Executive who received remuneration and other benefits in excess of \$100,000 numbered:

Remuneration Bands		Number
\$100,001	\$110,000	55
\$110,001	\$120,000	24
\$120,001	\$130,000	19
\$130,001	\$140,000	9
\$140,001	\$150,000	13
\$150,001	\$160,000	6
\$160,001	\$170,000	8
\$170,001	\$180,000	4
\$180,001	\$190,000	5
\$190,001	\$200,000	3
\$210,001	\$220,000	5
\$220,001	\$230,000	1
\$230,001	\$240,000	7
\$250,001	\$260,000	3
\$270,001	\$280,000	2
\$300,001	\$310,000	1
\$330,001	\$340,000	1
\$360,001	\$370,000	1
\$370,001	\$380,000	1
\$380,001	\$390,000	1
\$440,001	\$450,000	1

The Chief Executive's remuneration for the year in review was \$1,255,394. This included base salary, a performance payment for 2007/2008 and a retention payment.

Corporate Responsibility

Environment

The performance of our business is intrinsically linked to our care and respect for the environment. We are committed to understanding, managing and minimising the environmental impact of our business operations. We take a custodial approach to the resources we utilise, with a strong preference for renewable energy sources – geothermal, water and wind.

Water Use

We aim to achieve maximum efficiency and output from the hydro system. Water use for hydro generation is non-consumptive and water is generally only spilled if required by the regulating authority (for tourism or to meet minimum environmental flows), during floods, outages, or when stations are undergoing planned maintenance or plant testing.

During the year in review Mighty River Power spilled 101GWh water (mainly the result of a large flood in July 2008) in the Waikato Hydro System, in addition to the required tourism spill at Aratiatia Rapids (which was reduced in the 2008 drought).

Energy lost	2009 (GWh)	2008 (GWh)
Tourism ¹	12.8	11.0
Other ²	101.8	0.9

¹ Mighty River Power has a regulatory requirement to schedule daily releases down the Aratiatia Rapids for tourism purposes.

² Other includes transmission constraint, cost and obstruction, plant malfunction, planned or unplanned outages and hydraulic constraint.

WCEET Funding

Mighty River Power funds the Waikato Catchment Ecological Enhancement Trust (WCEET). The Trust funds projects, which protect and enhance the ecology and biodiversity of the Lake Taupo and Waikato River catchment.

In the financial year WCEET awarded funding to 21 organisations undertaking environmental enhancement projects in the Waikato region.

Compliance

Our generation activities all operate under resource consents. For the year in review all our operations achieved

a high level of compliance with the conditions required by these consents. There were no enforcement actions by regulatory authorities.

G-Force

G-Force is a company-wide internal environmental programme which encourages staff at all sites to take action to reduce waste and conserve energy. The past year has seen staff continue to reuse or recycle, reduce waste to landfill, use less electricity and reduce paper use.

Greenhouse Gas Emissions

Direct emissions are down significantly on 2008 (less 108,724 tonnes), mainly due to the reduced use of the Southdown gas-fired plant in the year under review. Our indirect emissions have increased on the prior year, but this is due to improved measurement and reporting rather than changes to our internal footprint.

	2009 Tonnes	2008 Tonnes
CO₂		
Direct ¹	482,429	591,153
Indirect ²	4,475	1,603
Total	486,904	592,756

¹ Includes emissions from the production of electricity from all plant (including those where we hold minority equity share). Excludes emissions from bioenergy production, all construction and drilling projects.

² Includes internal electricity consumption, employee air travel, car rental, mileage and taxi usage, but excludes waste disposal and paper usage.

Community

Our continued successful operation relies on the goodwill of the communities in which we operate. Like any neighbour, we consider ourselves part of those communities, actively participating in, and supporting, local initiatives.

Sponsorships

Sponsorship support is given to groups and organisations linked to our business, with a focus on community programmes and initiatives that protect the environment and develop the community. In the past year our main sponsorships were; The Starship Foundation (through Mercury Energy), Rowing New Zealand (including the Karapiro 2010 World Rowing Championships), Waikato River Trails, Ironman New Zealand, Mangatautari Ecological Island Trust and the Waikato Museum.

Donations

Mighty River Power makes a range of donations to charities or not-for-profits in the regions where we operate. Our donations in the year were \$200,000, given to more than 40 different charities or not-for-profits. This included a series of one-off donations (totalling \$100,000) to various community groups to mark our 10th year celebrations.

River Flow and Lake Level Requests

Community and recreational groups benefited from Mighty River Power accommodating changes to river water flows and lake levels. In the last financial year the Company actioned 33 water releases from 35 requests, totalling 84 days.

Stakeholder Engagement

It's important that people know what we are doing as a business, especially when it may affect them. It's also important for us to know what they think. So we talk to people every day. Engaging with our stakeholders is something we do in a variety of ways.

Our partnership and joint venture approach makes building and maintaining relationships with Maori an important part of our business. With iwi we participate in formal hui, have regular informal contact and undertake consultation across a broad range of issues. We also belong to partnership committees that meet regularly.

For the public, our website hosts a wealth of information, quarterly newsletters were emailed to stakeholders and all media releases were openly available.

In the communities where our power stations operate and are being built we provide a wide range of communication channels, including forums, open days, consultation processes and briefings.

We want to know what our customers are thinking so we ask them – each month a 'customer satisfaction' survey is conducted by Mercury Energy. During the year in review our award-winning Contact Centre handled almost 600,000 calls and the Mercury Energy website received 640,000 visits.

Corporate Responsibility in Action. A Geothermal Renaissance.

A clear example of corporate responsibility in action can be seen in our world-class geothermal business.

In a short space of time we have built significant plant capacity, people capability and become a true neighbour to the communities we operate within.

Geothermal is the most effective, efficient and environmentally friendly form of reliable energy available to New Zealand. With the commissioning of the Kawerau Geothermal Power Station last year, we now own and/or operate more than 270MW of geothermal generation capacity, reducing the country's need to produce electricity from fossil fuels.

In addition to these environmental benefits, geothermal plant development is good for the business and for the country. Relatively speaking, the developments are located near to demand, reducing transmission investment and delivering a 24/7 security of supply.

Underlying our geothermal success are strong partnerships, built over many years. Working with Maori Land Trusts, we invested in establishing trust and building understanding ahead of any development. This has delivered commercially successful partnerships which are driving the growth in geothermal that we now all enjoy.

Our geothermal workforce is one of the best in the world. Mighty River Power's geothermal know-how has put us amongst the world's top geothermal operators. Currently employing 90 staff in geothermal, we offer an exciting career path and provide opportunities for people to enhance their skills and capabilities even further. Leveraging our skills and knowledge offshore is a very real future prospect and will offer exciting opportunities to the right people.

Board of Directors



Carole Durbin (Chair) BCom, LLB (Hons), FInstD, FAMINZ
 Before becoming Chair of Mighty River Power, Carole Durbin was Deputy Chair of the Board and was part of the Company's establishment group.

Interests:

- Chair: Legal Services Agency
- Director: Fidelity Life Assurance Company Limited
- Director and Trustee: Southern Cross Healthcare Group
- Consultant: Simpson Grierson

John Baird (Deputy Chair)

BSc, BA, MA (Hons), Rhodes Scholar, Dip Marketing (UK)
 John Baird was appointed to the Board of Mighty River Power in May 2004. In addition to holding various Directorships, John has been Managing Director of several consumer products businesses and is a member of the Waitangi Tribunal.

Interests:

- Chair: Motion Industries Limited
- Director: Sleepyhead Manufacturing Company Limited and subsidiaries
- Director and Shareholder: South Island Forklifts Limited
- Director and Shareholder: SIF Properties Limited
- Director and Shareholder: 4PL Limited
- Trustee: Foundation for Youth Development
- Member: Waitangi Tribunal Governance Group

Diana Crossan BA

Diana Crossan has been a Director of Mighty River Power since her appointment in November 2007. She has previously held a number of Government and private sector management positions. Diana is currently the Retirement Commissioner.

Interests:

- Chair: Whai Rawa Management Limited
- Chair: Orangi Kaupapa Trust
- Chair: New Zealand Institute of Research on Ageing at Victoria University
- Chair: Refugees in Business, Wellington
- Board Member: Refugee Services

Trevor Janes BCA (Econ), CA, FCFIP, FInstD

Trevor Janes was appointed to the Mighty River Power Board in June 2005 and is Chair of the Company's Risk Assurance and Audit Committee. He is an investment banker and financial analyst.

Interests:

- Deputy Chairman and Audit Committee Chairman: Abano Healthcare Group Limited
- Member, Investment Committee of the Board: Accident Compensation Corporation
- Director and Shareholder: Selenium Corporation Limited
- Director and Shareholder: Trinity Hill Limited and various subsidiary and associated companies
- Director and Shareholder: Rovert Investments Limited
- Director: ProCare Health Limited
- Chairman: Salvus Strategic Investments Limited
- Director: Sapphire Currency Fund Limited
- Director: Public Trust Office
- Director and Shareholder: LPF Group Limited

Sandy Maier JD, BA

Sandy (Samford) Maier was appointed as a Director of Mighty River Power in April 2002 and is Chair of the Company's Human Resources Committee. Sandy has a consulting firm specialising in corporate strategy and governance, finance and human resources.

Interests:

- Chairman and Shareholder: Geon Group Limited and subsidiaries
- Chairman: Pathfinder Asset Management Limited
- Director: McConnell International Limited and subsidiaries
- Chairman: Oyster Bay Marlborough Vineyards Limited
- Director: Perpetual Capital Management Limited
- Director: Fronde Systems Group Limited
- Director: Taranaki Investment Management Limited
- Director and Shareholder: UCG Investments Limited and subsidiaries
- Chairman: Click Clack Limited
- Chairman: Ngai Tahu Investment Sub-Committee
- Chairman and Shareholder: Directions Understanding Governance Limited
- Director and Shareholder: Maier Limited
- Director and Shareholder: Tilda Limited



Neil Ranford DipTchg, BSc, BE (Hons), MInstD

Neil Ranford has been a Director of Mighty River Power since his appointment in November 2006. He has extensive management experience within the construction industry and has an engineering background.

Interests:

Director and Shareholder: Rose's Alterations Limited

Director: Waitakere Properties Limited

Trustee: NC and CG Ranford Family Trust

Trustee: Upland Trust

Tania Simpson BA, MMM

Tania Simpson was appointed as a Director of Mighty River Power in November 2001. She has held a number of management positions with a focus on social policy, economic development and Treaty-related matters. Tania is of Ngati Maniapoto and Ngati Manu descent and is a member of the Waitangi Tribunal.

Interests:

Director and Shareholder: Kowhai Consulting Limited

Director: Oceania Group Limited

Director: Landcare Research New Zealand Limited

Trustee: Kowhai Trust

Trustee: Tui Trust

Member: Waitangi Tribunal

Keith Smith BCom, FCA

Keith Smith was appointed a Director of Mighty River Power in May 2009. Keith was previously Deputy Chair of Genesis Power Limited (1999-2006), a senior partner in the national accounting practice BDO Spicers and is a past President of the New Zealand Institute of Chartered Accountants.

Interests:

Chairman: Enterprise Motor Group Limited and subsidiaries

Director: H J Asmuss & Co Limited

Chairman: Mobile Surgical Services Limited

Chairman: PGG Wrightson Limited and subsidiaries

Chairman: NZ Farming Systems Uruguay Limited

Chairman: The Warehouse Group Limited and subsidiaries

Chairman: Tourism Holdings Limited

Director: Electronic Navigation Limited and associated companies

Director: Goodman (NZ) Limited and subsidiaries

Chairman: Healthcare Holdings Limited and subsidiaries

Director: Tindall Family Holdings Limited and subsidiaries

Joan Withers MBA, AFInstD

Joan Withers was appointed to the Mighty River Power Board in August 2009. Joan was previously a Director of Meridian Energy Limited (1999-2005), Chief Executive Officer of Fairfax Media New Zealand Limited and is the author of *A Girl's Guide to Business*.

Interests:

Director: Auckland International Airport Limited

Trustee: Sweet Louise Foundation

Disclosures of General Interest pursuant to Section 140(2) of the Companies Act 1993 as at 26 August 2009.

