20 August 2014

Company Announcement Office
Exchange Centre
Level 6
20 Bridge Street
Sydney, NSW 2000
Australia

MIGHTY RIVER POWER LIMITED (ASX:MYT) (ARBN 162 804 668)
ANNUAL RESULT FOR YEAR ENDED 30 June 2014

Attached are the following documents in relation to Mighty River Power's preliminary final report for the year ended 30 June 2014 which contain the information required by ASX listing rule 4.3A:

- Information required by paragraph 2 of Appendix 4E
- News Release
- Financial commentary on the financial results for the year ended 30 June 2014
- Financial results presentation
- Audited financial statements and notes for the year ended 30 June 2014
- Audit report
- NZX Appendix 7 in relation to Mighty River Power's final dividend

Yours sincerely

Tony Nagel
Company Secretary

Mighty River Power Limited		
Results for announcement to the market		
Reporting Period	12 months to 30 June 2014	
Previous Reporting Period	12 months to 30 June 2013	
	NZD Amount ($M)	Percentage change
Revenue from ordinary activities [1]	1,705	-7.2%
Profit from ordinary activities after tax attributable to security holders	212	+84.3%
Net profit attributable to security holders	212	+84.3%
Earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments, impairments and equity accounted earnings (EBITDAF)	504	+29.2%
Underlying earnings after tax [2]	185	+2.8%
	NZD Amount	Percentage change
Basic and diluted earnings per share (weighted average number of shares)	$0.1527	+86.4%
Net tangible assets per share (excluding treasury shares)	$2.30	+2.7%
Interim/Final Dividend	Amount per security	Imputed amount per security
Final Dividend	$0.083	$0.032278 [3]
Record Date	3 September 2014	
Dividend Payment Date	30 September 2014	
Comments:	1. Revenue from ordinary activities now excludes "line charges" which has been reclassified in the income statement to "total expenses"	
	2. Underlying earnings after tax excludes one-off and/or infrequently occurring events (exceeding $10 million of net profit before tax). This is a non-GAAP measure.	
	3. A supplementary dividend of $0.014647 per share will be payable to shareholders who are not resident in New Zealand.	

Attachments:

- News Release
- Financial commentary
- Investor presentation
- Audited Annual Financial Statements for the year ended 30 June 2014.
- EY Audit Report
- NZX Appendix 7

NEWS RELEASE
20 August 2014

NZX: MRP **ASX:** MYT

Annual Results and dividend above IPO financial forecasts

HIGHLIGHTS:

- FY2014 financial results above IPO forecasts; full-year dividend increased to fully-imputed 13.5cps
- Earnings growth from new geothermal; Company benefits from choice of renewable fuels
- Positive performance from differentiated retail brands amid intense competition across all customer segments

Mighty River Power today reported FY2014 financial results above the Company's IPO forecasts in a year marked by highly-competitive customer pricing and the worst hydro inflows into the Waikato River hydro catchment in the Company's history.

Along with the distinct advantage of having two large low cash cost renewable fuels, Mighty River Power Chair, Joan Withers, said the Company continued to apply a laser-sharp focus on business performance to deliver the 29% growth in operating earnings (EBITDAF) to $504 million and net profit of $212 million.

Significant one-off and non-cash impacts in the prior year, largely relating to costs and significant impairments from taking direct control of international geothermal investments, saw a $97 million year-on-year lift in net profit. After adjusting for these impacts, underlying earnings were up 3% or $5 million on FY2013.

	FY2014 ($m)	FY2013 ($m)	Change on FY2013 ($m)	Change on FY2013 (%)	FY2014 IPO forecast ($m)	Change on IPO forecast ($m)	Change on IPO forecast (%)
EBITDAF	504	**390**	**114**	**29**	**498**	**6**	**1**
Net profit for the year	212	**115**	**97**	**84**	**160**	**52**	**33**
Underlying earnings after tax	185	**180**	**5**	**3**	**138**	**47**	**34**
Dividend per share (cents)	13.5	**12.0**	**1.5**	**13**	**13.0**	**0.5**	**4**

"The resilience from our low cash cost renewables provided the foundation for delivering on our IPO forecasts, but this result for FY2014 required very good decision-making from management to shape our portfolio and capture further business efficiencies, while keeping our focus on delivering for our customers.

"On top of the growth in operating earnings that we signalled for the final full year of our IPO forecast period, the Company has had to adjust and address some very real challenges in FY2014 – with our hydro inflows the lowest in Mighty River Power's history and intense pricing pressure in the market across all customer segments," Mrs Withers said.

Chief Executive, Doug Heffernan, said the Company's differentiated retail electricity brands performed well as competition continued to intensify across all residential and business segments. A particular highlight for the year was increased customer loyalty for the Company's brands – in particular Mercury Energy, which was 2% better than the market average for customer switching (churn) across the industry in FY2014.

In the highly-competitive retail market, he said value-differentiated services – including online and community channels – were becoming increasingly important to customer experience and retention of customers. Mighty River Power's average energy price for both its business and residential customers was flat over the past year (in line with the IPO forecast).

Dr Heffernan said the additional base-load electricity generation from the new Ngatamariki station – which took geothermal production to 42% of the Company's total – along with a conscious decision to reduce commercial customer sales commitments – provided added flexibility for the business in the use of limited hydro inflows to the Waikato Hydro System.

While hydro output and total generation for the Company (6,295GWh) was lower than forecast and below FY2013, Mighty River Power achieved an average price for generation that was joint market leading.

DIVIDEND AND OUTLOOK

Mrs Withers said the performance against the IPO forecasts, along with lower capital expenditure in FY2014 – particularly relating to international geothermal – meant that the Board saw it as appropriate to declare an increased final dividend of a fully-imputed 8.3 cents (up 0.5 cents on the IPO forecast) to be paid to shareholders on 30 September 2014.

This brings the total FY2014 dividend to a fully-imputed 13.5 cents per share (4% above the IPO forecast, and 13% above FY2013).

She said the Company had today issued updated earnings guidance with FY2015 EBITDAF to be in the range of $495 million to $520 million – subject to any material adverse events, significant one-off expenses or other unforeseeable circumstances including hydrological conditions. Dividend guidance and an update on capital management initiatives for FY2015 will be given at the Annual Shareholders' Meeting in November.

Fraser Whineray will take up the role of Chief Executive on 1 September following Doug Heffernan's decision to step down after 16 years with the Company.

ENDS.

- This announcement is based on the audited consolidated financial statements of Mighty River Power Limited for the year ended 30 June 2014. For more detailed analysis and explanation please refer to the attached full year financial statements
- EBITDAF and Underlying Earnings after tax are Non-GAAP measures. Please see the Financial Commentary on these results for a reconsolidation of these measures

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FINANCIAL COMMENTARY
20 August 2014

Financial Results for the Year ended 30 June 2014

The following commentary provides analysis[1] comparing the year ended 30 June 2014 with the prior year ended 30 June 2013 and the Prospective Financial Information (PFI) included within the Mighty River Power Share Offer Investment Statement and Prospectus published on 5 April 2013.

FINANCIAL HIGHLIGHTS

	FY2014 ($m)	FY2013 ($m)	Change on FY2013 ($m)	Change on FY2013 (%)	FY2014PFI ($m)	Change on PFI ($m)	Change on PFI (%)
Energy Margin[2]	**692**	**679**	**13**	**2**	**724**	**(32)**	**(4)**
Other revenue	33	31	2	6	24	9	38
Operating Expenses	221	320	99	31	251	30	12
EBITDAF[2]	**504**	**390**	**114**	**29**	**498**	**6**	**1**
Depreciation and amortisation	(161)	(150)	(11)	(7)	(169)	8	5
Change in the fair value of financial instruments	32	25	7	28	32	-	-
Impaired assets	-	(85)	85	100	-	-	-
Equity accounted earnings of associate companies and interest in joint ventures	4	63	(59)	(94)	(10)	14	140
Net interest expense	(84)	(57)	(27)	(47)	(92)	8	9
Income tax expense	(83)	(71)	(12)	(17)	(97)	14	14
Net profit for the year	**212**	**115**	**97**	**84**	**160**	**52**	**33**
Underlying earnings after tax[2]	**185**	**180**	**5**	**3**	**138**	**47**	**34**
Capital expenditure	**93**	**252**	**(159)**	**(63)**	**199**	**(106)**	**(53)**
Free cash flow[2]	**257**	**217**	**40**	**18**	**256**	**1**	**-**
Dividend per share (cents)	**13.5**	**12.0**	**1.5**	**13**	**13.0**	**0.5**	**4**
Basic and diluted earnings per share (cents)	15.27	8.19	7.08	86	11.46	3.81	33

1. This announcement is based on the audited consolidated financial statements of Mighty River Power Limited for the year ended 30 June 2014. For more detailed analysis and explanation please refer to the attached full year financial statements
2. Energy Margin, EBITDAF, Underlying Earnings After Tax and Free Cash Flow are all Non-GAAP measures. Please see the end of this release for a reconciliation of these measures

Overview

Mighty River Power today reported FY2014 financial results above the Company's IPO forecasts in a year marked by highly-competitive customer pricing and the worst hydro inflows into the Waikato River hydro catchment in the Company's history. In a challenging year the Company delivered to plan across key financial metrics, through the resilience provided by the diversity of its two low-cash-cost renewable fuels, and through agility in achieving business efficiencies whilst improving safety performance.

EBITDAF outperformed forecasts outlined in the PFI included within the Mighty River Power Share Offer Investment Statement and Prospectus by $6 million (1%). This gain reflected a decision to reduce commercial sales volumes in a highly competitive retail environment which contributed to better pricing outcomes for its limited hydro production, along with business-wide efficiency gains that delivered $30 million lower operating expenditure, partially offset by very low hydro production. The 29% growth in EBITDAF on FY13 and 18% increase in Free Cash Flow reflected the additional geothermal production from the new Ngatamariki geothermal station and absence of one-off costs that occurred in the prior year.

Due to the performance of earnings relative to PFI forecasts and lower capital expenditure, the Board has declared a final dividend of 8.3 cents per share which is 0.5 cents higher than forecast at the time of the IPO, bringing the FY14 dividend to 13.5 cents (up 4% on PFI and 13% on FY2013).

FY2014 COMPARED TO PFI AND GUIDANCE

FY2014 ($ million)	Actual	Guidance	PFI
EBITDAF	504	498	498
Net Profit for the year	212	>195	160
Underlying Earnings	185	175-185	138
Dividend (cents per share)	13.5	13.0	13.0
Adjusted Net Profit	189	175-185	170
Operating Cash Flow	317	300-320	328
Capital Expenditure	**93**	**95-120**	**199**

The Company increased its resilience to a prevailing demand conditions by lowering its cost base significantly – with a focus on efficiency gains which delivered $20 million of annual permanent operating cost savings. This together with proactive capital management throughout the year and after period end has created additional flexibility and optionality for the future.

The Company provided guidance that FY2015 EBITDAF will be in the range of $495 to $520 million and signaled that the Company will issue FY2015 dividend guidance at the time of the Annual Shareholder's Meeting (ASM) on 6 November 2014.

EBITDAF

EBITDAF was up $6 million on the PFI with lower-than-forecast Energy Margin more than offset by lower operating expenditure and higher other revenue. Compared with the prior year, EBITDAF increased by 29% to $504 million (FY2013: $390 million) principally reflecting the commissioning of the Ngatamariki geothermal station, the lower operating cost base and a number of one-off expenses that occurred in the prior year.

Energy Margin of $692 million was $32 million lower than forecast in the PFI reflecting lower sales and generation volumes. Electricity sales were down 408GWh principally reflecting the Company's conscious decision to not renew commercial contract volumes at lower yields. Commercial volumes (both fixed price variable volume and CFD contracts) were lower than forecast as the Company chose to increase net wholesale market sales in preference to entering fixed price multi-year commitments at prevailing lower prices. This strategy resulted in increased flexibility for the available hydro production, achieving an average price for generation that was joint market leading, with LWAP/GWAP at 0.99, a 1% improvement on FY2013. Electricity customer sales prices were in line with PFI.

Generation volumes were 765GWh lower than forecast in the PFI due to the extremely low hydro inflows experienced in the Waikato catchment and reduced gas-fired generation from Southdown in line with lower utilisation of thermal plant across the industry. Geothermal volumes were down on PFI reflecting a temporary de-rate of the Nga Awa Purua station (to 128MW) from December 2013 and lower than forecast fuel availability at Ngatamariki, partly offset by higher-than-forecast generation at the Kawerau station. Geothermal generation of 99GWh from Ngatamariki was capitalised (and therefore did not contribute to Energy Margin) as it occurred prior to the official handover of the plant.

Energy Margin was $13 million higher than the prior year reflecting the commissioning of Ngatamariki which was partly offset by lower hydro generation. Fuel costs fell year-on-year as the Company decreased its thermal generation in response to lower wholesale prices and took advantage of increased liquidity in the ASX market. In addition, FY2014 Energy Margin benefited from the expiry of a number of buy-side contracts (CFDs) that had been in place ahead of the commissioning of the Ngatamariki station and Transpower's HVDC upgrade.

Following the completion of the IPO (10 May 2013) and with no large-scale development projects currently planned due to the prevailing weak demand conditions, the Company has focused on lowering the cost base and has driven $20 million of permanent savings relating to the re-optimisation of the lifecycle maintenance programme, insurance charges, professional service fees and international geothermal development costs. This resulted in operating expenditure (at $221 million) some $30 million lower than forecast for FY2014. This is lower than FY2010 despite the addition of two large geothermal power stations over that time.

Year-on-year operating costs fell $99 million with $69 million of one-off expenses in FY2013 relating to international geothermal and costs relating to the IPO (Initial Public Offering).

Other income for FY2014 was $33 million, $2 million higher than FY2013 and $9 million higher than PFI partially due to the sale of a parcel of land at Marsden Point to a 100% Crown-owned entity (gain on sale of $4 million).

Depreciation and amortisation

The Company completed and commissioned its 82MW Ngatamariki geothermal plant in early September which lifted depreciation and amortisation from $150 million in the prior year to $161 million. While the plant delivered cash flows throughout the period, its official handover was two months later than forecast and this contributed to depreciation and amortisation being $8 million lower than PFI.

Change in fair value of financial instruments

The Company recognised a positive change in the fair value of derivatives in the Income Statement of $32 million (in line with PFI), compared with $25 million the prior year. During FY2014 $48 million of interest rate derivative gains were partially off-set by electricity price derivative movements of $16 million.

Impairments

No impairments were recognised in the year ended 30 June 2014. As previously disclosed, the Company recognised $85 million of non-cash accounting impairments in FY2013 relating to internalising the Company's investments in GeoGlobal Partners I Fund (GGE Fund) and its greenfield development options for in Chile and Germany.

Equity accounted earnings of associate companies and joint ventures

Equity accounted earnings of associate companies relating to our investment in the Tuaropaki Power Company (Mokai Geothermal Power Station) was up $3 million from the prior year and $5 million from PFI to $8 million reflecting an insurance payment received during the period.