Corporate Governance

The Board of Mighty River Power is guided by best practice corporate governance and adheres to a comprehensive Board Charter. A State-Owned Enterprise, Mighty River Power operates under a corporate governance framework consisting of its legal requirements (such as the Companies Act 1993 and the State-Owned Enterprises Act 1986) and formal and informal practices adopted by the Board.

Although Mighty River Power is a State-Owned Enterprise it received no direct financial assistance from the Government. The Company made no financial or in-kind donations to any political parties, politicians or related institutions.

Role of the Board

The Board is responsible for the overall direction of Mighty River Power's business and other activities on behalf of shareholding Ministers. The Company's principal objectives are to operate as a successful business and to be:

- as profitable and efficient as comparable businesses not owned by the Crown;
- an employer that operates policies which are judged to be fair and equitable in their treatment of all staff in all aspects of their employment;
- an organisation that displays an informed sense of social responsibility by having regard to the interests of the communities in which the Company operates and by supporting these communities when able to do so;
- a leader in achieving the objectives of sustainable development – working to achieve sustainable development for the communities in which the Company operates through world's best management of generation resources.

Board Membership

The Board is made up of nine non-executive Directors. Their profiles can be read on pages 20-21.

Board Committees

To assist Directors to carry out their duties, the Board has two standing committees. Other ad hoc committees may be formed from time to time.

Risk Assurance and Audit Committee

The Risk Assurance and Audit Committee's role is to provide assurance to the Board that risks and threats to the business are being managed properly. The committee also reviews the performances of internal and external auditors. Internal audit is outsourced to Deloitte. All Directors are invited to attend the Risk Assurance and Audit Committee meetings and are provided with copies of meeting minutes and any reports received by the committee.

Human Resources Committee

The Human Resources Committee's primary role is to consider organisational matters and remuneration policies concerning the Company's employees and assure the Board of the Company's development of people capabilities and competencies.

Board Performance Review

Each year, the Board evaluates the performance of the Board as a whole and of the Chair. This is done using a variety of techniques including external consultants, questionnaires and Board discussion. The Chair's performance is reviewed by all Directors and is then discussed with the Chair.

Planning

The Board held a strategic planning session and other review sessions this year. It also approved the Company's

draft Statement of Corporate Intent for shareholder approval, business plan, and budgets as part of its normal functions.

Risk Management

It is a Board responsibility to identify and control the Company's business risks. Major policies which are subject to the Board's approval and review include capital investment, treasury, electricity trading and risk management, accounting and financial, insurance and delegated authority limits. As part of managing its broader risk profile, the Board recognises the importance of full compliance with laws controlling environmental activities, management of natural resources, health and safety in employment, working conditions within buildings and customer health and safety. The Board monitors the Company's compliance with relevant statutes through the regular reports it receives from management.

Auditor Independence

The Board's policy on auditor independence from management places responsibility for managing the relationship with the Risk Assurance and Audit Committee. During the year the Board reviewed the Company's relationship with the auditor of the financial statements, Brent Penrose of Ernst & Young, on behalf of the Auditor-General. This review confirmed the present audit arrangements and noted no need to change them. The Risk Assurance and Audit Committee also reviewed the scope of services provided to Mighty River Power by Brent Penrose of Ernst & Young. This review confirmed no issues around auditor independence.

Responsibility Statement

The Board of Directors has responsibility for ensuring the Company has effective policies in place to manage its risks. The Board decides the level and nature of the risks which are acceptable to the Company. The Chief Executive has overall responsibility for the day to day running of the Company and the day to day management of normal business risk.

Statement of Corporate Intent

In accordance with its obligations under the State-Owned Enterprises Act, the Company publishes an annual Statement of Corporate Intent as approved by its shareholders, which communicates the goals and strategies of the Company and outlines its expected performance. This document also contributes to Mighty River Power's disclosure obligations.

Indemnity and Insurance

Mighty River Power Limited has resolved to indemnify Directors and employees for any costs or liabilities referred to in Section 162 (3) and 162 (4) of the Companies Act 1993. The Company has arranged insurance for those Directors and employees in respect of any liability or costs referred to in Section 162 (5) of the Companies Act 1993.

Loans to Directors

There were no loans by the Group to Directors.

Directors' use of Information

There were no notices from Directors of the Group requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them.

Corporate Responsibility

The Board supports the Company's position that corporate responsibility is part of the fabric of Mighty River Power. It is not altruism or philanthropy, but rather, part of the Company's everyday approach to good business. More detail on the Company's approach to corporate responsibility can be read in the body of this report and viewed on the Company website.

Code of Ethics

Mighty River Power's Directors comply with a Code of Ethics setting out the ethical and behavioural standards expected company-wide. The Code of Ethics cover Directors' obligations in performance of their duties. A copy of this document is available on the Company website.

MIGHTY RIVER POWER BOARD

Board member	Board meetings attended*	Remuneration	Notes
Carole Durbin, Chair	10	\$100,328	
John Baird, Deputy Chair	10	\$62,705	
Diana Crossan	9	\$56,283	
Dr Graham Hill	7	\$50,164	(resigned 30/06/09)
Trevor Janes	10	\$55,102	
Sandy Maier	9	\$50,242	
Neil Ranford	10	\$50,164	
Sir Paul Reeves	6	\$38,014	(resigned 30/04/09)
Tania Simpson	10	\$50,164	
Keith Smith	1	\$8,100	(appointed 01/05/09)

* Ten meetings held

Financial and Commercial Performance Targets

Financial Performance Targets	2009 actual	2009 target
Return on Average Shareholders' Equity (%)	6.5	5.7
Total equity/Total assets (%)	59.7	56.6
Free funds from operations/interest expense (x)	6.7	5.5
Non-financial Performance Targets		
Retain upper quartile ranking in Consumer NZ Survey of electricity suppliers' performance	Yes	Yes
Customers rate Mercury Energy 8/10 for customer satisfaction (%)	50	60
Comply fully with Electricity Commission Guidelines for medically dependent and vulnerable customers	Yes	Yes
No enforcements by regulatory authorities arising from breach of environmental controls and standards	Yes	Yes
Optimisation of power plant reliability:		
- plant availability ¹ (%)	92.6	94.0
- forced outage factor ² (%)	1.3	<1.7
Maintain the group's Enviro-Mark diamond status ³	Yes	Yes
Report greenhouse gas emissions in accordance with international standards	Yes	Yes
Lost time accidents ⁴	0.32	<1.0

¹ Percentage of time generation plant is available for use

² Percentage of time generation plant is unavailable for use due to unplanned outages

³ Enviro-Mark is an environmental management system aimed at achieving health, safety, and environmental legal compliance, reducing environmental risk, increasing resource use efficiency (ie waste, water, energy, and raw materials) and improving status with stakeholders by demonstrating environmental commitment

⁴ Employees and contractors working on our sites, per 100,000 hours worked

Directors' Responsibility Statement

The Directors are responsible for ensuring that the financial statements comply with generally accepted accounting practices and represent a true and fair view of Mighty River Power Limited's financial position as at 30 June 2009, and of the financial performance and cash flows for the current financial year.

The Directors consider that the Group and Company's financial statements have been prepared using the appropriate accounting policies, that these have been consistently applied and are supported by reasonable judgements and estimates, and that all relevant financial and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which allow for the determination of the Company's financial position with reasonable accuracy, and that the financial statements themselves comply with the Financial Reporting Act 1993 and the Companies Act 1993.

The Directors consider that they have taken adequate steps to safeguard the Company's assets and to prevent and, where necessary, detect fraud and any other irregularities.

The Auditor-General is required to be the Company's auditor, and has appointed Mr Brent Penrose of Ernst & Young to undertake the audit on his behalf.

The Directors are pleased to present Mighty River Power Limited's annual report and financial statements for the year ended 30 June 2009.

Events Subsequent to Balance Date

The Directors are not aware of any circumstances since the end of the year that has significantly or may significantly affect the operations of the Group.

Annual Report Certificate

This Annual Report is dated 26 August, 2009 and is signed on behalf of the Board by



CAROLE DURBIN
Chair
26 August 2009



JOHN BAIRD
Deputy Chair
26 August 2009

Audit Report

TO THE READERS OF MIGHTY RIVER POWER LIMITED AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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, for the year ended 30 June 2009.

Unqualified Opinion

In our opinion:

- The financial statements of the company and group on pages 28 to 60:
 - 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 2009; and
 - the results of operations and cash flows for the year ended on that date.
- Based on our examination the company and group kept proper accounting records.

The audit was completed on 26 August 2009, and 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 the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not

have material misstatements, whether caused by fraud or error.

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.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the company and group as at 30 June 2009 and of the results of operations and cash flows for the year ended on that date. The Board of

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

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This 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.

In addition to the audit we have carried out assignments in the area of International Financial Reporting Standards Advisory, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the company or any of its subsidiaries.



BRENT PENROSE
Ernst & Young

On behalf of the Auditor-General
Auckland, New Zealand

Matters relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements of Mighty River Power Limited and the group for the year ended 30 June 2009 included on Mighty River Power's website. Mighty River Power is responsible for the maintenance and integrity of its website. We have not been engaged to report on the integrity of the Mighty River Power website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to / from these financial statements.

If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 26 August 2009 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

For the year ended 30 June 2009

	Note	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Sales		1,428,867	1,464,741	1,382,287	1,438,186
Less line charges		(349,717)	(300,647)	(349,717)	(300,647)
Other revenue		40,741	14,459	44,378	17,986
Total revenue		1,119,891	1,178,553	1,076,948	1,155,525
Energy costs		460,659	699,059	460,659	687,897
Employee compensation and benefits		66,455	55,893	65,206	54,557
Contractors' fees		43,976	33,565	42,377	33,230
Professional services		12,499	8,674	12,299	8,532
Operations costs		17,901	8,719	14,895	8,337
Other expenses		72,980	68,004	65,934	63,317
Total expenses	4	674,470	873,914	661,370	855,870
Earnings before net interest expense, income tax, depreciation, amortisation and financial instruments (EBITDAF)		445,421	304,639	415,578	299,655
Depreciation and amortisation	4	(104,947)	(86,525)	(86,254)	(79,015)
Change in the fair value of financial instruments	20	(47,155)	(9,665)	(47,155)	(9,665)
Impaired exploration and development expenditure	10	(45,230)	(28,059)	(10,084)	0
Equity accounted earnings of associate companies	14	2,928	2,331	196	(88)
Earnings before net interest expense and income tax (EBIT)		251,017	182,721	272,281	210,887
Interest expense	4	(31,012)	(26,543)	(30,487)	(26,283)
Interest income		6,772	5,683	8,330	8,411
Net interest expense		(24,240)	(20,860)	(22,157)	(17,872)
Profit before income tax		226,777	161,861	250,124	193,015
Income tax expense	5	(67,159)	(50,910)	(71,265)	(62,116)
Net profit for the period		159,618	110,951	178,859	130,899

Supplementary disclosure

Underlying earnings after tax is presented to enable stakeholders to make an assessment and comparison of underlying earnings after removing significant one-off items and the change in the fair value of financial instruments.

Underlying earnings	2	209,945	136,226	200,780	137,375
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The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2009

	Issued capital \$000	Retained earnings \$000	Available for sale investment reserve \$000	Foreign currency translation reserve \$000	Asset revaluation reserve \$000	Cashflow hedge reserve \$000	Total equity \$000
Group							
Balance as at 1 July 2007	377,561	550,525	0	0	777,915	4,492	1,710,493
Fair value revaluation of hydro and co-generation assets, net of taxation	0	0	0	0	585,200	0	585,200
Equity accounted share of movements in associate's reserves	0	0	0	0	0	(12,879)	(12,879)
Cash flow hedges gain/(loss) taken to or released from equity, net of taxation	0	0	0	0	0	(83,343)	(83,343)
Impact of tax rate change	0	0	0	0	0	3,428	3,428
Net income/(expense) recognised directly in equity	0	0	0	0	585,200	(92,794)	492,406
Net profit for the period	0	110,951	0	0	0	0	110,951
Total recognised income and expenses for the period	0	110,951	0	0	585,200	(92,794)	603,357
Dividend	0	(56,200)	0	0	0	0	(56,200)
Balance as at 30 June 2008	377,561	605,276	0	0	1,363,115	(88,302)	2,257,650
Balance as at 1 July 2008	377,561	605,276	0	0	1,363,115	(88,302)	2,257,650
Fair value revaluation of other generation assets, net of taxation	0	0	0	0	170,987	0	170,987
Equity accounted share of movements in associate's reserves	0	0	0	0	0	11,053	11,053
Net loss on available for sale investments, net of taxation	0	0	(2,168)	0	0	0	(2,168)
Movements in foreign currency translation reserve	0	0	0	15	0	0	15
Cash flow hedges gain/(loss) taken to or released from equity, net of taxation	0	0	0	0	0	79,945	79,945
Release of asset revaluation reserve for assets taken out of service, net of taxation	0	67	0	0	(67)	0	0
Net income/(expense) recognised directly in equity	0	67	(2,168)	15	170,920	90,998	259,832
Net profit for the period	0	159,618	0	0	0	0	159,618
Total recognised income and expenses for the period	0	159,685	(2,168)	15	170,920	90,998	419,450
Dividend	0	(55,500)	0	0	0	0	(55,500)
Balance as at 30 June 2009	377,561	709,461	(2,168)	15	1,534,035	2,696	2,621,600
Company							
Balance as at 1 July 2007	377,561	581,461	0	0	756,016	3,434	1,718,472
Fair value revaluation of hydro and co-generation assets, net of taxation	0	0	0	0	585,200	0	585,200
Cash flow hedges gain/(loss) taken to or released from equity, net of taxation	0	0	0	0	0	(83,343)	(83,343)
Impact of tax rate change	0	0	0	0	0	3,428	3,428
Net income/(expense) recognised directly in equity	0	0	0	0	585,200	(79,915)	505,285
Net profit for the period	0	130,899	0	0	0	0	130,899
Total recognised income and expenses for the period	0	130,899	0	0	585,200	(79,915)	636,184
Dividend	0	(56,200)	0	0	0	0	(56,200)
Balance as at 30 June 2008	377,561	656,160	0	0	1,341,216	(76,481)	2,298,456
Balance as at 1 July 2008	377,561	656,160	0	0	1,341,216	(76,481)	2,298,456
Net loss on available for sale investments, net of taxation	0	0	(2,168)	0	0	0	(2,168)
Movements in foreign currency translation reserve	0	0	0	0	0	0	0
Cash flow hedges gain/(loss) taken to or released from equity, net of taxation	0	0	0	0	0	79,945	79,945
Release of asset revaluation reserve for assets taken out of service, net of taxation	0	67	0	0	(67)	0	0
Net income/(expense) recognised directly in equity	0	67	(2,168)	0	(67)	79,945	77,777
Net profit for the period	0	178,859	0	0	0	0	178,859
Total recognised income and expenses for the period	0	178,926	(2,168)	0	(67)	79,945	256,636
Dividend	0	(55,500)	0	0	0	0	(55,500)
Balance as at 30 June 2009	377,561	779,586	(2,168)	0	1,341,149	3,464	2,499,592

The accompanying notes form an integral part of these financial statements.

Balance Sheet

As at 30 June 2009

	Note	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
SHAREHOLDERS' EQUITY					
Issued capital	6	377,561	377,561	377,561	377,561
Reserves		2,244,039	1,880,089	2,122,031	1,920,895
Total shareholders' equity		2,621,600	2,257,650	2,499,592	2,298,456
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	7	56,823	34,049	55,584	34,001
Receivables	8	276,725	290,670	647,693	627,331
Inventories	9	14,299	6,521	13,319	6,520
Derivative financial instruments	20	39,333	42,929	39,333	42,929
Taxation receivable		0	17,147	0	15,198
Total current assets		387,180	391,316	755,929	725,979
NON-CURRENT ASSETS					
Property, plant and equipment	10	3,859,941	3,498,704	3,037,785	3,089,896
Intangible assets	11	32,803	27,952	21,972	26,274
Available for sale financial assets	12	4,050	0	4,050	0
Investment in subsidiaries	13	0	0	287,355	123,900
Investment and advances to associates	14	84,713	65,944	15,445	12,763
Derivative financial instruments	20	19,377	74,113	19,377	74,113
Total non-current assets		4,000,884	3,666,713	3,385,984	3,326,946
Total assets		4,388,064	4,058,029	4,141,913	4,052,925
LIABILITIES					
CURRENT LIABILITIES					
Payables and accruals	16	176,461	243,608	156,244	222,047
Provisions	17	2,058	1,582	0	0
Current portion loans	18	42,456	67,461	30,060	67,461
Derivative financial instruments	20	92,706	90,249	92,706	90,249
Taxation payable		41,316	0	42,381	0
Total current liabilities		354,997	402,900	321,391	379,757
NON-CURRENT LIABILITIES					
Derivative financial instruments	20	67,464	115,794	67,464	115,794
Loans	18	600,079	591,315	600,079	580,778
Deferred tax	19	743,924	690,370	653,387	678,140
Total non-current liabilities		1,411,467	1,397,479	1,320,930	1,374,712
Total liabilities		1,766,464	1,800,379	1,642,321	1,754,469
NET ASSETS		2,621,600	2,257,650	2,499,592	2,298,456

For and on behalf of the Board of Directors who authorised the issue of the Financial Statements on 26 August 2009.



CAROLE DURBIN
Chair
26 AUGUST 2009



JOHN BAIRD
Deputy Chair
26 AUGUST 2009

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement

For the year ended 30 June 2009

Note	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
	1,155,523	1,051,883	1,115,909	1,018,549
	(738,441)	(761,155)	(726,636)	(730,552)
	6,011	3,367	5,996	3,353
	(44,288)	(44,626)	(43,918)	(44,530)
	(61,700)	(42,047)	(61,700)	(42,047)
Net cash provided by operating activities	21	207,422	289,651	204,773
CASH FLOWS FROM INVESTING ACTIVITIES				
	(169,385)	(285,621)	(37,828)	(22,831)
	24,518	296	24,480	296
	(25)	(33,404)	(25)	(85)
	(6,193)	(35)	(6,193)	(35)
	2,765	5,519	2,765	5,519
	(11,494)	(14,938)	(3,195)	(14,938)
	(62,017)	(17,192)	(8,524)	0
	0	0	(162,700)	0
	0	75	0	75
Net cash used in investing activities	(221,831)	(345,300)	(191,220)	(31,999)
CASH FLOWS FROM FINANCING ACTIVITIES				
	50,000	141,181	50,000	131,000
	(67,000)	0	(67,000)	0
	0	0	(4,348)	(300,468)
	(55,500)	(56,200)	(55,500)	(56,200)
Net cash (used in)/provided by financing activities	(72,500)	84,981	(76,848)	(225,668)
	22,774	(52,897)	21,583	(52,894)
	34,049	86,946	34,001	86,895
Cash and cash equivalents at the end of the period	56,823	34,049	55,584	34,001
<i>Cash balance comprises:</i>				
	9,088	9,257	7,849	9,209
	47,735	24,792	47,735	24,792
Cash balance at the end of the period	56,823	34,049	55,584	34,001

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2009

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.

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.

The Group has elected to early adopt NZ IAS 23 (revised) – Borrowing Costs and NZ IFRS 8 – Operating Segments with effect from 1 July 2007.

The group has elected not to early adopt the following standards or apply the following interpretation(s) which have been issued but are not yet effective:

- NZ IAS 1 (revised) – Presentation of Financial Statements. This revised standard, which will be effective for periods beginning on or after 1 January 2009, introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications, changes in the presentation requirements for dividends and changes to the titles of financial statements. The amendments are only expected to affect the presentation of the financial statements and will not have a direct impact on the measurement and recognition of amounts under the current NZ IAS 1. Management are yet to determine if the new statement of comprehensive income will be presented as a single or dual statement.
- NZ IFRS 3 (revised) – Business Combinations. The revised standard, which will be effective for periods beginning on or after 1 July 2009, introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period an acquisition occurs, and future reported results. This standard will be applied prospectively.
- NZ IAS 27 (revised) – Consolidated and Separate Financial Statements. The revised standard, which will be effective for periods beginning on or after 1 July 2009, requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. The revision also changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. This standard will also be applied prospectively.
- NZ IFRS 7 (revised) – Financial Instruments: Disclosure. The revised disclosure requirements, which will be effective for reporting periods beginning on or after 1 January 2009, expand the disclosure requirements for financial instruments carried at fair value on the statement of financial position and expand and clarify the required disclosures in relation to liquidity risk.

(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.

Notes to the Financial Statements

For the year ended 30 June 2009

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised 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. 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 (see note 17).

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 20.

(d) Functional and presentation currency

These financial statements are presented in New Zealand Dollars (\$), which is the Group's functional currency. All financial information has been rounded to the nearest thousand.

(3) Significant accounting policies

(a) Basis of consolidation

Subsidiaries

Subsidiaries are those entities in which the Group holds a controlling interest either directly, indirectly or beneficially in the entity. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised in the income statement.

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

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.

Notes to the Financial Statements

For the year ended 30 June 2009

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.

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 consent 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.

Where property, plant and equipment is disposed of, the gain or loss recognised in the income statement is calculated as the difference between the sale price and the carrying value of the property, plant and equipment.

Development of exploration assets

Development costs of successful efforts are capitalised and amortised on a units of production basis over the estimated life of the field commencing from the first year of commercial production. Any subsequent impairment in the value of unamortised development costs is charged to the income statement.

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.

Notes to the Financial Statements

For the year ended 30 June 2009

The annual depreciation rates are as follows:

	2009	2008
Office land and buildings	1-20%	1-2%
Generation assets:		
• Hydro and co-generation	1-15%	1-15%
• Other generation	5-10%	5-10%
Meters	3-33%	3-33%
Computer hardware and tangible software	15-33%	15-33%
Other plant and equipment	4-33%	10-33%
Motor vehicles	20-33%	20%

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.

Land access rights for exploration activities are amortised over the life of the right.

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) 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.

(e) 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 expensed to the income statement in the year in which the loss is incurred.

(f) Intangible assets

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. 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 2009: between 2.5 and 5 years (2008: between 2.5 and 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, including land access rights acquired to further the Group's 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 2009: between 3 and 11 years (2008: between 3 and 11 years). Testing for impairment will only arise when there is an indication that the asset may be impaired.

Notes to the Financial Statements

For the year ended 30 June 2009

(g) 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.

(h) 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.

(i) 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.

(j) 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 equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement. Held to maturity investments are carried at amortised cost.

Notes to the Financial Statements

For the year ended 30 June 2009

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 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 equity 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 deferred 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.

(k) 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 deferred in equity as qualifying cash flow hedges.

The assets and liabilities of independent foreign operations, 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.

(l) 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 twelve 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 assessments 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.

(m) 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.

Notes to the Financial Statements

For the year ended 30 June 2009

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) Related parties

The Group considers its related parties to be key management personnel, its associates, its joint venture partners, the Crown and other State Owned Enterprises.

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.

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 2. UNDERLYING EARNINGS

Underlying earnings after tax is presented to enable stakeholders to make an assessment and comparison of underlying earnings after removing significant one-off items and the change in the fair value of financial instruments.

	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Net profit for the year	159,618	110,951	178,859	130,899
Change in the fair value of financial instruments	47,155	9,665	47,155	9,665
Impaired exploration and development expenditure	45,230	28,059	10,084	0
Gain on sale of Marsden generation assets	(20,426)	0	(20,426)	0
Adjustments before income tax expense	71,959	37,724	36,813	9,665
Income tax expense on adjustments	(21,632)	(12,449)	(14,892)	(3,189)
Adjustments after income tax expense	50,327	25,275	21,921	6,476
Underlying earnings after tax	209,945	136,226	200,780	137,375

The gain on sale of the Marsden generation assets is included in Other Revenue, a component of EBITDAF.

Tax has been applied on all taxable adjustments at 30% (2008: 33%).

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.