As reported in the FY2013 financial results (post IPO) changes in the equity accounting treatment resulting from better access to information – following the restructure of our international geothermal interests – led to a lower than forecast equity accounted loss for the PFI period. For FY2014 this resulted in equity accounted earnings of interest in joint ventures reporting a $4 million loss, some $9 million less than PFI forecast. Year-on-year equity accounted earnings fell $62 million reflecting a $57 million favourable impact in FY2013 of the first cash distribution from the John L Featherstone station.

Net Interest expense

Net interest expense of $84 million was $27 million higher than the prior year (FY2013: $57 million) and $8 million lower than PFI ($92 million). The year-on-year increase reflects the lower capitalisation of interest following the commissioning of the Ngatamariki Geothermal Power Station. Net interest was lower than PFI following lower net debt than forecast (a result of lower capital expenditure) and the later-than-forecast official handover of Ngatamariki.

Average interest rates were 8.3% which is a reflection of interest rate hedges that were put in place in 2008 ahead of the Company committing to its capital-intensive domestic geothermal development programme. These hedges roll off from the end of FY2018.

Taxation

As outlined in the 'Equity accounted earnings of associate companies and joint ventures' section above there were changes in the equity accounting treatment resulting from better access to information following the restructure of our international geothermal interests. This had flow-on effects for deferred tax and therefore income tax for FY2014 was $14 million lower than forecast at the time of the IPO.

Income tax expense increased $12 million to $83 million year-on-year representing an effective tax rate for the period of 28% in line with the corporate tax rate. Last year the effective tax rate was 38% driven by the level of non-deductible international related income statement items.

Net profit for the year

Overall, net profit for the year of $212 million was $52 million higher than PFI ($160 million) however is was in line with guidance given at the time of the 2013 Annual Shareholders' Meeting (ASM) in November (greater than $195 million). As outlined at the time of the ASM the higher-than-forecast net profit reflects non-cash accounting changes made post IPO (impacting both equity accounted earnings from joint ventures and deferred tax) and lower non-cash depreciation charges and net interest following the delayed handover of the Ngatamariki station.

Net profit in FY2013 was impacted by $85 million of non-cash impairments and $69 million of one-off expenses partly off-set by a one-off $57 million favourable payment relating to the first cash distribution from the John L Featherstone station. These prior year impacts contributed to a $97 million increase in net profit in FY2014.

Earnings per share

Earnings per share of 15.27 cents per share increased relative to FY2013 (8.19) and PFI (11.46) due to an increase in net profit for the year as explained in the detail above.

International Geothermal Impact on Income Statement

The table below highlights the changes (as discussed above) to the accounting for international geothermal as a result of aligning accounting policies of the Chilean entities to the Company, and based on better access to information post IPO with regard to the EnergySource interests in the United States.

IMPACT OF INTERNATIONAL GEOTHERMAL

$ million	FY2014	FY2013	FY2014 PFI
Other revenue	-	5	-
Expenses	(9)	(89)	(10)
Impact on EBITDAF	**(9)**	**(84)**	**(10)**
Depreciation and amortisation	(1)	(3)	(1)
Impaired Assets	-	(83)	-
Equity accounted earnings in joint ventures	(4)	58	(13)
Income tax credit/(expense)	-	12	(19)
Impact on net profit for the year	**(14)**	**(100)**	**(43)**

Underlying earnings after tax

Mighty River Power's underlying earnings after tax were $185 million, $47 million higher than PFI and at the top end of the guidance provided at the ASM ($175 - $185 million) in November. Underlying earnings was higher than forecast reflecting the non-cash accounting changes (impacting both equity accounted earnings from joint ventures and deferred tax) and lower non-cash depreciation charges and net interest following the delayed handover of the Ngatamariki station.

Underlying earnings were up $5 million from $180 million in FY2013 to $185 million in FY2014 reflecting higher EBITDAF (contribution from the Ngatamariki station and lower operating expenditure) which was partly offset by higher depreciation and interest following the commissioning of Ngatamariki.

UNDERLYING EARNINGS

$ million	FY2014	FY2013	FY2014PFI	FY2014 Guidance
Net profit for the year	212	115	160	
Change in fair value of financial instruments	(32)	(25)	(32)	
Change in fair value of financial instruments of associate companies	(5)	(2)	1	
Change in fair value of financial instruments of joint ventures	-	(38)	-	
Restructure cost of international geothermal interests	-	37	-	
Impairments	-	85	-	
Income tax expense on adjustments	10	8	9	
Underlying earnings after tax	**185**	**180**	**138**	**175-185**

Cash flow

Net cash provided by operating activities was $317 million, slightly lower than PFI ($328 million) but was at the top end of the guidance range given at the time of the 2013 Annual Shareholders Meeting ($300 - $320 million) when we disclosed net cash provided by operating activities was impacted by a higher final provisional tax payment in relation to FY2013 earnings. Net cash used for investing activities was $126 million lower due to lower international geothermal investment than provided for at the time of the IPO. Net cash used in financing activities was $110 million higher than PFI reflecting the $50 million share buy-back undertaken by the Company during the year and $50 million repayment of loans following lower capital expenditure.

Net cash provided by operating activities was $31 million higher than the prior year reflecting the commissioning of Ngatamariki and lower operating expenditure. Net cash outflows from investing activities increased by $15 million on the prior year, despite the completion of Ngatamariki, reflecting the $141 million cash distribution received from our international geothermal investments in FY2013. Net cash outflows from financing activities fell $17 million to $213 million reflecting higher net loan repayments in FY2013. During the year, the Company invested $50 million on a share buy-back purchasing 24.3 million shares which are now being held as treasury shares.

Free cash flow was in line with that derived from the PFI and $9 million ahead that derived from guidance due to lower-than-forecast reinvestment capital expenditure. Free cash flow increased $40 million from the prior year to $257 million reflecting the commissioning of the Ngatamariki station during the period and lower operating expenditure.

FREE CASH FLOW

$ million	FY2014	FY2013	Change	% change	FY2014 PFI	FY2014 Guidance
Net cash provided by operating activities	317	286	31	11	328	300-320
Less: Reinvestment capital expenditure (accruals basis)	(60)	(69)	9	13	(72)	(72)
Free cash flow	**257**	**217**	**40**	**18**	**256**	**228-248**

Capital expenditure

Capital expenditure for the year ended at $93 million, some $106 million lower than PFI and slightly below the Company's guidance given in February (at the time of the HY2013 Results). Capital expenditure was lower than PFI predominately due to lower spend in international geothermal.

Following taking direct control of international geothermal in early 2013, the Company decided to defer a significant amount of the capital expenditure planned for Chile until commercial pre-conditions were satisfied and to re-look at the commercial viability of the EnergySource option held by Mighty River Power. As a consequence, capital expenditure on international geothermal was $7 million (FY2013: $6 million; PFI: $96 million).

Reinvestment capital expenditure is forecast in the long run to be $70 to $80 million per annum, but can be variable year on year given the scale and uncertain timing of individual geothermal makeup wells. In FY2014, the company had lower than average (and forecast) capital expenditure of $60 million, however for FY2015 the forecast is higher than average reflecting the drilling of a new make up well at Ngatamariki (being brought forward to increase fuel availability) and scheduled drilling at Rotokawa. Mighty River Power defines reinvestment capital expenditure as all expenditure to maintain existing operations across all business areas (generation, retail , metering and ICT).

CAPITAL EXPENDITURE (ACCRUAL BASIS)

$ million	FY2014 Actual	FY2013	FY2014 PFI	FY2014 Guidance
Hydro	24	29	32	
Geothermal	16	25	13	
Other	20	15	27	
Reinvestment capital expenditure	**60**	**69**	**72**	**72**
Ngatamariki Power Station	17	166	2	
Other project development	1	4	16	
Smart metering	8	7	13	
International Geothermal	7	6	96	
New investment	**33**	**183**	**127**	**23- 48**
Total capital expenditure	**93**	**252**	**199**	**95 - 120**

Balance sheet

Mighty River Power's total assets were $5,689 million as at 30 June 2014 compared with $5,813 million in PFI reflecting lower property, plant and equipment due to lower capital expenditure, which was partially offset by the revaluation of the Group's generating assets ($40 million in FY2014 compared with $80 million in FY2013). Current liabilities were $111 million lower than estimated due to additional debt repayment reflecting the lower-than-expected capital expenditure profile. Current receivables and payables were impacted by lower volumes and wholesale prices than forecast compared with PFI and derivative financial instruments were impacted by wholesale electricity price movements.

Year-on-year total assets fell $113 million to $5,689 million reflecting lower property, plant and equipment than the prior year because of depreciation and amortisation along with lower derivative financial instruments because of the roll-off of electricity derivatives and lower electricity forward prices. Current receivables and payables were impacted by lower volumes and wholesale prices(than the prior year) and derivative financial instruments were impacted by wholesale electricity price movements.

Mighty River Power's net tangible assets per share as at 30 June 2014 was $2.30 compared with $2.24 at 30 June 2013.

Funding and debt maturity

Net debt ended the year at $1,031 million, some $174 million lower than forecast at the time of the IPO reflecting capital expenditure which was $198 million lower than forecast over FY2013 and FY2014. Drawn debt as at 30 June was $1,045 million (31 December 2013: $1,075 million) and undrawn facilities available were $335 million (31 December 2013: $355 million). The average maturity profile for committed facilities was 4.4 years compared with 4.9 years at 31 December 2013).

After period end, the Company issued $300 million of Capital Bonds at an interest rate of 6.9% (until the first reset date in five years) with Standard & Poor's assigning intermediate equity content to the Capital Bonds (treating 50% of the principal as equity for credit rating purposes – for up to 10 years). Using the proceeds from the successful bond issue, the Company repaid $235 million of drawn bank facilities and commercial paper and decreased and restructured its undrawn bank facilities by $220 million. Together this extended the average duration of the Company's debt profile from 4.4 years to 10.7 years.

The Company benefits from a one notch uplift to a BBB+ credit rating due to the Crown's majority ownership. Standard & Poor's reaffirmed this long-term rating of BBB+/Stable in May 2014 following the release of their new revised credit criteria.

Declared Dividends

Due to the outperformance of earnings forecasts and lower capital expenditure, the Board has declared a final dividend of 8.3 cents per share which is 0.5 cents higher than forecast at the time of the IPO. This final dividend, together with the interim dividend (paid in March 2014) of 5.2 cents per share brings the total FY2014 fully imputed dividend for the year to 13.5 cents per share which represents 72% of free cash flow and a 13% increase from the prior year (12 cents per share). The dividend represents 98% of adjusted net profit (107% in PFI) in line with the Company's dividend policy (90% - 110% of adjusted Net Profit).

The fully imputed final dividend of 8.3 cents per share will be paid on 30 September 2014 to all shareholders who are on our share register at 5pm on the record date of 3 September 2014. The dividend will be fully imputed which amounts to an imputation credit of 3.23 cents per share. The Company will also pay a supplementary dividend of 1.46 cents per share in relation to non-resident shareholders. The Company will receive from the IRD a tax credit equivalent to the supplementary dividend.

FINAL DIVIDEND TIMETABLE

	Date	Event
Ex-dividend date	1 September 2014	To receive the final dividend investors must own or have purchased shares before the ex-dividend date
Record date	3 September 2014	Investors who own shares as at the ex-dividend date will appear on Mighty River Power's share register on 3 September 2014
Payment date	30 September 2014	All shareholders on the 3 September share register will be paid their final dividend by cheque or direct into their bank account on 30 September 2014

FY2015 Guidance

In providing FY2015 Company guidance Mighty River Power has made the following assumptions:

- 3,900 GWh of hydro production which assumes normal inflows during FY2015 (4,000GWh) adjusted downwards for a lower opening lake level
- A continued focus on effectiveness and efficiency, with the permanent operating cost savings achieved in FY2014 reflected in cost assumptions for FY2015
- Flat to slightly declining residential energy prices consistent with the Company's commitment not to increase headline residential energy prices until at least April 2015;

As a result of these assumptions, the Company forecasts that FY2015 EBITDAF will be in the range of $495 to $520 million subject to any material adverse events, significant one-off expenses or other unforeseeable circumstances including hydrological conditions.

For FY2015 the Company expects capital expenditure of $145 million, including $95 million reinvestment capital expenditure and $50 million committed growth capital expenditure. Following lower than average reinvestment capital expenditure in FY2014, in FY2015 reinvestment capital expenditure is forecast to be higher than average due to drilling at Ngatamariki that has been brought forward 2-3 years to increase fuel availability, and scheduled drilling of a new make up well at Rotokawa to provide additional fuel headroom. New investment capital expenditure estimate of $50 million includes all currently committed investment which is almost entirely expenditure by Metrix for the roll-out of AMI meters and related services.

Since period-end Mighty River Power has created additional flexibility and optionality for its capital structure. The Company will announce guidance on its FY2015 dividend and any capital management initiatives at its Annual Shareholders Meeting to be held on 6 November 2014.

NON-GAAP FINANCIAL INFORMATION

The Company believes that the following Non-GAAP financial information is useful to investors for the reasons set out below. Mighty River Power has reported these measures of financial performance to date and intends to do so in the future, allowing investors to compare periods. The basis of these calculations can be found below or as part of the Audited Financial Statements.

EBITDAF is reported in the income statement of the Audited Financial Statements and is a measure that allows comparison across the electricity industry. EBITDAF is defined as earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments, impairments and equity accounted earnings.

Energy Margin is defined as sales less lines charges, energy costs and other direct cost of sales, including metering. Energy Margin provides a measure that, unlike sales or total revenue, accounts for the variability of the wholesale spot market and the broadly offsetting impact of wholesale prices on the cost of retail electricity purchases and can be derived from the Audited Financial Statements as follows:

ENERGY MARGIN

$ million	FY2014	FY2013
Sales	1,672	1,806
Less: lines charges	(431)	(454)
Less: energy costs	(505)	(636)
Less: other direct cost of sales, including metering	(44)	(37)
Energy Margin	**692**	**679**

Underlying Earnings after tax reported in Note 2 of the Audited Financial Statements, is net profit for the year adjusted for one-off and/or infrequently occurring events exceeding $10 million of net profit before tax, impairments and any changes in the fair value of derivative financial instruments. In contrast to net profit, the exclusion of certain items enables a comparison of the underlying performance across time periods.

Net Debt reported in Note 21 of the Audited Financial Statements is defined as current and non-current loans less cash and cash equivalents and loan fair value adjustments and is a metric commonly used by investors.

Free Cash Flow is defined as net cash provided by operating activities less reinvestment capital expenditure (including accrued costs). Free cash flow is a measure that the Company uses to evaluate the levels of cash available for debt repayments, growth capital expenditure and dividends.

FREE CASH FLOW

$ million	FY2014	FY2013
Net cash provided by operating activities	317	286
Less: Reinvestment capital expenditure (including accrued costs)	(60)	(69)
Free cash flow	**257**	**217**

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20 August 2014

Financial Results

Twelve months ended 30 June 2014

Presented by:

Doug Heffernan
Chief Executive

Fraser Whineray
Chief Executive Designate

William Meek
Chief Financial Officer

Disclaimer

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This presentation may contain projections or forward-looking statements regarding a variety of items. Such projections or forward-looking statements are based on current expectations, estimates and assumptions and are subject to a number of risks, uncertainties and assumptions. There is no assurance that results contemplated in any projections and forward-looking statements in this presentation will be realised. Actual results may differ materially from those projected in this presentation. No person is under any obligation to update this presentation at any time after its release to you or to provide you with further information about Mighty River Power Limited.