Types of products and services

Wholesale

The wholesale segment encompasses activity associated with the production of energy from all power stations, the purchase of energy related products and services, and the sale of power to the retail segment together with activities such as risk and asset management. The wholesale segment is exposed to volatility in wholesale prices which may result in significant fluctuations in segment results from year to year.

Retail

The retail segment encompasses activity associated with the purchase of power from the wholesale segment and the subsequent sale of energy and energy related services and products to customers. The retail segment is also exposed to fluctuations in wholesale prices relating to energy purchases, electricity sales at spot and the settlement of electricity price derivatives. The result of wholesale price volatility will have a partially offsetting impact between the wholesale and retail segment.

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 other corporate support activities.

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, impairment of exploration and development expenditure, finance costs and income tax expense.

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

Notes to the Financial Statements

For the year ended 30 June 2009

Segmental results

	Wholesale \$000	Retail \$000	Other segments \$000	Total \$000
June 2009				
Total segment revenue	868,751	648,751	51,220	1,568,722
Inter-segment revenue	(422,973)	0	(25,858)	(448,831)
Revenue from external customers	<u>445,778</u>	<u>648,751</u>	<u>25,362</u>	<u>1,119,891</u>
Segment EBITDAF	314,477	129,874	1,070	445,421
Depreciation and amortisation	87,929	276	16,742	104,947
Additions to non-current assets excluding financial instruments	245,710	1,704	41,828	289,242
Segment Assets	4,006,654	163,935	217,475	4,388,064

	Wholesale \$000	Retail \$000	Other segments \$000	Total \$000
June 2008				
Total segment revenue	1,152,244	494,131	23,948	1,670,323
Inter-segment revenue	(472,281)	0	(19,489)	(491,770)
Revenue from external customers	<u>679,963</u>	<u>494,131</u>	<u>4,459</u>	<u>1,178,553</u>
Segment EBITDAF	377,610	(66,209)	(6,762)	304,639
Depreciation and amortisation	65,957	357	20,211	86,525
Additions to non-current assets excluding financial instruments	247,998	136	39,108	287,242
Segment Assets	3,633,497	153,066	254,319	4,040,882

Reconciliation of segment revenue to the income statement

	Group 2009 \$000	Group 2008 \$000
Total segment revenue	1,568,722	1,670,323
Inter-segment sales elimination	(448,831)	(491,770)
Total revenue per the income statement	<u>1,119,891</u>	<u>1,178,553</u>

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	1,099,465	1,178,553
Other foreign countries	20,426	0
	<u>1,119,891</u>	<u>1,178,553</u>

Reconciliation of segment assets to total assets

	Group 2009 \$000	Group 2008 \$000
Segment assets	4,388,064	4,040,882
Current tax assets	0	17,147
Total assets	<u>4,388,064</u>	<u>4,058,029</u>

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

New Zealand	3,963,907	3,582,513
Other foreign countries	17,600	10,087
	<u>3,981,507</u>	<u>3,592,600</u>

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 4. PROFIT BEFORE INCOME TAX

	Note	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Auditing the financial statements		335	293	254	221
IFRS related advisory services		5	0	5	0
Total auditor's remuneration		340	293	259	221
Donations		233	74	223	74
Rental and operating lease costs		3,387	3,198	3,371	3,198
Net (gain)/loss on sale of property, plant and equipment		(22,673)	(30)	(22,673)	(30)
Foreign currency exchange losses/(gains)		123	(135)	123	(539)
Interest charged		45,273	46,572	44,748	46,312
Interest capitalised to capital work in progress		(14,261)	(20,029)	(14,261)	(20,029)
Total interest expense		31,012	26,543	30,487	26,283
Depreciation	10	97,812	74,267	79,562	67,066
Amortisation of intangible assets	11	7,937	8,624	7,494	8,315
Amortisation of fair value on transition		(802)	3,634	(802)	3,634
		104,947	86,525	86,254	79,015

NOTE 5. INCOME TAX

	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
(i) Income tax expense				
Profit before income tax	226,777	161,861	250,124	193,015
Prima facie income tax expense at 30% (2008: 33%) on the profit before tax	(68,033)	(53,414)	(75,037)	(63,695)
Increase/(decrease) in income tax due to:				
• effect of tax rate change on deferred tax	0	1,857	0	1,701
• share of associate's tax paid earnings	878	769	59	(29)
• capital gain	6,128	0	6,128	0
• capital loss	(6,083)	0	(2,280)	0
• other differences	(197)	(268)	(338)	(239)
Over provision in prior period	148	146	203	146
Income tax expense attributable to profit from ordinary activities	(67,159)	(50,910)	(71,265)	(62,116)
<i>Represented by:</i>				
Current tax expense	(90,061)	(75,086)	(90,494)	(75,875)
Deferred tax recognised in the income statement	22,902	24,176	19,229	13,759
Total income tax expense	(67,159)	(50,910)	(71,265)	(62,116)
(ii) Current tax recognised directly in equity				
Current tax recognised directly in equity	(30,155)	21,671	(30,155)	21,671
(iii) Imputation credits				
Balance at beginning of the year			201,085	185,685
Imputation credits attached to dividends paid during the year			(27,336)	(27,680)
Income tax payments made during the year			61,734	43,080
Balance at end of the year			235,483	201,085
At balance date the imputation credits available to the shareholder were:				
Through direct shareholding in the Company			235,427	201,029
Through indirect interests in subsidiaries			56	56
			235,483	201,085

NOTE 6. SHARE CAPITAL

The share capital is represented by 377,561,000 (2008: 377,561,000) ordinary shares authorised, issued and fully paid. All shares have equal voting rights and share equally in dividends and any surplus on winding up. These shares do not have a par value.

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 7. CASH AND CASH EQUIVALENTS

	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Bank balances	9,088	9,257	7,849	9,209
Short term deposits	47,735	24,792	47,735	24,792
Cash and cash equivalents in the statement of cash flows	56,823	34,049	55,584	34,001

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 8. RECEIVABLES

	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Trade receivables and accruals	274,628	290,231	186,677	258,556
Allowance for impairment loss	(2,769)	(2,771)	(2,744)	(2,771)
Net trade receivables and accruals	271,859	287,460	183,933	255,785
Prepayments	4,866	3,210	4,863	3,128
Related party receivables	0	0	458,897	368,418
	276,725	290,670	647,693	627,331

Trade receivables are non-interest bearing and are generally on 30 day terms. For terms and conditions of related party receivables refer to note 24.

Movements in the allowance for impairment loss were as follows:

Balance at beginning of the year	2,771	2,396	2,771	2,396
Charge for the year	3,254	1,924	3,229	1,924
Amounts written off	(3,256)	(1,549)	(3,256)	(1,549)
Balance at end of the year	2,769	2,771	2,744	2,771

Receivables past due but not considered impaired:

Less than one month past due	5,118	4,267	5,118	4,267
Two to three months past due*	26	125	26	125
Three to six months past due*	0	0	0	0
Later than six months past due*	5	0	5	0
	5,149	4,392	5,149	4,392

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

NOTE 9. INVENTORIES

	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Consumable stores	10,048	5,817	9,068	5,816
Spare parts	4,251	704	4,251	704
	14,299	6,521	13,319	6,520

Inventories are held to service and repair operating plant.

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

Group

	Hydro and co- generation 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 2007									
Cost or valuation	2,307,610	75,214	19,505	63,012	7,539	18,777	1,880	239,081	2,732,618
Accumulated depreciation	(138,261)	(11,631)	(14,126)	(27,726)	0	(12,985)	(838)	0	(205,567)
Net book value	2,169,349	63,583	5,379	35,286	7,539	5,792	1,042	239,081	2,527,051
Year ended 30 June 2008									
Opening net book value	2,169,349	63,583	5,379	35,286	7,539	5,792	1,042	239,081	2,527,051
Additions, including transfers from capital work in progress	32,437	3,642	5,371	5,898	20	4,375	574	186,517	238,834
Disposals	0	0	(159)	0	0	(318)	(378)	0	(855)
Revaluation	836,000	0	0	0	0	0	0	0	836,000
Impairment of exploration expenditure	0	0	0	0	0	0	0	(28,059)	(28,059)
Depreciation charge for the year	(57,726)	(6,005)	(1,435)	(5,053)	(504)	(3,190)	(354)	0	(74,267)
Closing net book value	2,980,060	61,220	9,156	36,131	7,055	6,659	884	397,539	3,498,704
Balance at 30 June 2008									
Cost or valuation	2,980,060	78,856	23,973	65,834	7,676	21,247	1,815	397,539	3,577,000
Accumulated depreciation	0	(17,636)	(14,817)	(29,703)	(621)	(14,588)	(931)	0	(78,296)
Net book value	2,980,060	61,220	9,156	36,131	7,055	6,659	884	397,539	3,498,704
Year ended 30 June 2009									
Opening net book value	2,980,060	61,220	9,156	36,131	7,055	6,659	884	397,539	3,498,704
Additions, including transfers from capital work in progress	5,272	270,991	6,306	10,163	759	2,118	404	(32,926)	263,087
Disposals	(269)	(371)	(591)	0	0	(6)	(129)	0	(1,366)
Revaluation	0	244,268	0	0	0	0	0	0	244,268
Impaired assets	0	0	0	(1,710)	0	0	0	0	(1,710)
Impairment of exploration and development expenditure	(100)	0	0	0	0	0	0	(45,130)	(45,230)
Depreciation charge for the year	(66,106)	(18,724)	(1,841)	(7,253)	(427)	(3,138)	(323)	0	(97,812)
Closing net book value	2,918,857	557,384	13,030	37,331	7,387	5,633	836	319,483	3,859,941
Balance at 30 June 2009									
Cost or valuation	2,985,113	581,110	28,693	74,232	8,390	19,083	1,784	319,483	4,017,888
Accumulated depreciation	(66,256)	(23,726)	(15,663)	(36,901)	(1,003)	(13,450)	(948)	0	(157,947)
Net book value	2,918,857	557,384	13,030	37,331	7,387	5,633	836	319,483	3,859,941

Exploration work in progress

The Group is undertaking a gas exploration project. Costs of \$10.2 million (2008: \$22.3 million) associated with this project are included within capital work in progress and will remain until drilling is complete and the results evaluated. Costs that prove to be unsuccessful are expensed in full to the income statement as impaired exploration expenditure.

Impaired exploration and development expenditure

Impaired exploration expenditure during the year to 30 June 2009 was \$12.6 million in the gas exploration cash generating unit (30 June 2008: \$28.1 million).

Management performed a review of development projects within capital work in progress to identify whether any indication for impairment exists. Three projects were identified that are now unlikely to proceed as they are no longer considered economic. An impairment charge of \$32.7 million has been recognised to adjust the assets to their recoverable value which is based on fair value less costs to sell (2008: nil).

Notes to the Financial Statements

For the year ended 30 June 2009

Company

	Hydro and co- generation 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 2007									
Cost or valuation	2,214,972	807	18,241	63,012	7,539	18,223	1,763	70,775	2,395,332
Accumulated depreciation	(123,996)	(111)	(13,401)	(27,726)	0	(12,730)	(771)	0	(178,735)
Net book value	2,090,976	696	4,840	35,286	7,539	5,493	992	70,775	2,216,597
Year ended 30 June 2008									
Opening net book value	2,090,976	696	4,840	35,286	7,539	5,493	992	70,775	2,216,597
Additions, including transfers from capital work in progress	32,437	199	4,856	5,898	20	4,375	389	(22,925)	25,249
Acquired through amalgamation	76,483	1,447	263	0	0	277	32	1,208	79,710
Disposals	0	0	(82)	0	0	(318)	(194)	0	(594)
Revaluation	836,000	0	0	0	0	0	0	0	836,000
Depreciation charge for the year	(56,136)	(514)	(1,341)	(5,053)	(504)	(3,168)	(350)	0	(67,066)
Closing net book value	2,979,760	1,828	8,536	36,131	7,055	6,659	869	49,058	3,089,896
Balance at 30 June 2008									
Cost or valuation	2,979,760	3,493	22,889	65,834	7,676	21,232	1,793	49,058	3,151,735
Accumulated depreciation	0	(1,665)	(14,353)	(29,703)	(621)	(14,573)	(924)	0	(61,839)
Net book value	2,979,760	1,828	8,536	36,131	7,055	6,659	869	49,058	3,089,896
Year ended 30 June 2009									
Opening net book value	2,979,760	1,828	8,536	36,131	7,055	6,659	869	49,058	3,089,896
Additions, including transfers from capital work in progress	5,272	1,686	6,250	10,160	759	2,007	366	14,073	40,573
Disposals	(269)	(371)	(591)	0	0	(6)	(91)	0	(1,328)
Revaluation	0	0	0	0	0	0	0	0	0
Impaired assets	0	0	0	(1,710)	0	0	0	0	(1,710)
Impairment of exploration and development expenditure	0	0	0	0	0	0	0	(10,084)	(10,084)
Depreciation charge for the year	(66,106)	(617)	(1,734)	(7,253)	(427)	(3,103)	(322)	0	(79,562)
Closing net book value	2,918,657	2,526	12,461	37,328	7,387	5,557	822	53,047	3,037,785
Balance at 30 June 2009									
Cost or valuation	2,984,913	4,307	27,554	74,229	8,390	18,955	1,762	53,047	3,173,157
Accumulated depreciation	(66,256)	(1,781)	(15,093)	(36,901)	(1,003)	(13,398)	(940)	0	(135,372)
Net book value	2,918,657	2,526	12,461	37,328	7,387	5,557	822	53,047	3,037,785

Assets carried at fair value

Hydro and co-generation assets shown at valuation were revalued using a net present value methodology by PricewaterhouseCoopers, an independent valuer, as at 30 June 2008. As a consequence of the revaluations, accumulated depreciation on these assets was reset to nil.

Other generation assets shown at valuation, that could be reliably valued as at 30 June 2009, were revalued to \$500 million using a net present value methodology by PricewaterhouseCoopers, an independent valuer. As a consequence of the revaluation, accumulated depreciation on these assets was reset to nil. The assets that could not be reliably valued due to the intrinsic link between them and a development project for which operational contracts are still to be finalised have not had the accumulated depreciation reset to nil. A revaluation will take place on these assets as soon is practicable to do so.

The key assumptions that are used in the valuation include the forecast of the future electricity price path, volumes, projected operational and capital expenditure, capacity and life assumptions and discount rate.

Revalued office land and buildings are stated at net market value as determined by Darroch Valuations Waikato Limited, an independent valuer, on 4 May 2007. As a consequence of the revaluation accumulated depreciation was reset to nil.

Notes to the Financial Statements

For the year ended 30 June 2009

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

	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Hydro and co-generation assets	1,144,933	1,178,184	1,144,733	1,177,884
Other generation assets	310,109	58,948	2,248	2,630
Office land and buildings	5,428	5,137	5,428	5,137

NOTE 11. INTANGIBLE ASSETS

	Group Intangible software \$000	Group Rights \$000	Group Goodwill \$000	Group Total \$000	Company Intangible software \$000	Company Rights \$000	Company Total \$000
Balance at 1 July 2007							
Cost	39,263	12,516	0	51,779	39,150	9,764	48,914
Accumulated amortisation	(26,145)	(3,996)	0	(30,141)	(26,082)	(3,221)	(29,303)
Net book value	13,118	8,520	0	21,638	13,068	6,543	19,611
Year ended 30 June 2008							
Opening net book value	13,118	8,520	0	21,638	13,068	6,543	19,611
Additions	14,937	1	0	14,938	14,937	1	14,938
Acquired through amalgamation	0	0	0	0	40	0	40
Amortisation for the year	(7,491)	(1,133)	0	(8,624)	(7,482)	(833)	(8,315)
Closing net book value	20,564	7,388	0	27,952	20,563	5,711	26,274
Balance at 30 June 2008							
Cost	54,200	12,517	0	66,717	54,175	9,765	63,940
Accumulated amortisation	(33,636)	(5,129)	0	(38,765)	(33,612)	(4,054)	(37,666)
Net book value	20,564	7,388	0	27,952	20,563	5,711	26,274
Year ended 30 June 2009							
Opening net book value	20,564	7,388	0	27,952	20,563	5,711	26,274
Additions	3,184	8,310	1,296	12,790	3,166	28	3,194
Disposals	(2)	0	0	(2)	(2)	0	(2)
Amortisation for the year	(6,732)	(1,205)	0	(7,937)	(6,729)	(765)	(7,494)
Closing net book value	17,014	14,493	1,296	32,803	16,998	4,974	21,972
Balance at 30 June 2009							
Cost	57,320	20,827	1,296	79,443	57,278	9,793	67,071
Accumulated amortisation	(40,306)	(6,334)	0	(46,640)	(40,280)	(4,819)	(45,099)
Net book value	17,014	14,493	1,296	32,803	16,998	4,974	21,972

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. To date no such impairment indication exists.

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.

Notes to the Financial Statements

For the year ended 30 June 2009

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 12. AVAILABLE FOR SALE FINANCIAL ASSETS

	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Shares - New Zealand listed	4,050	0	4,050	0

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.

NOTE 13. INVESTMENT IN SUBSIDIARIES

	Company 2009 \$000	Company 2008 \$000
Shares in subsidiaries at cost	287,355	123,900

Subsidiaries include:

Name of Entity	% Holding		Principal Activity	Country of Incorporation	Balance Date
	2009	2008			
Mighty River Power Geothermal Limited	100	100	Investment holding	New Zealand	30 June
Rotokawa Geothermal Limited	100	100	Investment holding	New Zealand	30 June
Rotokawa Generation Limited	100	100	Electricity generation	New Zealand	30 June
Mangakino Geothermal Limited	100	100	Geothermal development	New Zealand	30 June
Kawerau Geothermal Limited	100	100	Geothermal development	New Zealand	30 June
Ngatamariki Geothermal Limited	100	0	Geothermal development	New Zealand	30 June
Mighty Geothermal Power Limited	100	100	Investment holding	New Zealand	30 June
Mighty River Power LLC	100	100	Investment holding	United States	31 December
Mercury Energy Limited	100	100	Non Trading	New Zealand	30 June
ECNZ International Limited	100	100	Investment holding	New Zealand	30 June
PT ECNZ Services Indonesia	100	100	Non Trading	Indonesia	31 December
Mighty River Power Gas Investments Limited	100	100	Investment holding	New Zealand	30 June
Mighty River Power (Waipa) Limited	100	100	Investment holding	New Zealand	30 June
Waipa Generation Limited	100	50	Non Trading	New Zealand	30 June
Bosco Connect Limited	100	49	Retail of utilities	New Zealand	30 June
EZY Networks Limited	100	49	Non Trading	New Zealand	30 June

Notes to the Financial Statements

For the year ended 30 June 2009

The Company recapitalised a number of its subsidiaries at 30 June 2009.

On 1st February 2009 the Company acquired the remaining 51% of the shares in Bosco Connect Limited. The total cost of the combination was \$1,377,000. The purchase consideration was paid in cash. The goodwill is attributable to the acquired customer base.

The fair value of the identifiable assets, liabilities and contingent liabilities of Bosco Connect Limited at the date of acquisition were:

	Recognised on Acquisition \$000	Consolidated Carrying Value \$000
Cash and cash equivalents	418	418
Receivables	31	31
Plant and equipment	54	54
Total assets	<u>503</u>	<u>503</u>
Payables and accruals	232	232
Other liabilities	190	190
Total liabilities	<u>422</u>	<u>422</u>
Fair value of identifiable net assets	81	
Goodwill arising on acquisition	<u>1,296</u>	
Total cost of the combination	<u>1,377</u>	

From the date of acquisition of the remaining shares in Bosco Connect the entity has contributed an additional \$174,000 to the net profit of the Group. If the combination had taken place at the beginning of the year the profit after tax for the group would have been \$160,029,000 and total revenue would have been \$1,123,366,000.

On the 3rd October 2008 the Company acquired the remaining 50% shares in Waipa Generation Limited.

NOTE 14. INVESTMENT AND ADVANCES TO ASSOCIATES

	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Balance at the beginning of the period	<u>65,944</u>	48,541	<u>12,763</u>	18,219
Additions during the year	6,218	33,470	6,218	151
Disposals during the year	(78)	0	(78)	0
Equity accounted earnings	2,928	2,331	196	(88)
Equity accounted share of movement in reserves	11,053	(12,879)	0	0
Repayment of advances during the year	(2,807)	(5,519)	(2,807)	(5,519)
Exchange movements	1,455	0	(847)	0
Balance at the end of the period	<u>84,713</u>	65,944	<u>15,445</u>	12,763

Notes to the Financial Statements

For the year ended 30 June 2009

Associates include:

Name of entity	Interest Held		Principal activity	Country of incorporation
	2009	2008		
TPC Holdings Limited	25%	25%	Investing in Tuaropaki Power Company Limited	New Zealand
Bosco Connect Limited	100%	49%	Retail of electricity to the apartment market	New Zealand
Hot Water Innovations Limited	34.71%	33.46%	Development of a hot water storage solution	New Zealand
GeoGlobal Energy LLC	25%	25%	Geothermal development	United States

During 2008 the Group acquired additional interests in TPC Holdings Ltd. A prepayment of \$15 million was made for an additional interest in the shares which will be acquired on commissioning of an expansion, or at another date agreed by both parties. A further \$8 million was paid which allowed for the extension and variation of the shareholder agreement.

During 2008 the Group acquired a 25% holding in GeoGlobal Energy LLC whose principal activity is to develop geothermal opportunities around the globe.

During 2009 the group acquired the remaining 51% of the shares of Bosco Connect Limited. This entity is now reported as a subsidiary details of the transaction can be found in note 13.

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

	Group 2009 \$000	Group 2008 \$000
Total assets	504,998	509,018
Total liabilities	343,907	401,264
Total revenues	70,410	60,023
Total profit for the period	10,856	8,735

NOTE 15. INVESTMENT IN JOINTLY CONTROLLED ASSETS

Name of joint venture	Interest Held		Principal activity
	2009	2008	
Rotokawa	50%	50%	Electricity generation
Nga Awa Purua	75%	75%	Electricity generation
Rosedale / Greenmount	77.5%	77.5%	Electricity generation
Silverstream	0%	93%	Electricity generation
Waipa	0%	50%	Electricity generation
Tirohia	50%	50%	Electricity generation

On 3rd October 2008 the Waipa joint venture was dissolved and the remaining 50% interest in the jointly controlled assets was acquired by Mighty River Power (Waipa) Limited.

On 30 January 2009 our interest in the Silverstream joint venture was sold.

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 16. PAYABLES AND ACCRUALS

	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Trade payables and accruals	169,295	238,147	150,031	217,086
Employee entitlements	4,826	4,034	4,809	4,034
Sundry creditors	2,340	1,427	1,404	927
	176,461	243,608	156,244	222,047

Trade payables are non-interest bearing and are normally settled on 30 - 60 day terms.

NOTE 17. PROVISIONS

	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Balance at the beginning of the period	1,582	0	0	0
Provisions made during the year	288	1,460	0	0
Provisions used during the year	0	0	0	0
Provisions reversed during the year	0	0	0	0
Unwind of discount rate	188	122	0	0
Balance at the end of the period	2,058	1,582	0	0

Provisions have been recognised for the abandonment and subsequent restoration of areas from which geothermal resources have been extracted. The timing of expected cash out-flows required to settle the above provision is uncertain and will depend on the extent of the geothermal steam resource for the well and the field.

NOTE 18. LOANS

	Borrowing Currency Denomination	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Bank loans (unsecured)	NZD	130,250	131,683	130,250	131,683
Bank loans (unsecured)	USD	12,396	10,537	0	0
Fixed Rate Bonds (unsecured)	NZD	199,334	199,455	199,334	199,455
Floating Rate Bonds (unsecured)	NZD	300,555	300,831	300,555	300,831
ECNZ Residual loans (unsecured)	NZD	0	16,270	0	16,270
		642,535	658,776	630,139	648,239

Repayable as follows:

Within one year	42,456	67,461	30,060	67,461
One to two years	0	91,029	0	80,492
Two to five years	299,524	199,455	299,524	199,455
Later than five years	300,555	300,831	300,555	300,831
	642,535	658,776	630,139	648,239

Notes to the Financial Statements

For the year ended 30 June 2009

The NZD denominated bank loans represents \$100 million drawings against a \$150 million unsecured term loan facility which is repayable in full on 3 December 2012 and a fully drawn \$30 million unsecured term loan which is repayable on 5 June 2010, the average rates for the year for both loans was 6.4%.