A number of non-GAAP financial measures are used in this presentation, which are outlined in the appendix of the presentation. You should not consider any of these in isolation from, or as a substitute for, the information provided in the audited consolidated financial statements for the year ended 30 June 2014, which are available at www.mightyriver.co.nz.

Forward-looking statements are subject to any material adverse events, significant one-off expenses or other unforeseeable circumstances including hydrological conditions.

The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation. Nothing in this presentation constitutes legal, financial, tax or other advice.

Agenda

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HIGHLIGHTS

Business meets IPO forecasts and positions itself for the future

Agility enabled the business to meet IPO forecasts

- EBITDAF outperformed PFI
  - Competitive retail market and worst hydro sequence in Company's history
  - Offset by $30m lower operating expenditure and effective portfolio strategy
- EBITDAF, Net Profit, Underlying Earnings and Free Cash Flow all up reflecting commissioning of Ngatamariki, one-off costs incurred in FY2013 and cost savings
- Total dividend of 13.5 cents per share (0.5 cps / 4% higher than PFI) representing 72% of Free Cash Flow

Decisions made in FY2014 position Company well for the future

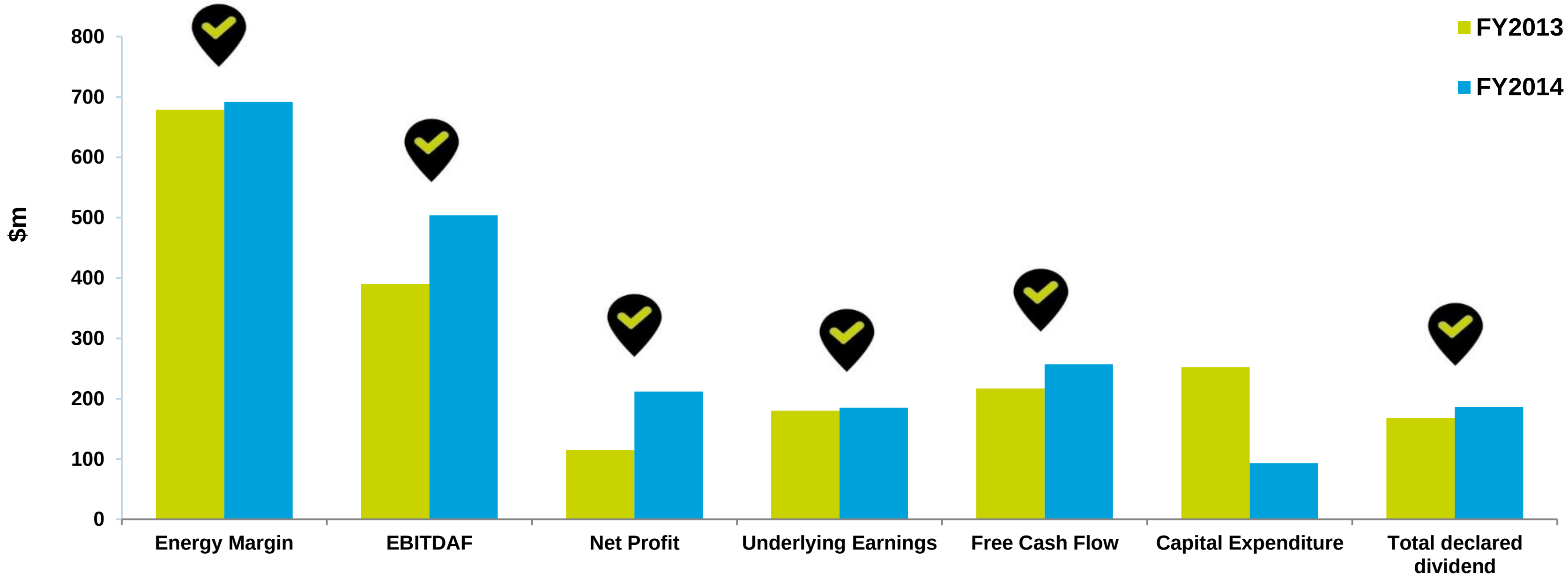
- $20m of permanent cost savings positions well for prevailing demand conditions
- A strong focus on safety has continued improvement in performance
- Strengthened balance sheet enables future capital structure options
  - Net Debt ended the year $174m lower than forecast
  - $300m Capital Bond successfully completed in July 2014
- Guidance that FY2015 EBITDAF will be in the range $495m-$520m
- FY2015 dividend guidance and any capital management initiatives at the Annual Shareholders' Meeting (ASM)

Business agility delivered plan in challenging environment

12 months ended 30 June 2014 $m	IPO Forecast	Guidance	Actuals
EBITDAF	498	498	504
Net Profit for the year	160	>195m	212
Underlying Earnings after tax	138	175-185	185
Dividend (cents per share)	13	13	13.5
Adjusted Net Profit	170	175-185	189
Operating Cash Flow	328	300-320	317
Capital Expenditure	199	95-120	93

HIGHLIGHTS

FY2014 vs FY2013

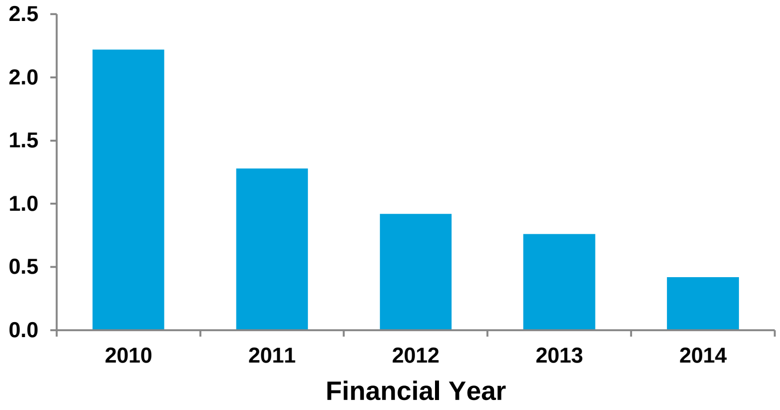


- 29% growth in EBITDAF and 18% growth in Free Cash Flow reflecting the commissioning of Ngatamariki in September 2013, the absence of FY2013 one-off costs and cost savings

Health and safety

- A strong focus on safety has delivered another strong improvement in performance
- No serious harm incidents during the year
- 2.1 million hours worked across the Company with 9 non-serious harm incidents
- Our goal continues to be zero-harm as we work with contractors and subcontractors to improve safety performance
- Industry-wide initiatives benefitting from StayLive
- We aim for the company and industry to be best in class for safety

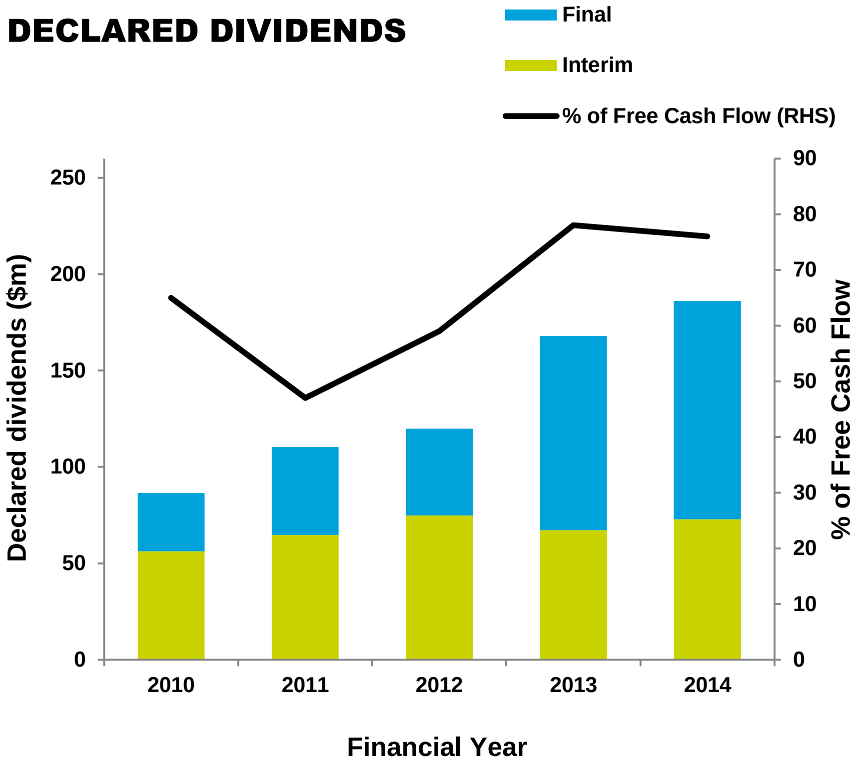
TOTAL RECORDABLE INJURY FREQUENCY RATE
(rolling 12 month, per 100,000 hours)



Dividend

- Total FY2014 fully imputed dividend of 13.5 cents per share
  - 4% increase on PFI and 13% on FY2013
  - Declared final dividend of 8.3 cents per share
  - Represents 98% of Adjusted Net Profit and 72% of Free Cash Flow
- Update on FY2015 Dividend at ASM
- Capital management initiatives
  - Completed share buy-back worth $50m
  - Lower net debt than PFI by $174m
  - Completed $300m Capital Bond in July 2014 – 50% equity credits
  - Update at ASM

DECLARED DIVIDENDS

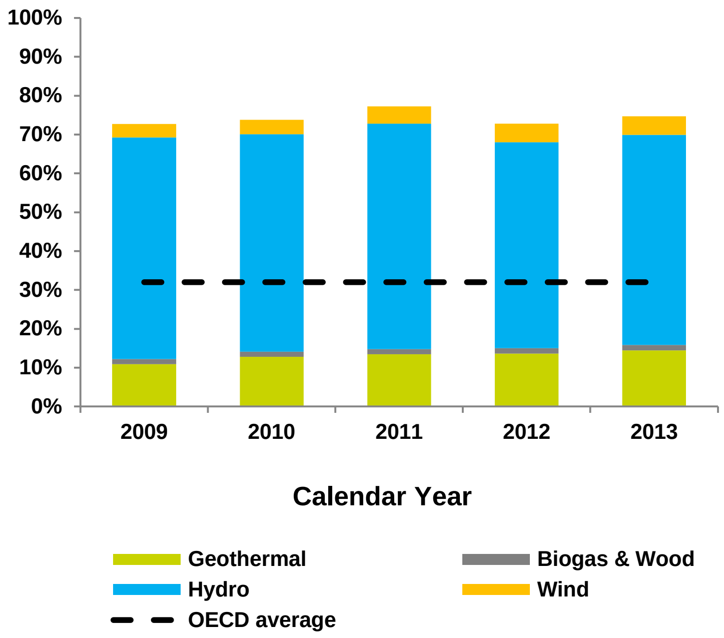


Market Dynamics

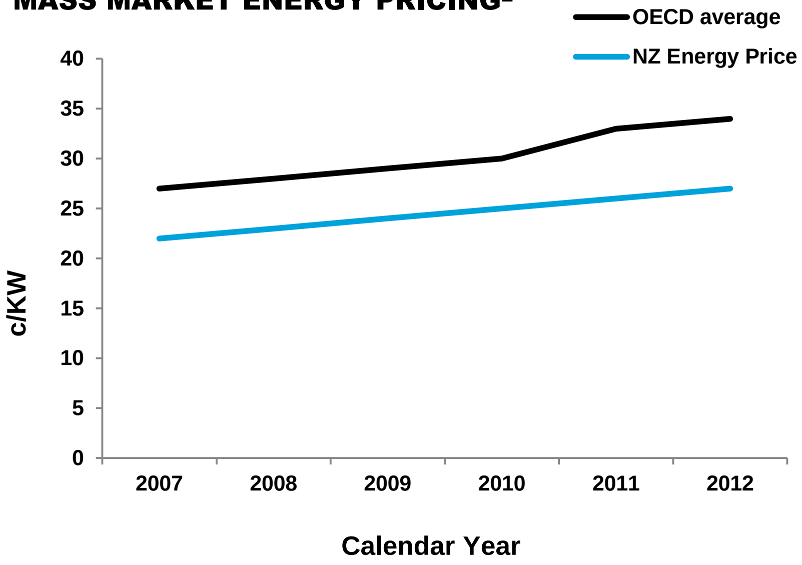
MARKET DYNAMICS

National outcomes (sustainability, reliability and cost)

% RENEWABLE ENERGY[1]



MASS MARKET ENERGY PRICING[2]

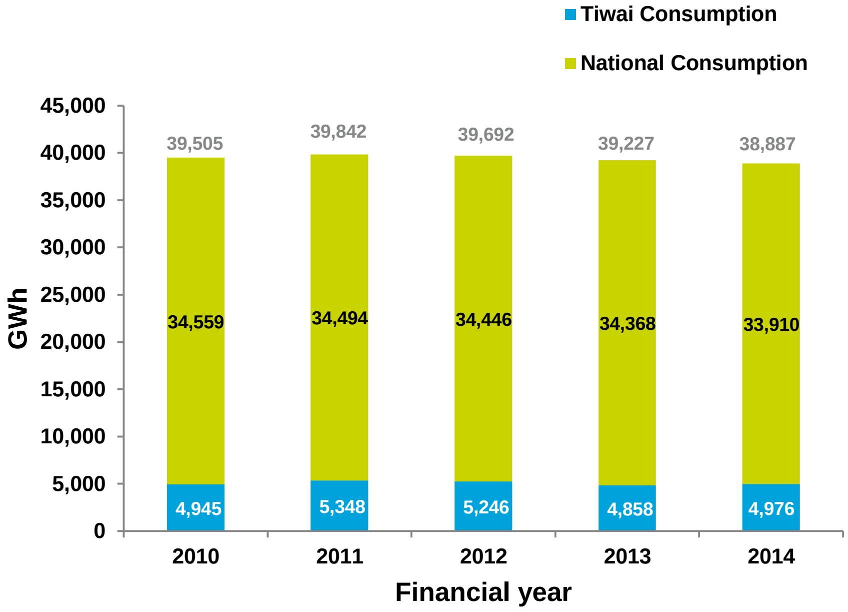


1. MBIE, Observer
2. IEA data (nominal, PPP basis)

Demand

- National consumption down 0.9%
  - Higher than average temperatures – warmest June on record
  - Closure of a second paper line at Norske Skog
  - Tiwai consumption up 2.4% yoy benefiting from lower-priced contract
- NZAS looking at interest in recontracting 172MW – expect interest from thermal generators/gas suppliers
- Over the last 5 years flat to falling demand, however growth in agriculture and commercial[1]
- Long-term demand may benefit as renewable energy displaces transport fossil fuels

ELECTRICITY CONSUMPTION[2]



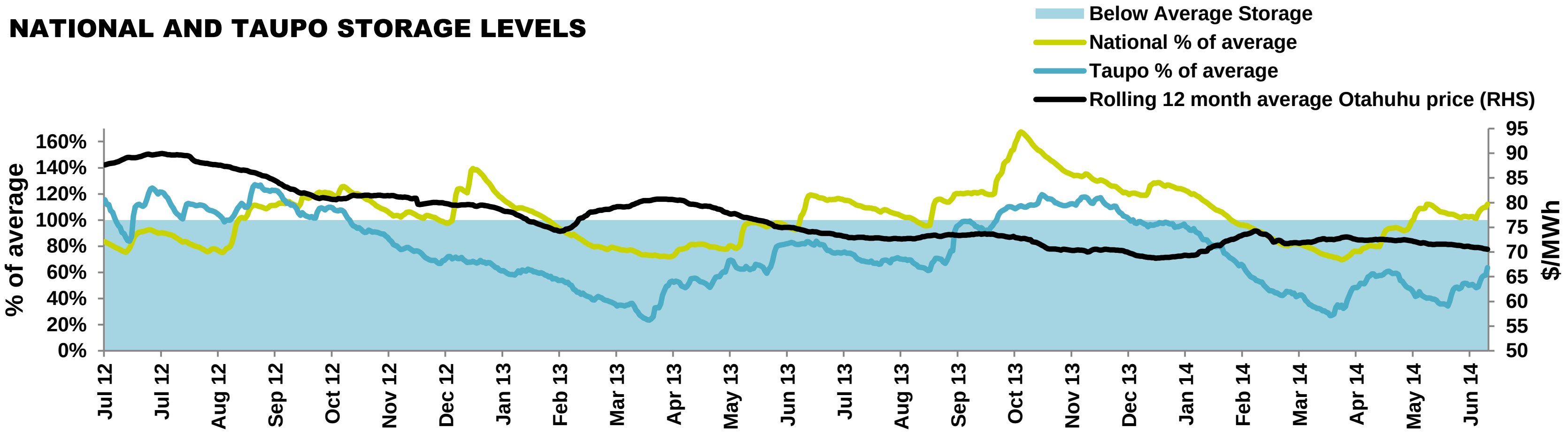
1. Source: MBIE

2. Transpower Information Exchange

Supply

- National hydrology above average, characterised by variable weather patterns and dry autumn
- Waikato experienced driest inflow sequence since the Company was formed
- Over the last 2 years, 248MW of additional base-load geothermal commissioned, displacing coal with second 250MW Huntly unit mothballed by Genesis
- Decreased thermal utilisation – lower must-run fuel commitments supporting thermal response (as demonstrated in Q3 FY2014)

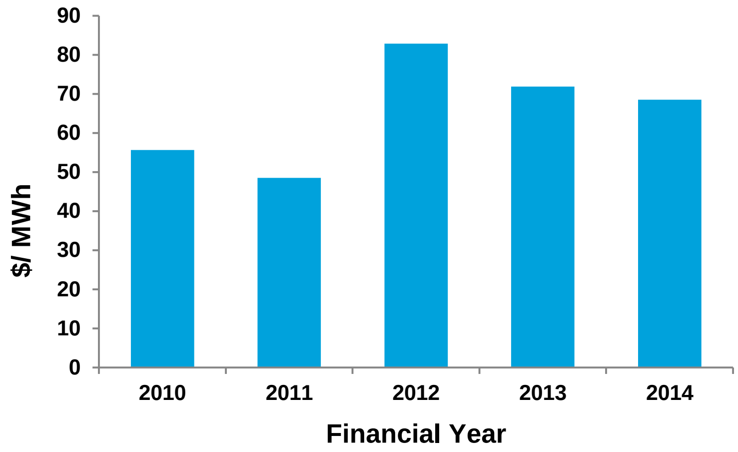
NATIONAL AND TAUPO STORAGE LEVELS



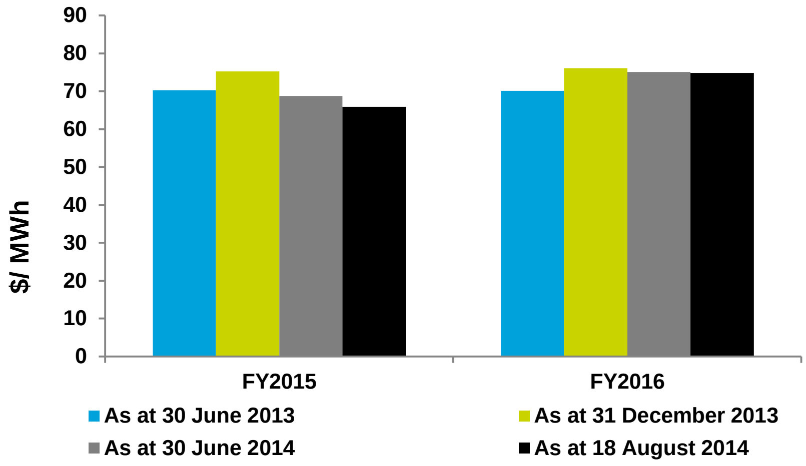
Wholesale prices

- FY2015 ASX prices have responded to above average hydro storage offset by reduced thermal fuel commitments
- FY2016 ASX prices up $4.90/MWh (7%) reflecting thermal response – selective ASX hedging and hydro flexibility
- Less location risk following the necessary completion of the transmission network upgrades

AVERAGE WHOLESALE PRICE (WKM)



ASX FUTURES SETTLEMENT PRICE (OTA)

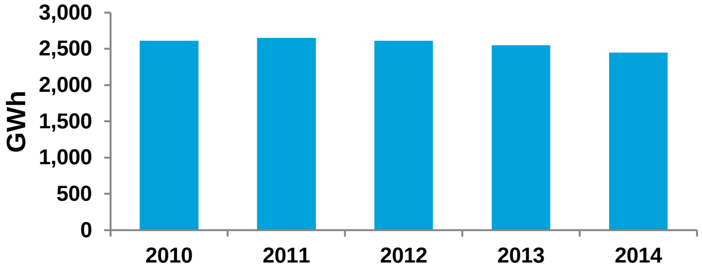


Operational Update

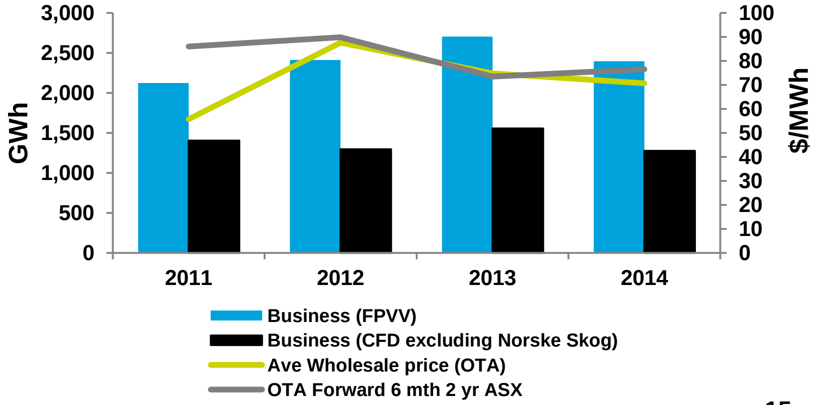
Electricity sales

- > Residential sales down 101GWh reflecting warmer temperatures and reduced acquisition and retention activity in the South Island
- > Business sales (FPVV) down 307GWh and Industrial sales (CFD) down 282GWh reflecting Company portfolio value-risk decision
- > Average FPVV price broadly flat at $117.70/MWh (in line with PFI) supported by reduced commercial volumes
- > Expiry of commercial contracts (put in place in 2012) is around $10m impact on Energy Margin in FY2015

RESIDENTIAL SALES (FPVV)

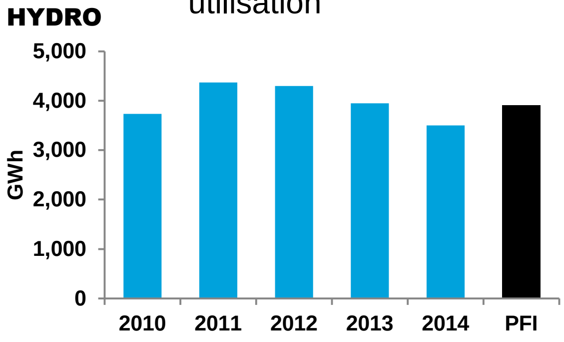


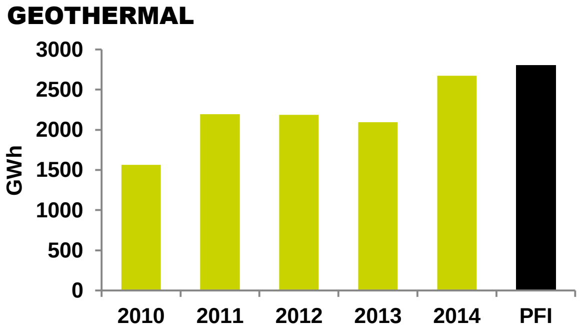
BUSINESS SALES

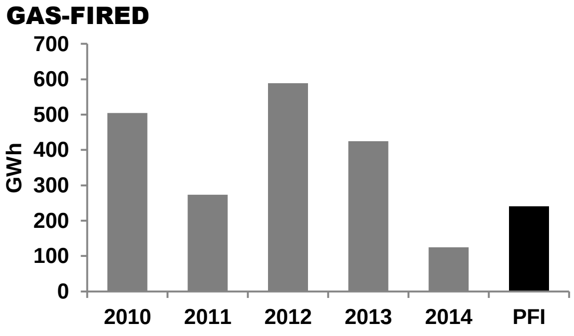


Electricity generation

- Generation 765GWh less than PFI and 167GWh less than FY2013
  - Hydro down 10% compared to PFI due to the worst year of inflows into Waikato catchment in the Company's history
  - Geothermal up 581GWh on FY2013 representing 42% of total production, reflecting the addition of Ngatamariki
  - Geothermal down 128GWh (5%) compared to PFI reflecting the temporary de-rating of Nga Awa Purua (rotor replacement due late CY2015) and temporary fuel constraints at Ngatamariki. Higher than planned generation at Kawerau
  - Continued fall in utilisation of Southdown gas-fired plant –given the level of wholesale prices only 8% utilisation



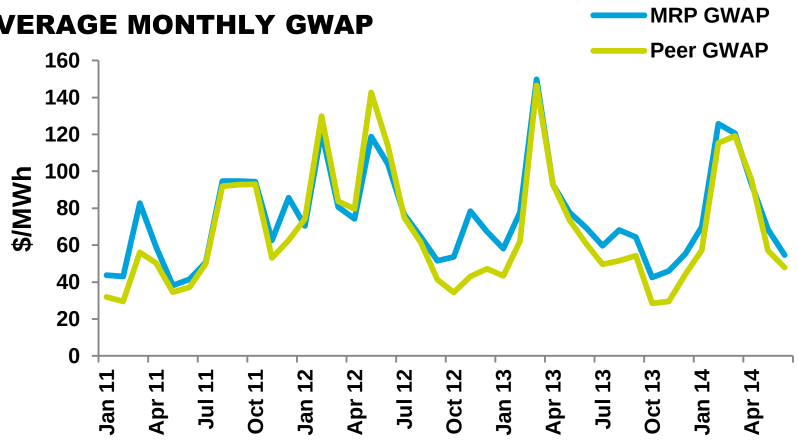




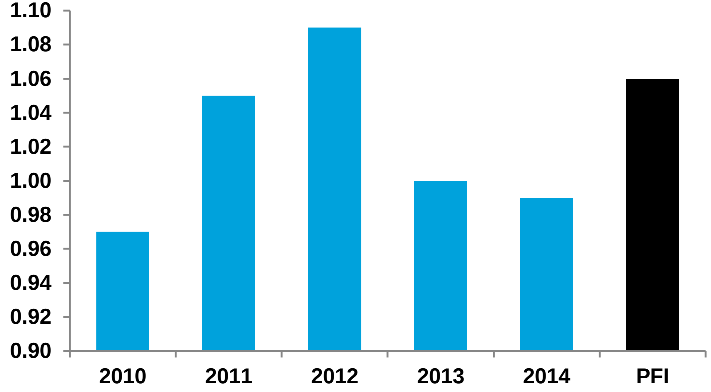
LWAP/GWAP

- LWAP/GWAP – ratio of the cost of electricity purchased (LWAP) relative to price received for generation (GWAP)
- Portfolio decision around commercial contracts led to improved outcome on average generation price as discretionary hydro generation targeted periods of higher wholesale prices
- For FY2015 assume LWAP/GWAP ratios broadly in line with FY2014/FY2013

AVERAGE MONTHLY GWAP



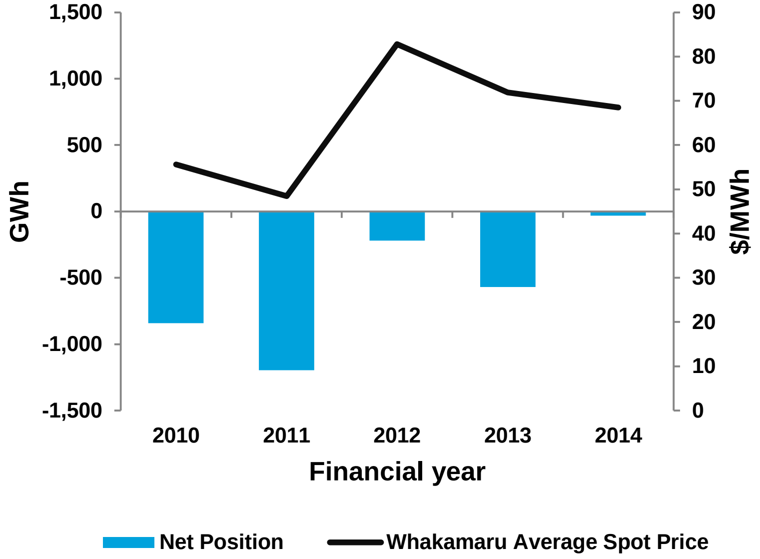
LWAP/GWAP



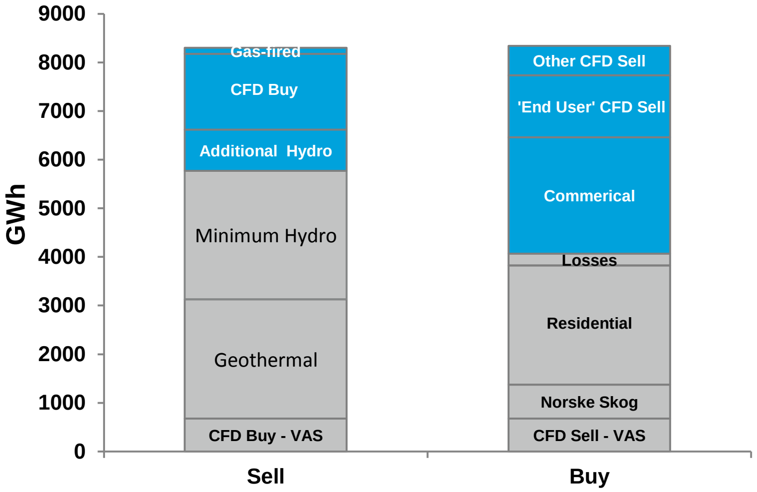
Net position

> Average net position moved towards square, reflecting view of market

NET POSITION



FY2014 NET POSITION



Financial Update

Financial highlights

$6M ↑

EBITDAF $6m higher than PFI despite lowest inflows in company's history

$30M ↓

Operating expenditure savings of $30m of which $20m is permanent

$93M

Capital expenditure of $93m, significantly lower than PFI reflecting $7m expenditure on international geothermal