\$100 million of evergreen bank funding facilities that provide liquidity support are available but undrawn.

The USD denominated bank loan relates to US\$8 million drawn under an unsecured term loan facility which is repayable in full on 10 February 2010. The average rate for the year was 2.2%.

The unsecured and unsubordinated Fixed Rate Bonds represent subscriptions of \$200 million dated 9 May 2003. The Bonds currently carry a fixed interest rate of 8.36%, which was reset from 7.01% in May 2008, and have a maturity date of 15 May 2013.

The unsecured and unsubordinated Credit Wrapped Floating Rate Bonds represent subscriptions of \$300 million dated 7 September 2006 with a maturity of 7 September 2021, unless the Company exercises its early repayment option to redeem the Bonds on the 7th, 8th, 9th, 10th, 11th, 12th, 13th or 14th anniversaries of the issue date.

On 15 April 2009 the ECNZ Residual loan matured and was repaid in full.

The Company has entered into a Master Trust Deed 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 a minimum level of shareholders' equity. The Company has also entered into a Supplementary Trust Deed for the issue of the \$200 million 5+5 year Fixed Rate Bonds and a further Supplementary Trust Deed for the \$300 million Floating Rate Bonds.

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.

There have been no breaches of the terms in either of these deeds.

NOTE 19. DEFERRED TAX

(i) Recognised deferred tax assets and liabilities

	Assets 2009 \$000	Assets 2008 \$000	Liabilities 2009 \$000	Liabilities 2008 \$000	Net 2009 \$000	Net 2008 \$000
Group						
Property, plant and equipment	0	0	(776,760)	(718,140)	(776,760)	(718,140)
Financial instruments	48,980	61,813	(17,749)	(35,272)	31,231	26,541
Employee benefits and other provisions	1,157	1,116	0	0	1,157	1,116
Other	1,081	1,037	(633)	(924)	448	113
	51,218	63,966	(795,142)	(754,336)	(743,924)	(690,370)
Company						
Property, plant and equipment	0	0	(685,980)	(705,717)	(685,980)	(705,717)
Financial instruments	48,980	61,813	(17,749)	(35,272)	31,231	26,541
Employee benefits and other provisions	1,007	960	0	0	1,007	960
Other	1,020	1,000	(665)	(924)	355	76
	51,007	63,773	(704,394)	(741,913)	(653,387)	(678,140)

Notes to the Financial Statements

For the year ended 30 June 2009

(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 2007	(472,598)	(4,544)	1,115	(293)	(476,320)
Charged/(credited) to the income statement	4,021	17,689	95	517	22,322
Charged/(credited) to equity	(251,425)	16,627	0	0	(234,798)
Change in tax rate recognised in the income statement	1,941	118	(94)	(111)	1,854
Change in tax rate recognised in equity	(79)	(3,349)	0	0	(3,428)
Balance as at 30 June 2008	(718,140)	26,541	1,116	113	(690,370)
Balance as at 1 July 2008	(718,140)	26,541	1,116	113	(690,370)
Charged/(credited) to the income statement	7,482	15,044	41	335	22,902
Charged/(credited) to equity	(66,102)	(10,354)	0	0	(76,456)
Balance as at 30 June 2009	(776,760)	31,231	1,157	448	(743,924)
Company					
Balance as at 1 July 2007	(461,868)	(4,544)	960	(293)	(465,745)
Charged/(credited) to the income statement	(6,195)	17,689	94	473	12,061
Charged/(credited) to equity	(251,425)	16,627	0	0	(234,798)
Balances acquired on amalgamation	12,069	0	0	3	12,072
Change in tax rate recognised in the income statement	1,781	118	(94)	(107)	1,698
Change in tax rate recognised in equity	(79)	(3,349)	0	0	(3,428)
Balance as at 30 June 2008	(705,717)	26,541	960	76	(678,140)
Balance as at 1 July 2008	(705,717)	26,541	960	76	(678,140)
Charged/(credited) to the income statement	3,859	15,044	47	279	19,229
Charged/(credited) to equity	7,178	(10,354)	0	0	(3,176)
Balances transferred	8,700	0	0	0	8,700
Balance as at 30 June 2009	(685,980)	31,231	1,007	355	(653,387)

In May 2007 the government announced a change in the headline company tax rate from 33% to 30%. This change was effective for the Group from 1 July 2008. An adjustment has been made to deferred taxation in relation to temporary differences that reverse after that date.

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 under existing income tax legislation.

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 20. FINANCIAL INSTRUMENTS

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.

Fair value of derivative financial instruments

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

	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Current				
Interest rate derivative assets	25,454	14,734	25,454	14,734
Electricity price derivative assets	9,727	27,628	9,727	27,628
Foreign exchange rate derivative assets	4,152	567	4,152	567
	39,333	42,929	39,333	42,929
Interest rate derivative liabilities	73,112	10,382	73,112	10,382
Electricity price derivative liabilities	5,402	73,356	5,402	73,356
Foreign exchange rate derivative liabilities	14,192	6,511	14,192	6,511
	92,706	90,249	92,706	90,249
Non-current				
Electricity price derivative assets	19,377	74,113	19,377	74,113
	19,377	74,113	19,377	74,113
Electricity price derivative liabilities	63,847	115,719	63,847	115,719
Foreign exchange rate derivative liabilities	3,617	75	3,617	75
	67,464	115,794	67,464	115,794

Interest rate derivatives, short term low value foreign exchange derivatives, and short term low value electricity price derivatives that are traded on the Energy Hedge Market, 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 are designated as cash flow hedges under NZ IAS 39.

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

	Group and Company		Group and Company	
	Income Statement	Income Statement	Equity	Equity
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Interest rate derivatives	(50,824)	(6,468)	21	927
Electricity price derivatives	1,971	603	41,481	(114,815)
Foreign exchange rate derivatives	(32)	32	72,703	(276)
Income tax on changes in fair value taken to equity	0	0	(34,260)	34,249
Total change in fair value of financial instruments	(48,885)	(5,833)	79,945	(79,915)

Notes to the Financial Statements

For the year ended 30 June 2009

Movement in cash flow hedge reserve

	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Opening balance	(88,302)	4,492	(76,481)	3,434
The effective portion of cash flow hedges recognised in the reserve	138,934	(119,692)	138,934	(119,692)
Amortisation of fair value on transition	(802)	148	(802)	148
The amount transferred to operating expenses relating to forecast transactions that are no longer expected to occur	0	3,486	0	3,486
The amount transferred to balance sheet	(23,927)	1,894	(23,927)	1,894
Equity accounted share of associates' movement in reserves	11,053	(12,879)	0	0
Tax effect of movements	(34,260)	34,249	(34,260)	34,249
Closing balance	<u>2,696</u>	<u>(88,302)</u>	<u>3,464</u>	<u>(76,481)</u>
Ineffectiveness of cash flow hedges recognised in the income statement	<u>1,730</u>	<u>(3,832)</u>	<u>1,730</u>	<u>(3,832)</u>

RISK MANAGEMENT

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 face value of energy contracts amounted to \$1,234.1 million (2008: \$1,314.1 million) with terms of up to 14 years.

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 the assumption that the relevant market prices had increased/decreased by 10 percent with all other variables held constant.

	Group and Company Impact on post tax profit		Group and Company Impact on equity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Electricity forward price increased by plus/minus 10%	<u>816</u>	74	<u>80,012</u>	76,948

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 are held in a separate bank account \$1.5 million (2008: \$0.6 million)

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.

Notes to the Financial Statements

For the year ended 30 June 2009

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.

Included in receivables are the following balances:

	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Energy Clearing House Limited	34,014	84,782	34,014	82,677

The Group doesn't 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 and Australian dollar.

Foreign exchange risk arises from future commercial transactions (including interest payments on long term borrowings and 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 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 one month and five years from balance date. Gains and losses in the cash flow hedge reserve on foreign currency forward exchange contracts as at 30 June 2009 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 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Foreign currency forward exchange contracts	84,027	334,169	84,027	334,169

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 managed primarily through borrowings denominated in the same foreign currency.

At balance date the Group has US funds of US\$1.1 million (2008: US\$0.5 million), Japanese funds of ¥7.5 million (2008: ¥19 million), Euro funds of €0.0 million (2008: €0.1 million), Sterling funds of \$0.1 million (2008: nil) and Australian funds of A\$0.1 million (2008: A\$0.1 million) held in foreign currency bank accounts that are not hedged.

Sensitivity analysis

The following table summarises the impact on other components of equity of the New Zealand dollar weakening or strengthening against the currencies for which the Group has foreign exchange exposure. The sensitivity analysis is based on the assumption that the currency strengthens or weakens by 10 percent with all other variables held constant. Post tax profits would not be materially different.

	Direct impact on equity Group and Company	
	2009 \$000	2008 \$000
Currency strengthens by 10%	7,513	29,362
Currency weakens by 10%	9,183	35,977

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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 facilities to cover unanticipated needs.

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.

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 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Interest rate swaps	2,440,400	1,341,850	2,440,400	1,341,850
Interest rate options	100,000	100,000	100,000	100,000
Forward rate agreements	675,000	1,276,000	675,000	1,276,000

If, at 30 June 2009, interest rates had been 100 bpts higher/lower with all other variables held constant, post tax profits for the Company and Group for the year would have been \$52.5 million higher / \$57.7 million lower (30 June 2008: \$28.1 million higher / \$30.6 million lower), mainly as a result of the fair value change 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.

Repricing analysis

The following tables identify the periods in which repriced financial instruments are subject to interest rate risk:

	Effective interest rate	Total \$000	Within 1 Year \$000	1 to 2 Years \$000	2 to 5 Years \$000	Later than 5 Years \$000
Group June 2009						
Assets						
Cash	2.5%	9,088	9,088	0	0	0
Short term deposits	2.8%	47,735	47,735	0	0	0
Advances to associate	0.0%	15,034	5,346	0	0	9,688
Total assets		71,857	62,169	0	0	9,688
Liabilities						
NZ\$ Bank loans (unsecured)	3.1%	130,250	130,250	0	0	0
US\$ Bank loans (unsecured)	1.0%	12,396	12,396	0	0	0
Fixed Rate Bonds (unsecured)	8.4%	199,334	0	0	199,334	0
Floating Rate Bonds (unsecured)	3.7%	300,555	300,555	0	0	0
Total Liabilities		642,535	443,201	0	199,334	0
Derivatives						
Interest rate swaps		2,440,400	670,000	415,000	150,000	1,205,400
Interest rate options		100,000	0	0	100,000	0
Forward rate agreements		675,000	675,000	0	0	0
Total Derivatives		3,215,400	1,345,000	415,000	250,000	1,205,400
Repricing profile		2,644,722	963,968	415,000	50,666	1,215,088

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	Effective interest rate	Total \$000	Within 1 Year \$000	1 to 2 Years \$000	2 to 5 Years \$000	Later than 5 Years \$000
Company June 2009						
Assets						
Cash	2.5%	7,849	7,849	0	0	0
Short term deposits	2.8%	47,735	47,735	0	0	0
Advances to associate	0.0%	15,034	5,346	0	0	9,688
Total assets		70,618	60,930	0	0	9,688
Liabilities						
NZ\$ Bank loans (unsecured)	3.1%	130,250	130,250	0	0	0
Fixed Rate Bonds (unsecured)	8.4%	199,334	0	0	199,334	0
Floating Rate Bonds (unsecured)	3.7%	300,555	300,555	0	0	0
Total Liabilities		630,139	430,805	0	199,334	0
Derivatives						
Interest rate swaps		2,440,400	670,000	415,000	150,000	1,205,400
Interest rate options		100,000	0	0	100,000	0
Forward rate agreements		675,000	675,000	0	0	0
Total Derivatives		3,215,400	1,345,000	415,000	250,000	1,205,400
Repricing profile		2,655,879	975,125	415,000	50,666	1,215,088