$174M ↓

Net debt $174m lower than PFI. Additional $300m raised from Capital Bond in July 2014

18% ↑

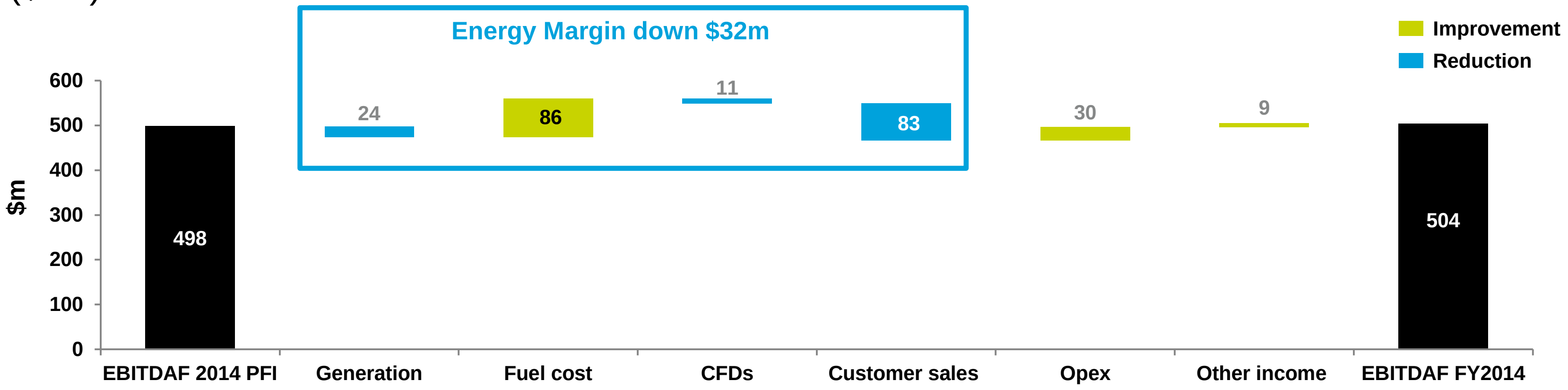
Free Cash Flow up 18% yoy

13.5¢

per share fully imputed dividend, 0.5cents higher than forecast in PFI

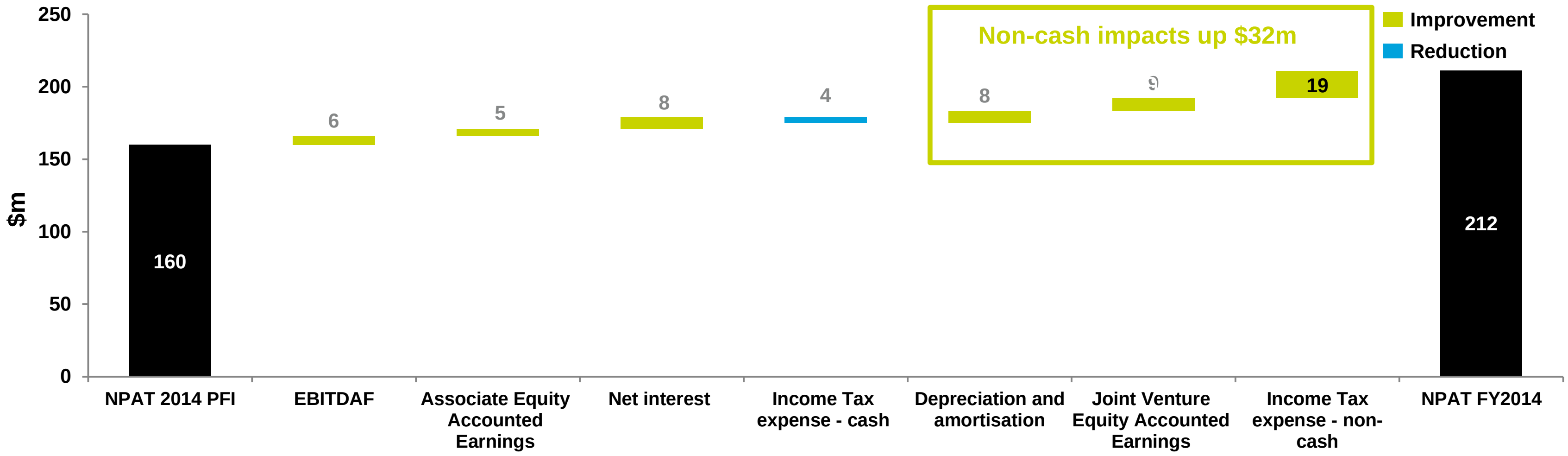
EBITDAF (FY2014 vs PFI)

- Energy margin $32m lower than PFI
  - 765GWh less generation
  - Additional dry-year hedges and lower volume of end-user CFDs
  - Customer sales lower than expected reflecting lower residential and commercial volumes
  - Better than expected LWAP/GWAP
- Positive contribution from operating expenditure savings ($30m) and sale of a block of Marsden land ($4m)



NPAT (FY2014 vs PFI)

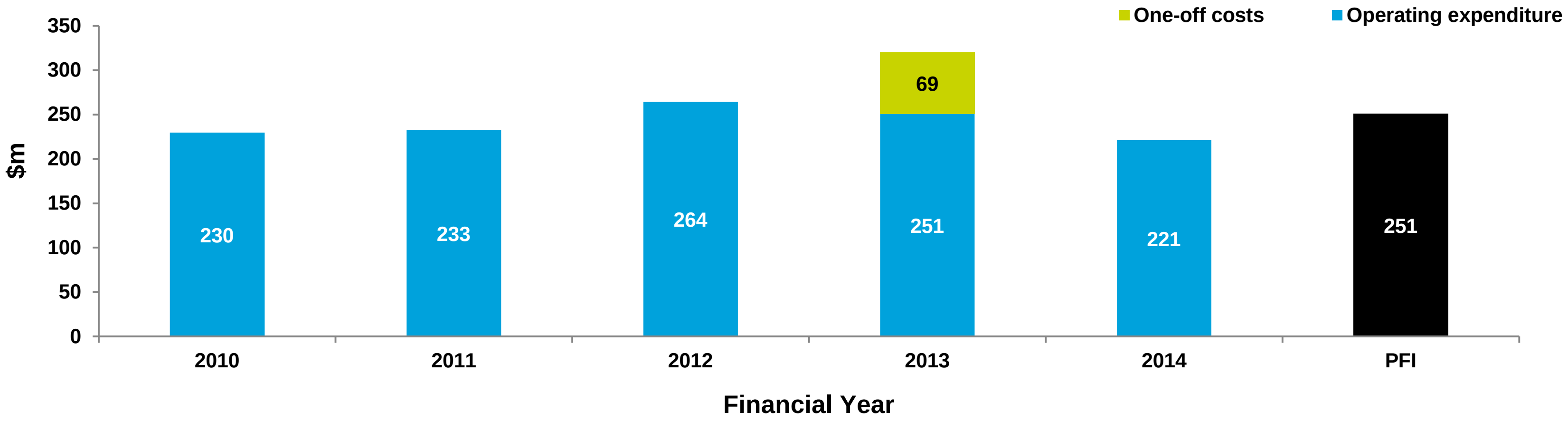
- Depreciation and amortisation, and net interest lower than expected due to a 2 month delay in commissioning of Ngatamariki
- Joint venture equity accounted losses were smaller than expected due to changes in the equity accounting treatment (made post-IPO) with flow on effects to deferred tax



Operating expenses

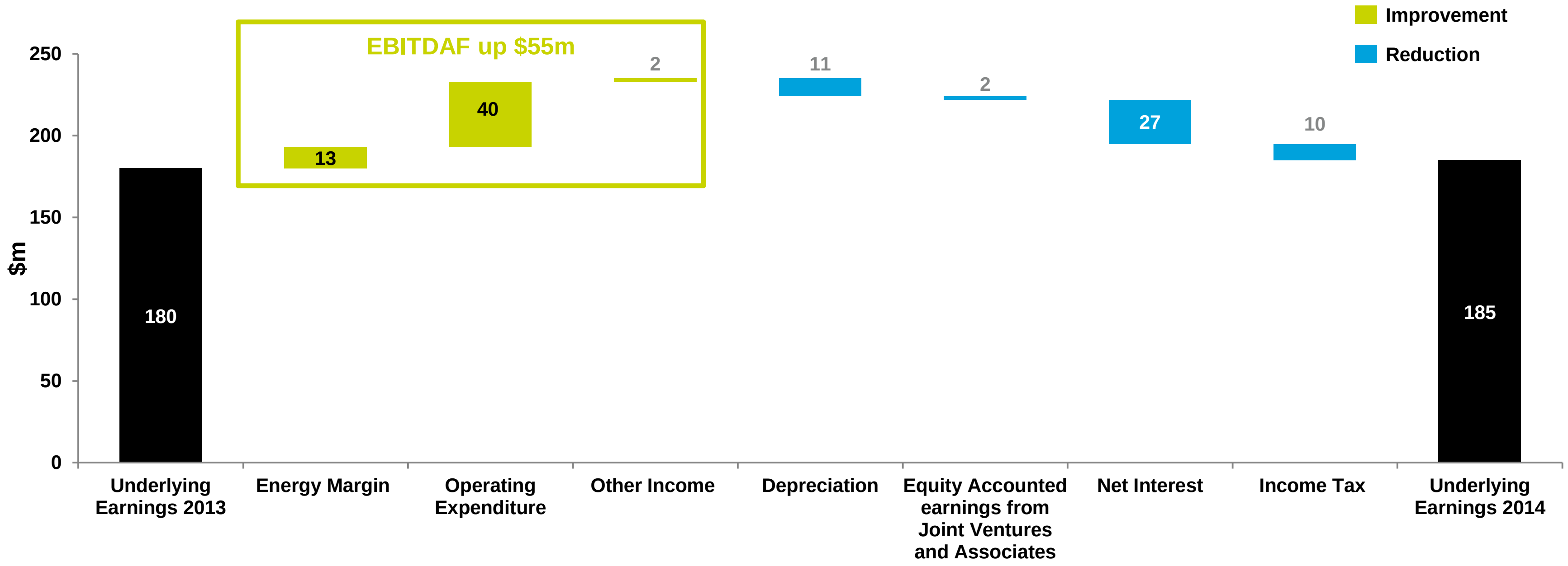
- Significant productivity improvements mean lower sustainable cost focus - expect FY2015 operating expenditure at 2010/2011 levels despite 220MW additional generating capacity added
- $30m of savings against PFI with $20m of permanent savings consistent with prevailing demand conditions and a clear focus on group-wide efficiency and effectiveness programme

OPERATING EXPENDITURE



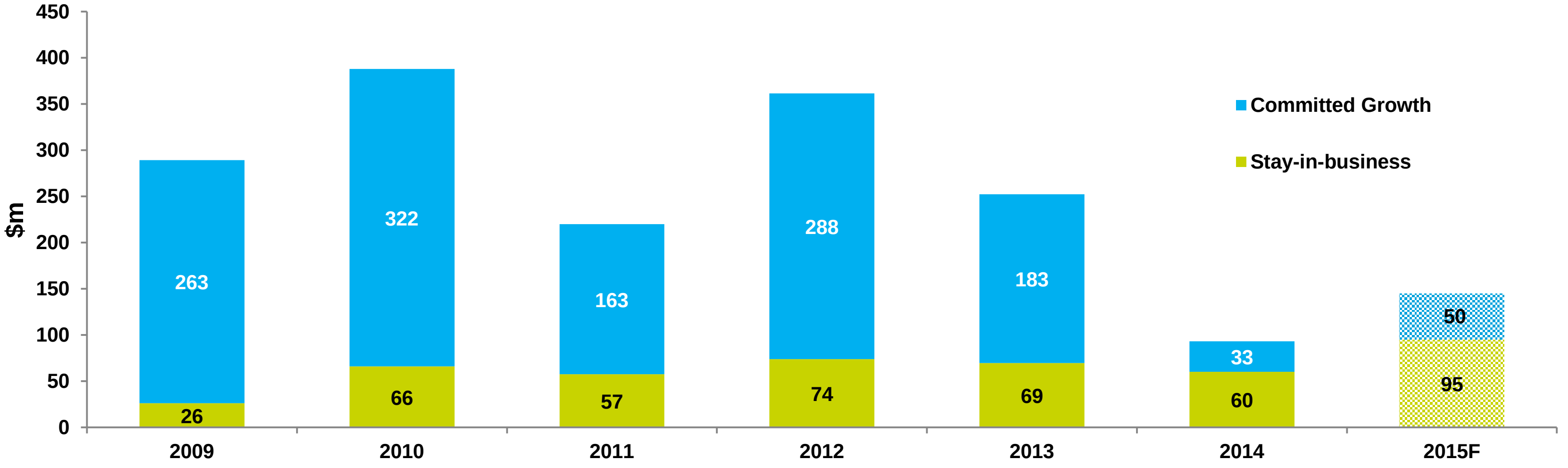
Underlying earnings (FY2014 vs FY2013)

> Underlying earnings up $5m reflecting higher EBITDAF partly offset by higher depreciation, interest and tax following the commissioning of Ngatamariki



Capital expenditure

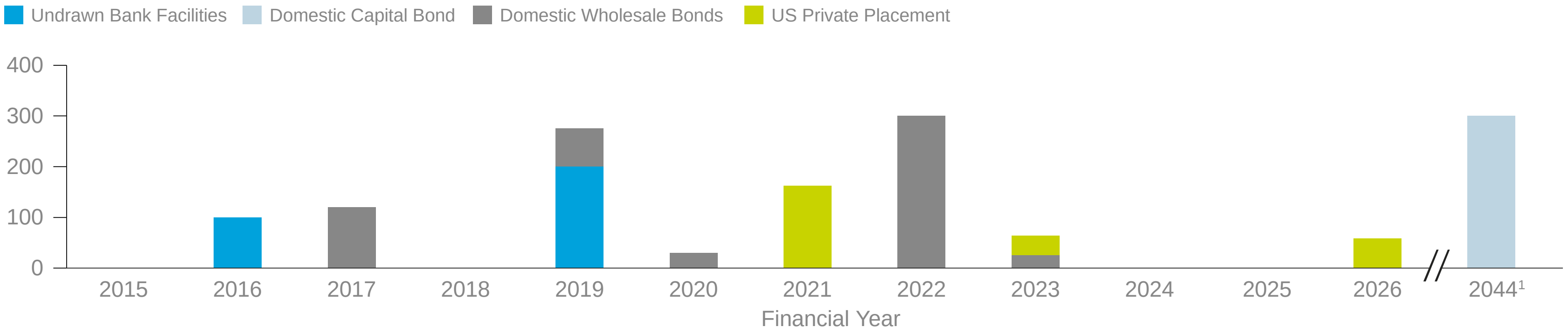
- Capital expenditure of $93m was $106m lower than PFI reflecting $7m on international geothermal
- For FY2015 forecast $95m for stay-in-business capex (includes Ngatamariki and Rotokawa drilling)
- For FY2015 forecast $50m for committed growth capex (including Metrix's AMI roll-out and related services)
- In medium term expect stay-in-business capital expenditure in $70m-$80m range