	Effective interest rate	Total \$000	Within 1 Year \$000	1 to 2 Years \$000	2 to 5 Years \$000	Later than 5 Years \$000
Group June 2008						
Assets						
Cash	8.2%	9,257	9,257	0	0	0
Short term deposits	8.2%	24,792	24,792	0	0	0
Advances to associate	0.0%	12,495	0	0	237	12,258
Total assets		46,544	34,049	0	237	12,258
Liabilities						
NZ\$ Bank loans (unsecured)	9.0%	131,683	131,683	0	0	0
US\$ Bank loans (unsecured)	2.8%	10,537	10,537	0	0	0
Fixed Rate Bonds (unsecured)	8.4%	199,455	0	0	199,455	0
Floating Rate Bonds (unsecured)	9.1%	300,831	300,831	0	0	0
ECNZ Residual loans (unsecured)	8.0%	16,270	16,270	0	0	0
Total Liabilities		658,776	459,321	0	199,455	0
Derivatives						
Interest rate swaps		1,341,850	302,350	110,000	547,000	382,500
Interest rate options		100,000	0	0	100,000	0
Forward rate agreements		1,276,000	1,226,000	50,000	0	0
Total Derivatives		2,717,850	1,528,350	160,000	647,000	382,500
Repricing profile		2,105,618	1,103,078	160,000	447,782	394,758

Notes to the Financial Statements

For the year ended 30 June 2009

	Effective interest rate	Total \$000	Within 1 Year \$000	1 to 2 Years \$000	2 to 5 Years \$000	Later than 5 Years \$000
Company June 2008						
Assets						
Cash	8.2%	9,209	9,209	0	0	0
Short term deposits	8.2%	24,792	24,792	0	0	0
Advances to associate	0.0%	12,495	0	0	237	12,258
Total assets		46,496	34,001	0	237	12,258
Liabilities						
NZ\$ Bank loans (unsecured)	9.0%	131,683	131,683	0	0	0
Fixed Rate Bonds (unsecured)	8.4%	199,455	0	0	199,455	0
Floating Rate Bonds (unsecured)	9.1%	300,831	300,831	0	0	0
ECNZ Residual loans (unsecured)	8.0%	16,270	16,270	0	0	0
Total Liabilities		648,239	448,784	0	199,455	0
Derivatives						
Interest rate swaps		1,341,850	302,350	110,000	547,000	382,500
Interest rate options		100,000	0	0	100,000	0
Forward rate agreements		1,276,000	1,226,000	50,000	0	0
Total Derivatives		2,717,850	1,528,350	160,000	647,000	382,500
Repricing profile		2,116,107	1,113,567	160,000	447,782	394,758

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, the fair value for which has been calculated at \$207.6 million based on a secondary market discount rate of 7.26%.

The fair values of interest rate and foreign currency derivative financial assets and liabilities are calculated using quoted market prices.

Electricity derivatives are valued using a discounted cash flow methodology using a combination of energy hedge market prices for the first three 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. 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.

Capital risk management objectives

When managing capital, management's objective is to ensure the entity continues as a going concern and that shareholder value is increased at a rate similar to the increases in market value achieved by comparable private sector companies.

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

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.

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 21. RECONCILIATION OF PROFIT FOR THE PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Group 2009 \$000	Group 2008	Company 2009 \$000	Company 2008 \$000
Profit for the period	159,618	110,951	178,859	130,899
Items classified as investing/financing activities				
• Fixed, intangible and investment asset charges	(14,261)	(20,029)	(14,261)	(20,029)
• Loan charges	(1,745)	(52)	(1,710)	(93)
• Transfers between group companies	0	0	8,444	34,356
Non-cash items				
Depreciation and amortisation	104,947	86,525	86,254	79,015
Net (gain)/loss on sale of property, plant and equipment	(22,673)	(30)	(22,673)	(30)
Change in the fair value of financial instruments	47,155	9,665	47,155	9,665
Impairment of development and exploration expenditure	45,230	28,059	10,084	0
Other property, plant and equipment impairment charges	1,710	0	1,710	0
Unwind of discount on long term provisions	188	122	0	0
Share of profits of equity accounted investees	(2,928)	(2,331)	(196)	88
Other non-cash items	2,410	(57)	2,672	(372)
Net cash provided by operating activities before change in assets and liabilities	319,651	212,823	296,338	233,499
Change in assets and liabilities during the period:				
• (Increase)/decrease in trade receivables and prepayments	66,602	(117,289)	68,389	(126,741)
• Increase in inventories	(7,778)	(1,855)	(6,798)	(2,169)
• Increase/(decrease) in trade payables and accruals	(66,777)	105,915	(67,775)	118,257
• Increase/(decrease) in provision for tax	58,448	10,331	57,564	(13,913)
• Decrease in deferred tax	(53,041)	(2,503)	(58,067)	(4,160)
Net cash inflow from operating activities	317,105	207,422	289,651	204,773

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 22. COMMITMENTS

	Group 2009 \$000	Group 2008 \$000	Company 2009 \$000	Company 2008 \$000
Capital commitments				
<i>Commitments for future capital expenditure are:</i>				
Within one year	115,067	266,492	43,927	13,225
One to two years	182	30,347	182	162
Two to five years	552	636	552	636
Later than five years	169	193	169	193
	115,970	297,668	44,830	14,216

Operating lease commitments

Future minimum lease payments under non cancellable operating leases are:

Within one year	4,092	2,496	4,083	2,496
One to two years	2,928	2,065	2,922	2,065
Two to five years	8,237	5,659	8,124	5,659
Later than five years	9,156	4,596	9,102	4,596
	24,413	14,816	24,231	14,816

Other operating commitments

Commitments for other operating items are:

Within one year	9,734	406	9,734	394
One to two years	1,792	349	1,792	337
Two to five years	2,150	1,440	2,150	1,404
Later than five years	0	81	0	0
	13,676	2,276	13,676	2,135

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 9 years and include an allowance for either annual, biennial or triennial reviews. The remainder relate to vehicles, plant and equipment.

NOTE 23. CONTINGENCIES

The group has no material contingent assets or liabilities.

NOTE 24. 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 with related parties

Significant transactions with the Crown and other State-Owned Enterprises include energy contracts totalling \$6.4 million (2008: \$22.7 million), payments to the Inland Revenue Department for Income Tax, PAYE, GST and FBT totalling \$92.2 million (2008: \$76.1 million), and payments for ACC \$0.8 million (2008: \$0.6 million)

Notes 13, 14 and 15 provide details of subsidiaries, associates and joint ventures. All of these entities are related parties of the Company.

Notes to the Financial Statements

For the year ended 30 June 2009

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

	Transaction Value		Balance Outstanding	
	For the year ended 30 June		As at 30 June	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Management fees and service agreements				
Subsidiaries	2,647	3,482	0	0
Associates	3,924	3,443	355	260
Jointly controlled assets	6,892	1,202	0	0
Energy contracts received (paid)				
Associates	(5,637)	28,075	(112)	11,136
Interest income (expense)				
Subsidiaries	2,395	4,097	0	0
Associates	42	32	0	2
Jointly controlled assets	(76)	(104)	0	0

Energy Contracts, management and other services are made in arm's length transactions at normal market prices and on normal commercial terms.

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 which carry a floating market interest rate and are repayable on demand.

Advances to TPC Holdings Limited and GeoGlobal Energy LLC are interest free and repayable on demand subject to certain conditions being met.

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

Key management personnel

Key management personnel compensation comprised:

	Group	Group	Company	Company
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Directors fees	521	479	521	479
Salary and other short term benefits of the Chief Executive and Senior Management	3,208	3,328	3,208	3,328
	3,729	3,807	3,729	3,807

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 25. EMISSION RIGHTS

The Group has several agreements with the Crown under the Projects to Reduce Emissions (PRE) Scheme. These agreements will result in the receipt of emission units upon verification of emission reductions generated. The first project has been completed but is subject to audit. To date no units have been allocated under these agreements and therefore there is no recognition of emission rights in these financial statements.

NOTE 26. SUBSEQUENT EVENTS

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

Five Year Financial Review

For the year ended 30 June 2009

	NZ IFRS 2009	NZ IFRS 2008	NZ IFRS 2007	NZ FRS 2006 *	NZ FRS 2005 *
Total revenue	1,119,891	1,178,553	814,860	1,009,436	680,727
EBITDAF	445,421	304,639	315,465	304,006	298,184
Depreciation and amortisation	(104,947)	(86,525)	(84,948)	(83,543)	(56,422)
Change in fair value of financial instruments	(47,155)	(9,665)	(61,056)	0	0
Net interest	(24,240)	(20,860)	(26,384)	(34,646)	(32,687)
Equity accounted earnings of associate companies	2,928	2,331	2,999	4,156	1,021
Impaired exploration and development expenditure	(45,230)	(28,059)	(19,607)	(17,532)	(20,935)
Non-recurring items	0	0	0	0	(1,202)
Profit before taxation	226,777	161,861	126,469	172,441	187,959
Income tax expense	(67,159)	(50,910)	(29,546)	(71,669)	(66,732)
Net profit for the period	159,618	110,951	96,923	100,772	121,227
Cash Flow Statement					
Operating cash flow	317,105	207,422	223,945	195,695	187,604
Investing cash flow	(221,831)	(345,300)	(170,266)	(144,641)	(103,627)
Financing cash flow	(72,500)	84,981	28,903	(70,103)	(64,021)
Net increase / (decrease) in cash	22,774	(52,897)	82,582	(19,049)	19,956
Opening cash	34,049	86,946	4,364	23,413	3,457
Closing cash	56,823	34,049	86,946	4,364	23,413
Performance Indicators					
Return on average shareholders' equity	6.5%	5.6%	5.8%	4.9%	8.3%
Total equity / total assets	59.7%	55.6%	58.5%	77.5%	76.2%
Net debt / net debt plus equity	18.3%	21.7%	20.1%	17.1%	18.0%
FFO / interest expense	6.7x	5.4x	8.8x	6.9x	6.8x
Balance Sheet					
<i>Shareholders' Equity</i>					
Share capital	377,561	377,561	377,561	377,561	377,561
Reserves	2,244,039	1,880,089	1,332,932	1,720,126	1,655,754
TOTAL SHAREHOLDERS' EQUITY	2,621,600	2,257,650	1,710,493	2,097,687	2,033,315
<i>Assets</i>					
Current assets					
Cash and short term deposits	56,823	34,049	86,946	4,364	23,413
Derivative financial instruments	39,333	42,929	22,024	0	0
Other	291,024	314,338	186,608	184,634	165,372
Total current assets	387,180	391,316	295,578	188,998	188,785
Non-current assets					
Property, plant & equipment	3,859,941	3,498,704	2,527,051	2,478,979	2,437,139
Derivative financial instruments	19,377	74,113	31,085	0	0
Other	121,566	93,896	70,254	40,442	42,157
Total non-current assets	4,000,884	3,666,713	2,628,390	2,519,421	2,479,296
TOTAL ASSETS	4,388,064	4,058,029	2,923,968	2,708,419	2,668,081
<i>Liabilities</i>					
Current liabilities					
Loans	42,456	67,461	0	0	0
Derivative financial instruments	92,706	90,249	78,984	0	0
Other	219,835	245,190	133,594	145,186	141,355
Total current liabilities	354,997	402,900	212,578	145,186	141,355
Non-current liabilities					
Loans	600,079	591,315	516,883	435,591	469,294
Derivative financial instruments	67,464	115,794	7,694	0	0
Other	743,924	690,370	476,320	29,955	24,117
Total non-current liabilities	1,411,467	1,397,479	1,000,897	465,546	493,411
TOTAL LIABILITIES	1,766,464	1,800,379	1,213,475	610,732	634,766
TOTAL NET ASSETS	2,621,600	2,257,650	1,710,493	2,097,687	2,033,315

* Information for years prior to the Group's transition date of 1 July 2006 to NZ IFRS have been prepared under existing NZ FRS and have not been translated to NZ IFRS amounts.