Funding profile since year end

- $300m Capital Bond issued and bank facilities restructured
  - Extended average duration from 4.4 to 10.7 years
  - Repaid $235m of drawn bank facilities and commercial paper outstanding at 30 June 2014
  - Reduced available bank facilities by $220m ($300m remains undrawn)
- Capital bond assigned Intermediate Equity Credit from S&P
  - For rating purposes 50% of principal and interest paid will be reclassified as equity and dividends respectively

DEBT MATURITIES AS AT 20 AUGUST 2014



1. Optional early redemption - Each Reset Date, any Interest Payment Date after a Reset Date if a Successful Election Process has not been undertaken, a Tax event, a Rating Agency Event or if the outstanding amount is less than $100m

Funding ratios

- bbb stand alone rating is key reference point for dividend policy and a sustainable capital structure
  - S&P confirmed BBB+ credit rating under revised corporate credit criteria in May 2014
  - One-notch upgrade given majority Crown ownership
  - Key ratio for stand alone S&P credit rating bbb requires Debt / EBITDAF between 2.0x and 2.8x
- Net debt lower than in PFI (by $174m) given lower capital expenditure (by $198m across FY2013 and FY2014) partly offset by buyback ($50m)
- Share buyback of 24.3 million shares at an average price of $2.13

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Net debt ($m)	1,031	1,028	1,116	976	971
Gearing ratio (%)	24.3	24.4	27.0	25.1	26.5
Debt/EBITDAF (x)	2.1	2.7	2.6	2.2	3.0

Capital structure

- FY2014 outcomes and decisions around capital structure gives Company flexibility and optionality in capital structure
  - Net debt $174m lower than PFI resulting from lower capital expenditure and continued strong cash flow
  - Key ratio for S&P rating sits comfortably in required range for bbb stand alone rating
  - FY2014 declared dividends represent 72% of Free Cash Flow
  - Ratings equity treatment of Capital Bond and 24.3 million Treasury shares acquired from $50m buy-back during the year provide flexibility and optionality
- A number of capital management options exist for funding new growth, change in ordinary dividend, special dividend and share buy-back
- FY2015 dividend guidance and any capital management initiatives will be announced at Annual Shareholders' Meeting (6 November 2014)

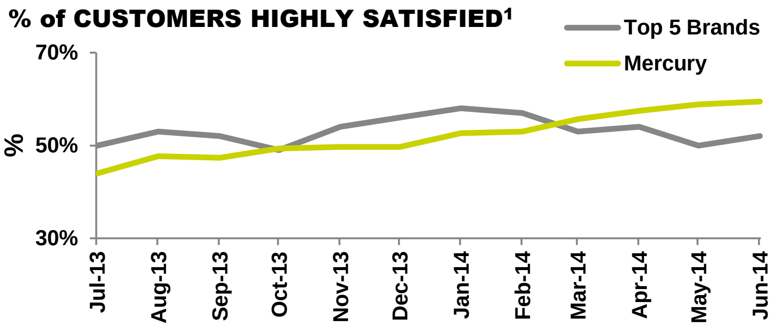
Business Update

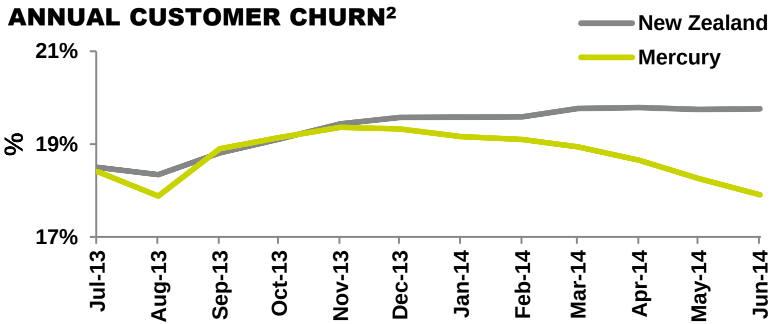
Mercury Energy
Good energy

Focus on value-differentiation in highly competitive market

> Improve customer experience and retention

- Marked increase in Mercury customer satisfaction and churn now 2% below market
- Over 25% of Mercury residential customers actively using Good Energy Monitor
- 34%[3] of customers on fixed price contracts
- Trials of new segment offerings such as 'Budgie' and 'Jimmi'
- 74% of customers now pay electronically and 40% of customers receive bills online[3]
- GLO-BUG now available nationwide
- Mercury Energy residential disconnections now 0.4% pa, down from 3.5% pa in 2007



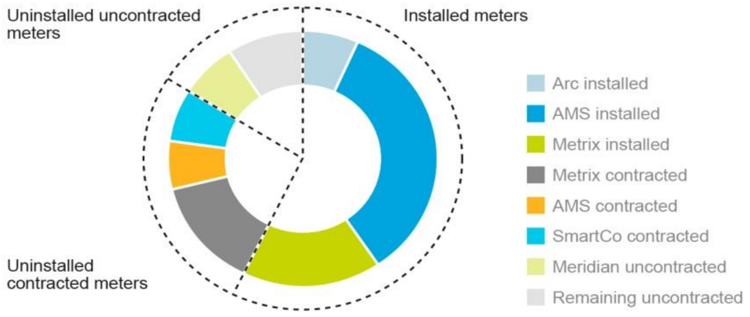


1. The Research Agency & Colmar Brunton, based on a 3 month average
2. Electricity Authority and internal data. Excludes internal transfer between Mighty River Power brands
3. Residential and small commercial

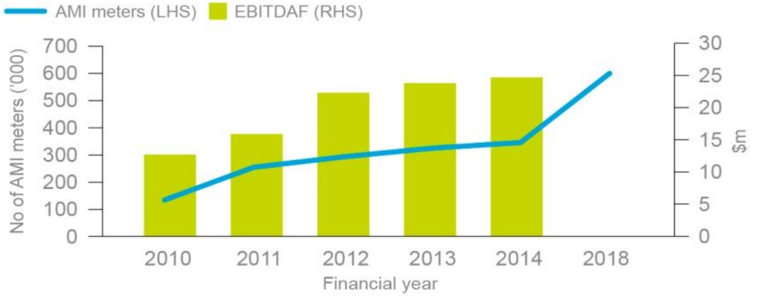
Metrix offering growth opportunity

- Second largest provider of metering services
  - Over 340,000 AMI meters installed
  - Providing services to 14 different companies
  - With Trustpower deal AMI meters increase to 600,000 by FY2018
- Trustpower partnership supports growth plans
  - Deployment of AMI meters to 225,000 Trustpower customers starting in 2015
  - $100m capital expenditure over 3 years
  - Establishing robust processes, systems and integration
- Metrix contracted to roll out 14% of AMI Metering market (285,000 meters)

NZ AMI METERING MARKET – JUNE 2014



METRIX AMI METERS AND EBITDAF CONTRIBUTION



Source: NZ Metering market is based on indicative estimated from data sourced from Vector and the Electricity Authority

Value and growth initiatives

- Review of Southdown continues
  - Marketing process complete and discussions still underway for possible divestment
  - New virtual peaker commitment from Q4 FY2014 until at least the end of CY2015
  - Reconfiguration options developed but implementation contingent on divestment discussions
- Sale of “surplus to requirements” land
  - Sale of parcel of Marsden land to NIWA (gain on sale of $4m)
  - Sale processes to dispose of remaining land continuing
- International geothermal interests
  - John L Featherstone plant operating above expectations (96.5% availability)
  - No new commitments made
    - Discussions with EnergySource partners for greater shareholding ongoing
    - Further Chile exploration pending satisfaction of commercial prerequisites
    - German option extended to late 2014

Regulation outlook

- Transmission Pricing Methodology (TPM)
  - Delay on major issues until after the election
  - Electricity Authority consulting on problem definition
  - Low market growth reduces efficiency rationale for major change
  - Implementation before 2017/2018 unlikely
- Market structure
  - Currently delivering competition and security of supply
  - Competition causing renewables to displace fossil fuel
  - MBIE shows customer energy prices declining
  - Better transparency essential

Board of Directors

> A diverse and complementary mix of skills with eight directors following the appointment of Patrick Strange (February 2014) and Andy Lark (July 2014)

Joan Withers
Chair | **Dr Patrick Strange** | **Dr Michael Allen** | **Prue Flacks** | **James Miller** | **Tania Simpson** | **Keith Smith** | **Andy Lark**

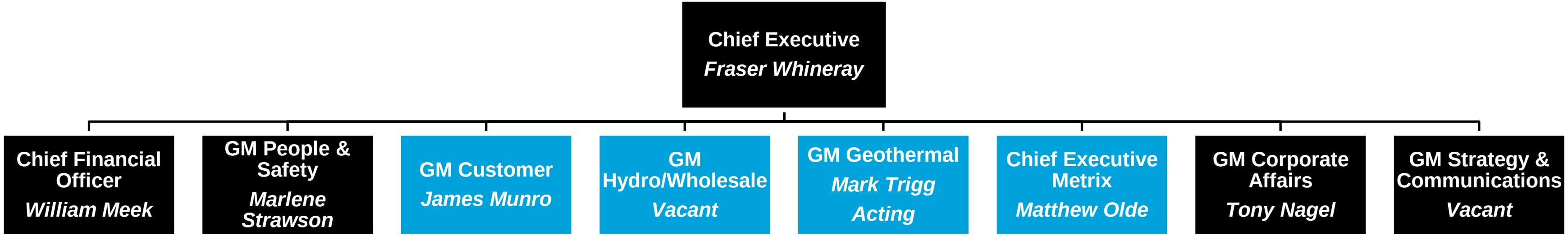
Outlook

FY2015 Guidance

- Assumptions behind guidance
  - 3,900GWh of hydro production which assumes normal inflows during FY2015 (4,000GWh) adjusted downwards for a lower opening lake level
  - An ongoing focus on effectiveness and efficiency, with the permanent operating cost savings achieved in FY2014 reflected in cost assumptions for FY2015
  - Flat to slightly negative residential energy price movements with the Company committed to no energy price increases until at least April 2015
- The Board and management believe that FY2015 EBITDAF will be in the range of $495m to $520m subject to any material adverse events, significant one-off expenses or other unforeseeable circumstances
- FY2015 dividend guidance and any capital management initiatives to be announced at the Annual Shareholders' Meeting on 6 November 2014

New Leadership structure from 1 September

> Ensure stability and support growth ambitions in a highly dynamic market



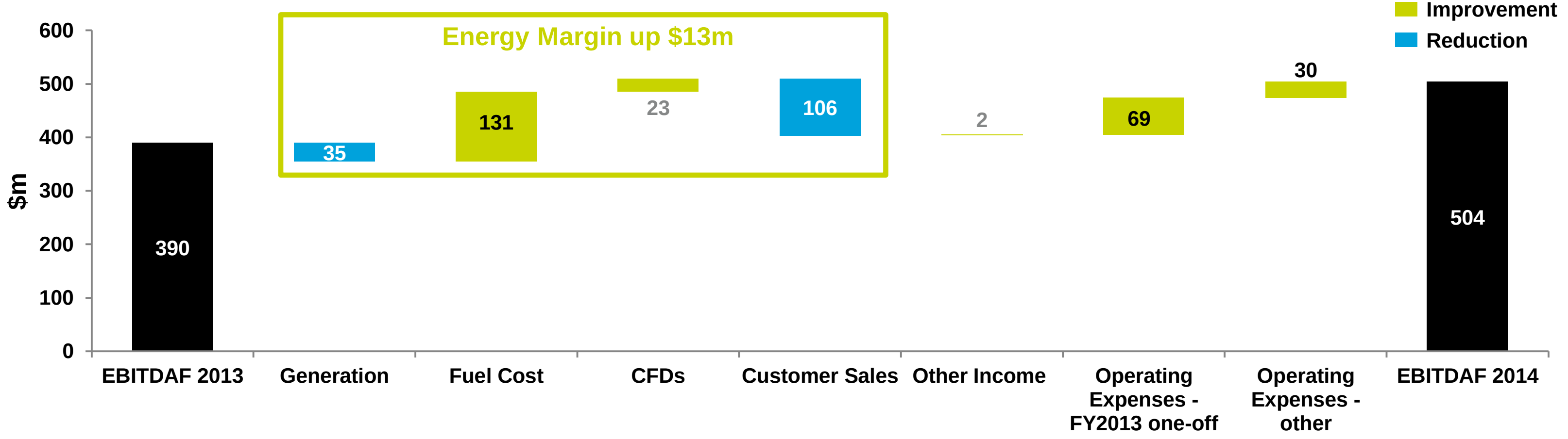
Summary

- Delivered IPO forecasts despite worst hydro inflows in Company's history
- Business resilience for low market growth – significantly lower cost base
- Retail brands performing strongly through differentiation and innovation
- Proactive capital management creates flexibility and optionality

Appendix

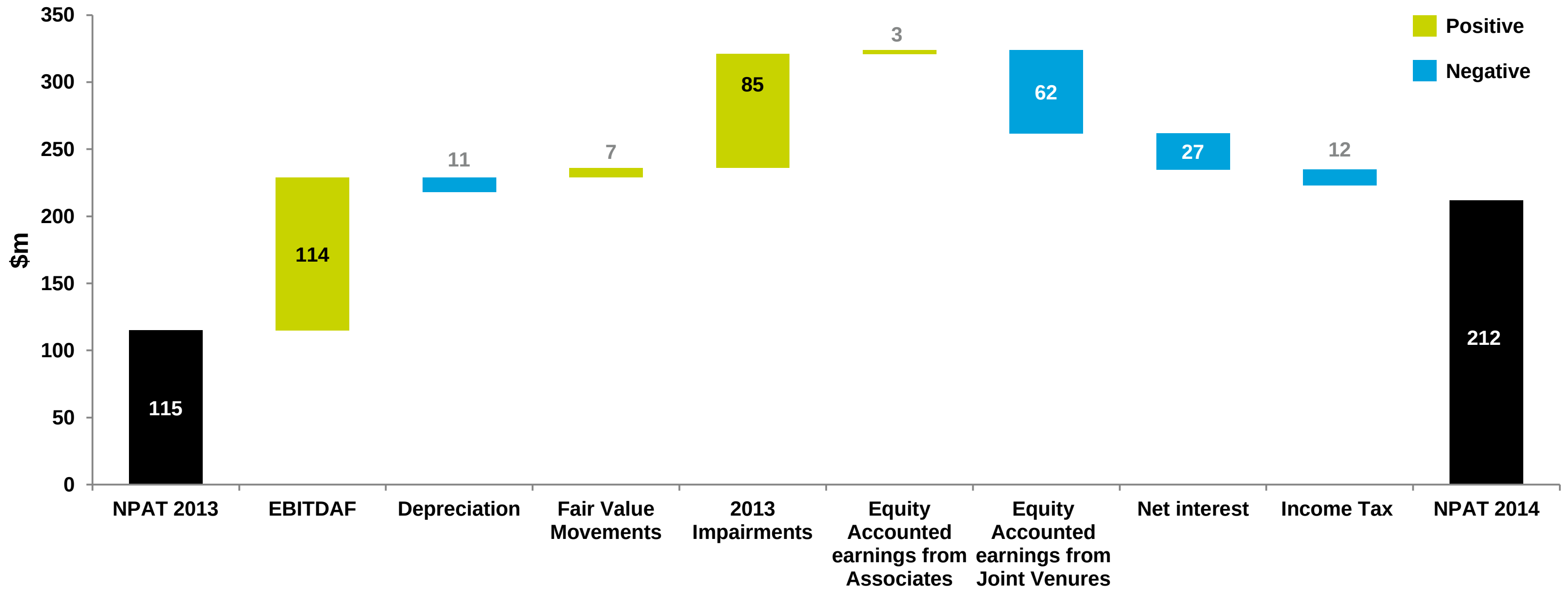
EBITDAF (FY2014 vs FY2013)