Global Reporting Initiative

Index		Status	Pub	Page
Strategy & Profile				
1.1	Statement by the CE	Yes	AR ER CR	
1.2	Description of key impacts, risks, and opportunities	No	ER CR	
Organisational Profile				
2.1	Name of the organisation	Yes	AR	Cover
2.2	Primary brands, products, and/or services	Yes	AR	00
2.3	Operational structure of the organisation	Yes	Web	
2.4	Location of organisation's headquarters	Yes	AR	Cover
2.5	Countries in which the company operates	Yes	AR	
2.6	Nature of ownership and legal form	Yes	AR	22
2.7	Markets served	Yes	AR	
2.8	Scale of the reporting organisation	Yes	AR	
2.9	Significant changes in size, structure, or ownership	N/A		
2.1	Awards received in the reporting period	Yes	AR CR	
EU1	Installed capacity (MW) by energy source	Yes	Web	
EU2	Net energy output broken down by primary energy source and regulatory regime	Yes	AR	11
EU3	Number of residential, industrial and commercial customer accounts	Partial	AR	14
EU4	Length of transmission and distribution lines by voltage	N/A		
EU5	Allocation of CO2 emissions allowances or equivalent	N/A		
Report Parameters				
3.1	Reporting period	Yes	AR	64
3.2	Date of most recent previous report (if any)	No		
3.3	Reporting cycle	No		
3.4	Contact point for questions regarding the report	Yes	AR	Cover
3.5	Process for defining report content	Yes	AR	64
3.6	Boundary of the report	Yes	AR	64
3.7	Specific limitations on the scope or boundary of the report	Yes	AR	64
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities	Yes	AR	64
3.9	Data measurement techniques and the basis of calculations	Yes	AR	64
3.1	Explanation of the nature and effect of any re-statement	N/A		
3.11	Significant scope, boundary, or measurement changes from previous reporting period	N/A		
GRI Content Index				
3.12	Table identifying the location of the Standard Disclosures in the report	Yes	AR	62
3.13	Assurance	No		
Governance				
4.1	Governance structure of the organization	Yes	AR	22
4.2	Indicate whether the Chair of the Board is also an executive officer	Yes	AR	22
4.3	Independence of the Executive Board	Yes	AR	22-23
4.4	Mechanisms to provide recommendations to the Executive Board	No		
4.5	Linkage between organization's performance and executive compensation	No		
4.6	Avoiding conflicts of interest	Yes	AR	23

4.7	Processes to determine qualifications and expertise of the members of the Executive Board	No		
4.8	Corporate mission and values	Yes	Web	
4.9	Board-level processes for identifying and managing risks and opportunities	Yes	AR	22
4.1	Processes for evaluating the Board's own performance	Yes	AR	22
4.11	How the precautionary approach is addressed	No		
4.12	Externally developed economic, environmental, and social charters	No		
4.13	Memberships in associations	No		
4.14	Stakeholder groups engaged by the organisation	Yes	AR CR	
4.15	Identification and selection of stakeholders	No		
4.16	Approaches to stakeholder engagement	Yes	AR CR	17
4.17	Key topics and concerns raised through stakeholder engagement	No		
Management Approach & Performance Indicators				
Economic				
Disclosure on Management Approach				
EC1	Direct economic value generated and distributed	Yes	CR	
EC2	Financial implications and other risks and opportunities due to climate change	No		
EC3	Coverage of defined benefit plan obligations	N/A		
EC4	Significant financial assistance received from government	Yes	AR	22
EC5	Ratios of standard entry level wage of local minimum wage at significant operational locations	No		
EC6	Policy, practices, and proportion of spending on locally based suppliers	No		
EC7	Procedures and practice for local hiring	No		
EC8	Infrastructure investments and services	N/A		
EC9	Significant indirect economic impacts	Yes	CR	
EU6	Planning for long and short term availability and reliability	Yes	AR ER	
EU7	Demand side management programs	Yes	CR	
EU8	Research and development for reliable and affordable electricity	Yes	ER CR	
EU9	Nuclear plant decommissioning	N/A		
EU10	Planned capacity vs. projected demand over long-term, by energy source	No		
EU11	MW capacity saved through demand side management programs	No		
EU12	Transmission and distribution efficiency	N/A		
Environmental				
Disclosure on Management Approach				
EN1	Materials used by weight or volume	Yes	ER	
EN2	Recycled input materials	Yes	ER	
EN3	Direct energy consumption by primary energy source	Yes	ER	
EN4	Indirect energy consumption by primary energy source	Yes	ER	
EN6	Initiatives to provide energy-efficient or renewable products and services	Yes	AR ER	10
EN8	Total water withdrawal by source	Yes	ER	
EN9	Water sources affected by withdrawal of water	Yes	ER	
EN10	% and volume of water recycled and reused	Yes	ER	

EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Yes	ER	
EN12	Impacts on biodiversity	Yes	ER	
EN13	Habitats protected or restored	Yes	ER CR	
EN16	Total direct and indirect greenhouse gas emissions by weight	Yes	AR ER	18
EN17	Other relevant indirect greenhouse gas emissions by weight	Partial	AR ER	18
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Partial	ER	
EN19	Emissions from ozone-depleting substances	N/A		
EN20	NOx, SOx and other significant air emissions	No		
EN21	Total water discharge by quality and destination	Yes	ER	
EN22	Waste volume by type and disposal method	Yes	ER	
EN23	Total number and volume of significant spills	Yes	ER	
EN26	Initiatives to mitigate environmental impacts of products and services	Yes	ER	
EN27	% of products sold and their packaging materials that are reclaimed	N/A		
EN28	Fines for non-compliance with environmental regulations	Yes	AR ER	18
Labour Practices and Decent Work				
Disclosure on Management Approach		Yes	Web	
LA1	Total work force by employment type, employment contract, and region	Yes	AR	17
LA2	Total number and rate of employee turnover by age group, gender, and region	Partial	AR	17
LA4	Percentage of employees covered by collective bargaining agreements	No		
LA5	Minimum notice periods for operational changes	No		
LA7	Rates of injury, occupational diseases, lost days, absenteeism, and number of fatalities by region	Yes	AR	17
LA8	Programs to assist work force members, their families, or community members regarding serious diseases	No		
LA10	Average training hours per year per employee	No		
LA12	Percentage of employees receiving regular performance reviews	No		
LA13	Composition of governance bodies and breakdown of employees per category	No		
LA14	Ratio basic salary of men to women	No		
EU15	Processes to ensure retention and renewal of skilled work force	Yes	AR CR	
EU16	Total subcontracted workforce	No		
EU17	% of contractors that have undergone H&S training	No		
Human Rights				
Disclosure on Management Approach		N/A		
HR1	Investment agreements that include human rights clauses	N/A		
HR2	Significant suppliers and contractors who have undergone human rights screening	No		
HR4	Total number of incidents of discrimination and actions taken	No		
HR5	Freedom of association and collective bargaining	N/A		
HR6	Child labour	N/A		
HR7	Forced and compulsory labour	N/A		

Society				
Disclosure on Management Approach		Yes	AR CR	17
S01	Programmes to assess and manage impacts on communities (entering, operating and exiting)	Partial	AR CR	
S02	Analysis for risks related to corruption	N/A		
S03	Employee anti-corruption training	N/A		
S04	Responses to anti-corruption incidents	N/A		
S05	Public policy positions	Yes	Web	
S06	Total value of contributions to political parties	Yes	AR	22
S08	Value of significant fines and total number of non-monetary sanctions for non-compliance	No		
EU18	Decision making processes with stakeholders and outcomes of engagement	No		
EU19	Approach to managing the impacts of involuntary displacement	N/A		
EU20	Disaster/ emergency management planning and training	No		
EU21	Number of people displaced by new/expanded generation projects	N/A		
Product Responsibility				
Disclosure on Management Approach		No		
PR1	Life cycle stages in which H&S impacts of services assessed	No		
PR2	Non-compliance with regulation and codes concerning H&S of products and services	No		
PR3	Service information requirements	Yes	ER CR Web	
PR4	Non-compliance with regulation and codes concerning service information	No		
PR5	Customer satisfaction practices	Yes	CR	
PR6	Programmes for adherence to laws, standards, codes related to marketing comms	No		
PR7	Non-compliance with regulation and codes concerning marketing comms	No		
PR8	Total number of substantiated complaints regarding breaches of customer privacy	No		
PR9	Fines for non-compliance concerning the use of products and services	No		
EU22	Programmes to improve/maintain access to electricity	Yes	CR	
EU23	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using	Yes	CR	
EU24	Injuries/fatalities involving company assets	No		
EU25	% of population unserved in licensed distribution areas	N/A		
EU26	Number of residential disconnections for non-payment, by duration	Yes	CR	
EU27	Power outage frequency	N/A		
EU28	Average outage duration	N/A		
EU29	Average plant availability factor by energy source	No		

Key
AR Annual Report
ER Environmental Review
CR Community Review
Web www.mightyriver.co.nz

About this Report

Global Reporting Initiative

This report is aligned with the Global Reporting Initiative G3/ Electric Utility Sector Sustainability Reporting Guidelines, October 2006. The index on page 62-63 outlines our assessment. For more information on the indicators and guidelines visit www.globalreporting.org

2002		C	C+	B	B+	A	A+
In Accordance							
Mandatory	Self Declared	●	Report Externally/Assured		Report Externally/Assured		Report Externally/Assured
	Third Party Checked		Report Externally/Assured		Report Externally/Assured		Report Externally/Assured
Optional	GRI Checked						

Scope

This annual report covers Mighty River Power's financial year from 1 July 2008 to 30 June 2009. This is an integrated report which covers our annual financial performance as well as economic, social and environmental issues of importance to our stakeholders.

Wholly owned businesses Mercury Energy and Metrix are included in the scope of this report. Joint ventures or investments where we are the operator, such as Mokai and Rotokawa, are included for the purposes of sustainability reporting. Outside the scope of this report are outsourced construction and exploration activities and a variety of service contractors.

Content

This report focuses mainly on the corporate responsibility issues that are of greatest importance to our stakeholders and that have a major influence on our business success. We have made every effort to produce a concise and engaging document.

Data Collection and Validation

Mighty River Power uses in-house reporting systems to collect the data reported. Much data is provided via a formal Environmental Management System; other data is collected from individual business units. We are developing a more comprehensive information management system as part of our evolving corporate responsibility practices.

Directory

Shareholders

The Minister for State Owned Enterprises (Hon Simon Power) and Minister of Finance (Hon Bill English).

Company Credit Rating (as at 30 June 2009)

Standard & Poor's Short-term: **A-2**

Long term: **BBB+**

Outlook: **Stable**

Company Secretary

Tony Nagel, LLB, MComLaw (Hons)

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Auditor

The Auditor-General pursuant to section 14 of the Public Audit Act 2001. Brent Penrose of Ernst & Young was appointed to perform the audit on behalf of the Auditor-General.

Solicitors

Chapman Tripp

Bell Gully

Bankers

ANZ National Bank

ASB Bank

Kiwibank

Bank of Tokyo-Mitsubishi

Bank of New Zealand

Senior Management

Doug Heffernan, Chief Executive, BE (Hons), ME, PhD, FIPENZ

John Foote, General Manager Development, BSc, BE (Civil)

Dan Hoyer, General Manager Geothermal, PhD, MS, BS

William Meek, Chief Financial Officer, BCom (Hons)

James Munro, General Manager Consumer Markets

Fraser Whineray, General Manager Generation,

BE CHEM (Hons), MBA (Cambridge), GRADDIP.DY.SCI.TECH (Distinction)

Neil Williams, Group Strategist, BA

Printing

This paper is manufactured using Elemental Chlorine Free (ECF), FSC Certified, Mixed Source, Pulp from Well Managed and Legally Harvested Forests. Printed using soy-based vegetable inks with a water-based aqueous coating. Production waste is recycled (paper, plates and plastic wraps), whilst waste chemicals are removed by an eco-friendly, certified chemical waste disposal contractor.



Mixed Sources

Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. SCS-COC-001912
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MIGHTY RIVER POWER