- Energy Margin up $13m
  - 167GWh less generation and 408GWh less electricity sales
  - Lower fuel cost reflecting lower wholesale prices and less thermal generation
  - $23m additional contribution from CFDs reflecting the expiry of a number of buy-side contracts commensurate with the completion of Ngatamariki and HVDC
- $99m improvement in operating costs reflecting one-off costs incurred in FY2013 and $20m permanent operating expenditure savings



NPAT (FY2014 vs FY2013)

> Net Profit up $97m yoy reflecting higher EBITDAF and no impairments in FY2014



Operating information

Electricity Sales	Twelve months ended 30 June 2014 VWAP[2] ($/MWh)	Twelve months ended 30 June 2014 Volume (GWh)	Twelve months ended 30 June 2014 PFI[1] VWAP[2] ($/MWh)	Twelve months ended 30 June 2014 PFI[1] Volume (GWh)	Twelve months ended 30 June 2013 VWAP[2] ($/MWh)	Twelve months ended 30 June 2013 Volume (GWh)
FPVV sales to customers	117.7	4,844	118	5,255	117.28	5,252
Residential customers		2,449				2,550
Commercial customers		2,395				2,702
FPVV purchases from market		5,086				5,539
Spot customer purchases		1,572				2,058
Total NZEM purchases	71.16	6,658	65-75		75.80	7,596
Electricity Customers	382,000				388,000	
North Island customers	347,000				349,000	
South Island customers	35,000				39,000	
Dual Fuel customers	40,000				41,000	

1. Prospective Financial Information (PFI) as outlined in Mighty River Power's Investment Statement and Prospectus dated 5 April 2013
2. VWAP is volume weighted average energy-only price sold to FPVV customers after lines, metering and fees

Operating information

	Twelve months ended 30 June 2014		Twelve months ended 30 June 2014 PFI[1]		Twelve months ended 30 June 2013	
Contracts for Difference		Volume (GWh)		Volume (GWh		Volume (GWh)
Buy CFD		2,230				2,644
Sell CFD		3,255				3,841
End User CFD		1,976				2,258
Net Sell CFD[2]		1,025		2,064		1,196
Electricity Generation	VWAP ($/MWh)	Volume (GWh)	VWAP ($/MWh)	Volume (GWh)	VWAP ($/MWh)	Volume (GWh)
Hydro	74.86	3,497		3,900	75.45	3,944
Gas	86.13	125		359	102.53	425
Geothermal (consolidated)[3]	66.68	2,451		2,560	70.54	1,855
Geothermal (equity accounted)[4]	68.91	222		241	70.92	237
Total	71.69	6,295	65-75	7,060	75.65	6,462
LWAP/GWAP	0.99				1.00	

1. Prospective Financial Information (PFI) as outlined in Mighty River Power's Investment Statement and Prospectus dated 5 April 2013
2. Includes Virtual Asset Swap volumes in both Buy and Sell CFD volumes of 674GWh for the 12 months ended 30 June 2014 and 624GWh for the 12 months ended 30 June 2013
3. Includes Mighty River Power's 65% share of Nga Awa Purua generation
4. Tuaropaki Power Company (Mokai) equity share

Operating information

	Twelve months ended 30 June 2014		Twelve months ended 30 June 2014 PFI[1]		Twelve months ended 30 June 2013	
	VWAP ($/MWh)	Volume (GWh)	VWAP ($/MWh)	Volume (GWh)	VWAP ($/MWh)	Volume (GWh)
Gas Purchases	$/GJ	PJ			$/GJ	PJ
Retail purchases[1]	8.96	1.02			8.88	1.09
Generation purchases	7.92	1.72			8.66	4.17
Carbon Emissions ('000 tonnes CO2e)	427				537	

1. Prices exclude fixed transmission charges

Contracts for Difference

	Twelve months ended 30 June 2014	Twelve months ended 30 June 2014 PFI	Twelve months ended 30 June 2013	Twelve months ended 30 June 2012	Twelve months ended 30 June 2011	Twelve months ended 30 June 2010
Net Contracts for Difference (Sell)/Buy GWh						
Sell - End User	(1,976)	-	(2,258)	(1,997)	(2,106)	(2,022)
Sell - VAS[1]	(674)	-	(624)	(450)	(149)	-
Sell - Inter-generator & ASX	(605)	-	(959)	(777)	(692)	(545)
Sell CFD	(3,255)	-	(3,841)	(3,224)	(2,947)	(2,567)
Buy CFD	2,230	-	2,644	1,708	1,263	1,163
CFD	**(1,025)**	**(2,064)**	**(1,196)**	**(1,516)**	**(1,684)**	**(1,404)**
Energy Margin contribution ($m)	**$24m**	**$35m**	**$1m**	**$19m**	**$51m**	**$23m**

1. VAS included on both buy and sell side CFDs

Consolidated cash flow

$m	FY2014	FY2013	$m change to FY2013	% change to FY2013	PFI	$m change to PFI	% change to PFI
Net cash provided by operating activities	317	286	31	11	328	(11)	(4)
Net cash used in investing activities	(99)	(84)	(15)	(18)	(225)	126	56
Net cash (used in)/provided by financing activities	(213)	(230)	17	7	(103)	(110)	(107)
Cash at the end of the year	19	11	8	73	10	9	90

Balance sheet

$m	As at 30 June 2014	As at 31 December 2013	$m change on 31 December 2013	% change on 31 December 2013	PFI	$m change on PFI	% change on PFI
SHAREHOLDERS' EQUITY							
Total shareholders' equity	**3,219**	**3,185**	**34**	**1**	**3,047**	**172**	**6**
ASSETS							
Current assets	292	273	19	7	315	(23)	(7)
Non-current assets	5,397	5,405	(8)	-	5,498	(101)	(2)
Total assets	**5,689**	**5,678**	**11**	**-**	**5,813**	**(124)**	**(2)**
LIABILITIES							
Current liabilities	271	314	(43)	(14)	382	(111)	(29)
Non-current liabilities	2,199	2,179	20	1	2,384	(185)	(8)
Total liabilities	**2,470**	**2,493**	**(23)**	**(1)**	**2,767**	**(297)**	**(11)**
TOTAL NET ASSETS	**3,219**	**3,185**	**34**	**1**	**3,047**	**172**	**6**

Non-GAAP measure: Energy margin

> Energy Margin provides a measure that, unlike sales or total revenue, accounts for the variability or the wholesale spot market and the broadly offsetting impact of wholesale prices on the cost of retail electricity purchases

$m	Twelve months ended 30 June 2014	Twelve months ended 30 June 2013	Twelve months ended 30 June 2014 PFI[1]
Sales	1,672	1,806	1,834
Less: lines charges	(431)	(454)	(473)
Less: energy costs	(505)	(636)	(591)
Less: other direct cost of sales, including metering	(44)	(37)	(46)
Energy Margin	**692**	**679**	**724**

1. Prospective Financial Information (PFI) as outlined in Mighty River Power's Investment Statement and Prospectus dated 5 April 2013

Non-GAAP measure: EBITDAF, Underlying Earnings and Net Debt

- EBITDAF is reported in the audited financial statements and is a measure that allows comparison across the electricity industry
- Underlying Earnings is reported in the audited financial statements and in contrast to net profit, the exclusion of certain items enables a comparison of the underlying performance across time periods
- Net Debt is reported in the audited financial statements and is a measure commonly used by investors

Non-GAAP measure: Free Cash Flow

> Free Cash Flow is a measure that the Company uses to evaluate the levels of cash available for debt repayments, growth capital expenditure and dividends

$m	Twelve months ended 30 June 2014	Twelve months ended 30 June 2013	Twelve months ended 30 June 2014 PFI[1]
Net cash provided by operating activities	317	286	328
Less: Reinvestment capital expenditure (including accrued costs)	(60)	(69)	(72)
Free Cash Flow	**257**	**217**	**256**

1.. Prospective Financial Information (PFI) as outlined in Mighty River Power's Investment Statement and Prospectus dated 5 April 2013

MIGHTY RIVER POWER LIMITED

Annual Financial Statements

For the year ended 30 June 2014

MIGHTY RIVER POWER LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Sales		**1,672**	1,806	**1,473**	1,650
Other revenue		**33**	31	**33**	27
Total revenue		**1,705**	1,837	**1,506**	1,677
Energy costs		**505**	636	**504**	636
Line charges		**431**	454	**407**	435
Other direct cost of sales, including metering		**44**	37	**24**	21
Employee compensation and benefits		**80**	78	**71**	70
Maintenance expenses		**54**	66	**40**	45
Sales and marketing		**18**	20	**17**	20
Contractors' fees		**9**	12	**9**	12
Professional services		**13**	27	**10**	17
Other expenses		**47**	117	**52**	35
Total expenses		**1,201**	1,447	**1,134**	1,291
Earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments, impairments and equity accounted earnings (EBITDAF)		**504**	390	**372**	386
Depreciation and amortisation	4	**(161)**	(150)	**(88)**	(96)
Change in the fair value of financial instruments	22	**32**	25	**32**	27
Impaired assets	4	**-**	(85)	**-**	(3)
Equity accounted earnings of associate companies	14	**8**	5	**-**	-
Equity accounted earnings/(losses) of interest in joint ventures	16	**(4)**	58	**-**	-
Earnings before net interest expense and income tax (EBIT)		**379**	243	**316**	314
Interest expense	4	**(87)**	(61)	**(81)**	(55)
Interest income		**3**	4	**1**	2
Net interest expense		**(84)**	(57)	**(80)**	(53)
Profit before income tax		**295**	186	**236**	261
Income tax expense	5	**(83)**	(71)	**(65)**	(76)
Net profit for the year		**212**	115	**171**	185
Net profit for the year is attributable to:					
Owners of the parent		**212**	115	**171**	185
Net profit for the year		**212**	115	**171**	185
Earnings per share attributable to owners of the parent:					
Basic and diluted earnings per share (cents)	7	**15.27**	8.19		

MIGHTY RIVER POWER LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Net profit for the year		**212**	115	**171**	185
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Fair value revaluation of hydro and thermal assets	10	**5**	43	**5**	43
Fair value revaluation of other generation assets	10	**35**	37	**-**	-
Equity accounted share of movements in associates' reserves	14	**(8)**	13	**-**	-
Equity accounted share of movements in joint ventures' reserves	16	**-**	(2)	**-**	-
Exchange movements on equity accounted share of movements in joint ventures' reserves		**(2)**	1	**-**	-
Income tax on items of other comprehensive income that will not be reclassified subsequently to profit or loss	5	**(11)**	(22)	**(2)**	(12)
Items that may be reclassified subsequently to profit or loss					
Movements in available for sale investment reserve		**1**	1	**-**	1
Movements in foreign currency translation reserve		**(8)**	22	**-**	-
Cash flow hedges gain/(loss) taken to or released from equity	22	**47**	104	**55**	71
Income tax on items of other comprehensive income that may be reclassified subsequently to profit or loss	5	**(13)**	(29)	**(15)**	(20)
Other comprehensive income for the year, net of taxation		**46**	168	**43**	83
Total comprehensive income for the year		**258**	283	**214**	268
Total comprehensive income for the year is attributable to:					
Owners of the parent		**258**	283	**214**	268
Total comprehensive income for the year		**258**	283	**214**	268

MIGHTY RIVER POWER LIMITED
BALANCE SHEET
AS AT 30 JUNE 2014

	Note	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
SHAREHOLDERS' EQUITY					
Issued capital	6	**378**	378	**378**	378
Treasury shares	6	**(52)**	(3)	**(52)**	(3)
Reserves		**2,893**	2,808	**2,480**	2,438
Total shareholders' equity		**3,219**	3,183	**2,806**	2,813
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		**19**	11	**15**	7
Receivables	8	**218**	240	**664**	888
Inventories	9	**24**	20	**16**	13
Derivative financial instruments	22	**31**	41	**31**	41
Total current assets		**292**	312	**726**	949
NON-CURRENT ASSETS					
Property, plant and equipment	10	**5,095**	5,141	**3,581**	3,620
Intangible assets	11	**55**	52	**33**	30
Emissions units	12	**16**	11	**15**	10
Available for sale financial assets		**12**	13	**-**	-
Investment in subsidiaries	13	**-**	-	**565**	442
Investment and advances to associates	14	**78**	82	**4**	4
Investment in joint ventures	16	**23**	29	**-**	-
Advances		**13**	13	**2**	-
Receivables	8	**6**	6	**-**	-
Derivative financial instruments	22	**99**	143	**89**	132
Total non-current assets		**5,397**	5,490	**4,289**	4,238
Total assets		**5,689**	5,802	**5,015**	5,187
LIABILITIES					
CURRENT LIABILITIES					
Payables and accruals	17	**169**	213	**152**	176
Provisions	18	**-**	4	**-**	2
Loans	19	**56**	105	**56**	105
Derivative financial instruments	22	**22**	44	**27**	51
Taxation payable		**24**	33	**1**	16
Total current liabilities		**271**	399	**236**	350
NON-CURRENT LIABILITIES					
Payables and accruals	17	**6**	12	**6**	12
Provisions	18	**16**	9	**2**	-
Derivative financial instruments	22	**209**	291	**215**	299
Loans	19	**985**	953	**985**	953
Deferred tax	20	**983**	955	**765**	760
Total non-current liabilities		**2,199**	2,220	**1,973**	2,024
Total liabilities		**2,470**	2,619	**2,209**	2,374
NET ASSETS		**3,219**	3,183	**2,806**	2,813

For and on behalf of the Board of Directors who authorised the issue of the Financial Statements on 20 August 2014.

Joan Withers
Chair
20 August 2014

Keith Smith
Director
20 August 2014

MIGHTY RIVER POWER LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

Group	Issued capital $M	Retained earnings $M	Foreign currency translation reserve $M	Asset revaluation reserve $M	Cash flow hedge reserve $M	Other reserves $M	Total equity $M
Balance as at 1 July 2012	378	488	(32)	2,301	(119)	(1)	3,015
Fair value revaluation of hydro and thermal assets, net of taxation	-	-	-	31	-	-	31
Fair value revaluation of other generation assets, net of taxation	-	-	-	26	-	-	26
Equity accounted share of movements in associates' reserves	-	-	-	8	5	-	13
Release of reserve to the income statement, net of taxation	-	-	-	-	-	1	1
Movements in foreign currency translation reserve	-	-	22	-	-	-	22
Cash flow hedges gain/(loss) taken to or released from equity, net of taxation	-	-	-	-	75	-	75
Release of asset revaluation reserve following disposal of assets	-	3	-	(3)	-	-	-
Other comprehensive income	-	3	22	62	80	1	168
Net profit for the year	-	115	-	-	-	-	115
Total comprehensive income	-	118	22	62	80	1	283
Acquisition of treasury shares	-	-	-	-	-	(3)	(3)
Dividend	-	(112)	-	-	-	-	(112)
Balance as at 30 June 2013	378	494	(10)	2,363	(39)	(3)	3,183
Balance as at 1 July 2013	**378**	**494**	**(10)**	**2,363**	**(39)**	**(3)**	**3,183**
Fair value revaluation of hydro and thermal assets, net of taxation	**-**	**-**	**-**	**4**	**-**	**-**	**4**
Fair value revaluation of other generation assets, net of taxation	**-**	**-**	**-**	**25**	**-**	**-**	**25**
Equity accounted share of movements in associates' reserves	**-**	**-**	**-**	**(6)**	**(2)**	**-**	**(8)**
Equity accounted share of movements in joint ventures' reserves	**-**	**-**	**-**	**(2)**	**-**	**-**	**(2)**
Net loss on available for sale investment reserve	**-**	**-**	**-**	**-**	**-**	**1**	**1**
Movements in foreign currency translation reserve	**-**	**-**	**(8)**	**-**	**-**	**-**	**(8)**
Cash flow hedges gain/(loss) taken to or released from equity, net of taxation	**-**	**-**	**-**	**-**	**34**	**-**	**34**
Release of asset revaluation reserve following disposal of assets	**-**	**1**	**-**	**(1)**	**-**	**-**	**-**
Other comprehensive income	**-**	**1**	**(8)**	**20**	**32**	**1**	**46**
Net profit for the year	**-**	**212**	**-**	**-**	**-**	**-**	**212**
Total comprehensive income	**-**	**213**	**(8)**	**20**	**32**	**1**	**258**
Acquisition of treasury shares	**-**	**-**	**-**	**-**	**-**	**(49)**	**(49)**
Dividend	**-**	**(173)**	**-**	**-**	**-**	**-**	**(173)**
Balance as at 30 June 2014	**378**	**534**	**(18)**	**2,383**	**(7)**	**(51)**	**3,219**

MIGHTY RIVER POWER LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

Company	Issued capital $M	Retained earnings $M	Asset revaluation reserve $M	Cash flow hedge reserve $M	Other reserves $M	Total equity $M
Balance as at 1 July 2012	378	534	1,862	(113)	(1)	2,660
Fair value revaluation of hydro and thermal assets, net of taxation	-	-	31	-	-	31
Release of reserve to the income statement, net of taxation	-	-	-	-	1	1
Cash flow hedges gain/(loss) taken to or released from equity, net of taxation	-	-	-	51	-	51
Release of asset revaluation reserve for assets taken out of service, net of taxation	-	1	(1)	-	-	-
Other comprehensive income	-	1	30	51	1	83
Net profit for the year	-	185	-	-	-	185
Total comprehensive income	-	186	30	51	1	268
Acquisition of treasury shares	-	-	-	-	(3)	(3)
Dividend	-	(112)	-	-	-	(112)
Balance as at 30 June 2013	378	608	1,892	(62)	(3)	2,813
Balance as at 1 July 2013	**378**	**608**	**1,892**	**(62)**	**(3)**	**2,813**
Fair value revaluation of hydro and thermal assets, net of taxation	**-**	**-**	**4**	**-**	**-**	**4**
Cash flow hedges gain/(loss) taken to or released from equity, net of taxation	**-**	**-**	**-**	**40**	**-**	**40**
Release of asset revaluation reserve for assets taken out of service, net of taxation	**-**	**1**	**(1)**	**-**	**-**	**-**
Other comprehensive income	**-**	**1**	**3**	**40**	**-**	**44**
Net profit for the year	**-**	**171**	**-**	**-**	**-**	**171**
Total comprehensive income	**-**	**172**	**3**	**40**	**-**	**215**
Acquisition of treasury shares	**-**	**-**	**-**	**-**	**(49)**	**(49)**
Dividend	**-**	**(173)**	**-**	**-**	**-**	**(173)**
Balance as at 30 June 2014	**378**	**607**	**1,895**	**(22)**	**(52)**	**2,806**

MIGHTY RIVER POWER LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**1,706**	1,889	**1,505**	1,729
Payments to suppliers and employees		**(1,214)**	(1,459)	**(1,123)**	(1,339)
Interest received		**3**	4	**1**	2
Interest paid		**(90)**	(88)	**(89)**	(89)
Taxes paid		**(88)**	(60)	**(88)**	(60)
Net cash provided by operating activities	23	**317**	286	**206**	243
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		**(82)**	(201)	**(41)**	(35)
Proceeds from sale of property, plant and equipment		**-**	5	**-**	5
Advances to joint operations' partner repaid		**1**	1	**-**	-
Investment in joint ventures		**(3)**	(5)	**(2)**	-
Distribution received from joint ventures		**-**	141	**-**	-
Acquisition of intangibles		**(15)**	(14)	**(13)**	(14)
Disposal of subsidiaries		**-**	(8)	**-**	-
Acquisition of emission units		**(5)**	(7)	**(5)**	(7)
Disposal of emission units		**-**	-	**-**	1
Dividends received from associate		**5**	4	**-**	-
Net cash used in investing activities		**(99)**	(84)	**(61)**	(50)
CASH FLOWS FROM FINANCING ACTIVITIES					
Acquisition of treasury shares		**(50)**	(3)	**(50)**	(3)
Proceeds from loans		**60**	100	**60**	100
Repayment of loans		**(50)**	(215)	**(50)**	(215)
Loans to subsidiaries		**-**	-	**76**	28
Dividends paid		**(173)**	(112)	**(173)**	(112)
Net cash provided by/(used in) financing activities		**(213)**	(230)	**(137)**	(202)
Net (decrease) / increase in cash and cash equivalents held		**5**	(28)	**8**	(9)
Net foreign exchange movements		**3**	1	**-**	-
Cash and cash equivalents at the beginning of the year		**11**	38	**7**	16
Cash and cash equivalents at the end of the year		**19**	11	**15**	7
Cash and cash equivalents comprises:					
Cash		**19**	11	**15**	7
Cash and cash equivalents at the end of the year		**19**	11	**15**	7

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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 (the "Group financial statements") have been prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993.

The Group financial statements are for Mighty River Power Limited Group (the “Group”). The Group financial statements comprise the Company and its subsidiaries, including its investments in associates and joint arrangements.

Mighty River Power Limited is majority owned by Her Majesty the Queen in Right of New Zealand (the Crown) and is dual listed on the NZSX and ASX. The Company, as a mixed ownership model company, is bound by the requirements of the Public Finance Act 1989.

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

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 Group 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 adopted in the preparation of these Group financial statements include the adoption of new standards and interpretations effective as of 1 July 2013 which the Group applies for the first time. As required by NZ IAS 1, the nature and the effect of these changes are disclosed below. Several other new standards and amendments apply for the first time in 2014, however, they do not impact the financial statements. The nature and the impact of each new standard/amendment that impacts the Group is described below:

• NZ IFRS 7 - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities. These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures are required for all recognised financial instruments that are set-off in accordance with NZ IAS 32 - Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set-off under NZ IAS 32. The Group provides these disclosures in Note 21.

• NZ IFRS 11 - Joint Arrangements. This standard replaces NZ IAS 31 - Interests in Joint Ventures and removes the option to account for jointly controlled entities using proportionate consolidation, instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give a right to the underlying assets and obligations themselves are accounted for by recognising the share of those assets and obligations. Joint ventures that give rise to a right to the net assets are accounted for using the equity method.

• NZ IFRS 12 - Disclosure of Interests in Other Entities. This standard includes new disclosures about judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The Group provides these disclosures in Note 14 to 16.

• NZ IFRS 13 - Fair Value Measurement. NZ IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. NZ IFRS 13 does not change when an entity is required to use fair value measurements, but rather provides guidance on how to determine fair value. The application of NZ IFRS 13 has impacted the fair value measurements carried out by the Group as it is now required to incorporate counterparty credit risk within these measurements. NZ IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including NZ IFRS 7 Financial Instruments: Disclosures.

(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.

(c) Estimates and judgements

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

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

Information about significant areas of estimation uncertainty and critical judgements required in the application of accounting policies 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. The discounted cash flow valuation approach assumes 100% control and consequently a control premium should be applied if using an equity valuation technique to derive asset values.

Retail revenue

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

Restoration and environmental rehabilitation

Liabilities are estimated for the abandonment and site restoration of areas from which natural resources are extracted (see note 18). Such estimates are valued at the present value of the expenditures expected to settle the obligation. Key assumptions have been made as to the expected expenditures to remediate based on the expected life of the assets employed on the sites and an appropriate discount rate.

Valuation of Financial instruments

Non-exchange traded 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 21.

Impairment of non-financial assets

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

Deferred tax

In May 2010 the Government announced that tax depreciation deductions for buildings would be disallowed effective from 1 July 2011. As there is no definition of a building in the Income Tax Act, Management have had to make an assessment of whether its generation assets, which have historically been classified as buildings, have been appropriately classified or whether they would more appropriately be classified as plant (see note 20 for further detail).

(d) Functional and presentation currency

These financial statements are presented in New Zealand Dollars ($) which is the Group's functional currency, apart from Mighty Geothermal Power Limited and its direct subsidiaries and PT ECNZ Services Indonesia as their functional currency is the United States Dollar. The financial statements of these entities have been translated to the presentation currency for these Group financial statements.

Unless otherwise stated, financial information has been rounded to the nearest million dollars ($M).

(3) Significant accounting policies

(a) Basis of consolidation

Subsidiaries

Subsidiaries are all those entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. They are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. The difference between these items and the fair value of consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or discount on acquisition.

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

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

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

Associates

Associates are those entities in which the Group holds an equity interest and over which the Group 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. Losses of an associate in excess of the Group's interest in the associate are not recognised unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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.

Joint operations

Joint operations 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 joint operation. The Group’s interests in joint operations are accounted for by recognising its share of the jointly controlled assets, liabilities incurred jointly, income and expenses in the consolidated financial statements.

Under NZ IAS 31 - Investments in Joint Ventures (prior to the transition to NZ IFRS 11), the Group's interests in its joint operations were classified as jointly controlled assets and were proportionately consolidated in the consolidated financial statements. Upon adoption of NZ IFRS 11 Joint Arrangements, the Group has determined its interests to be joint operations and accounts for its share of the operations, assets, liabilities, revenue and expenses. There is no material impact on the Group financial statements.

Joint ventures

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

Under NZ IAS 31 - Investments in Joint Ventures (prior to the transition to NZ IFRS 11), the Group's interests in its joint ventures were classified as jointly controlled entities and were equity accounted for in the consolidated financial statements. Upon adoption of NZ IFRS 11 Joint Arrangements, the Group has determined its interests to be joint ventures and continues to equity accounted for its interests. There is no material impact on the Group 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 PricewaterhouseCoopers, a third party valuation expert, 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.

Office land and buildings are measured at historic cost less accumulated depreciation on buildings.

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 of testing whether the assets are functioning properly, after deducting the net proceeds from power generation, are also capitalised. 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.

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

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

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

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

Depreciation

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

The annual depreciation rates are as follows:

	2014	**2013**
Office land and buildings	**2-20%**	2-20%
Generation assets:		
• Hydro and thermal generation	**1-33%**	1-33%
• Other generation	**2-33%**	2-25%
Meters	**3-33%**	3-33%
Computer hardware and tangible software	**5-50%**	5-50%
Other plant and equipment	**2-50%**	2-50%
Vehicles	**5-33%**	5-33%

Distinction between capital and revenue expenditure

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

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

(c) Exploration and evaluation expenditure

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

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

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

(d) Government grants - asset related

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

(e) Rehabilitation costs

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

(f) Insurance
The Group's property, plant and equipment is predominantly concentrated at power station locations which have the potential to sustain major losses through damage to plant and resultant consequential costs. To minimise the financial impact of such exposures, the major portion of the assessed risk is transferred to insurance companies by taking out insurance policies with appropriate counterparties. Any uninsured loss is charged to the income statement as the loss is incurred.

(g) Intangible assets
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.

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

Software
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their remaining estimated useful lives of between 2 - 15 years (2013: between 2.5 - 5 years). As these assets are deemed to have a finite life, impairment testing will only be performed when there is an indication that the intangible asset may be impaired.

Rights
Rights, of which land access rights are the most significant, acquired to further the Group's generation development programme, are stated at cost less accumulated amortisation and any accumulated impairment losses. Rights, which have a finite life, are amortised over the life of the rights between 3 and 25 years (2013: between 3 and 25 years). Testing for impairment will only arise when there is an indication that the asset may be impaired.

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

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

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

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

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

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

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

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

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

(k) Cash flow statement

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

• Cash includes cash on hand and bank current accounts.

• Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.

• Financing activities are those activities that result in changes in the size and composition of the equity structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to equity structure are included in financing activities.

• Operating activities include all transactions and other events that are not investing or financing activities. As "line charges" are now reflected as part of "total expenses" on the face of the income statement, the cash impact from the prior year has been reallocated from "Receipts from customers" to "Payments to supplier and employees" accordingly.

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

(l) Financial instruments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with original maturities between one day and three months, depending on the immediate cash requirements of the Group. They are readily converted to known amounts of cash, are subject to an insignificant risk of changes in value and hence represent fair value.

Bank balances earn interest at floating rates based on the daily bank deposit rates whilst short-term deposits earn interest at the respective short term deposit rates. Interest income 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. Overdue balances that are subject to approved payment plans, with payments being made as scheduled, are not considered to be impaired.

Investments

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

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

Loans

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

Foreign exchange and interest rate derivatives

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

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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

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

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

Energy contracts
The Group has entered into a number of contracts to manage its exposure to price fluctuations on the electricity spot market. These contracts are in the form of power supply agreements, contracts for difference, futures 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 exchange traded (NZSX and ASX) energy contracts is recognised based on exchange quoted prices. The fair value of non-exchange traded energy contracts is based on the net present value of anticipated cash flows from each contract. Management's internal view of forward prices is determined by a demand supply based fundamental model which takes account of current hydrological conditions, future inflows, an assessment of thermal fuel costs, anticipated demand and supply conditions and future committed generation capacity. Where external market prices are not available, the Group estimates fair values of derivative financial instruments using internally generated future price paths, the instrument is fair valued at inception and the difference arising between the estimated fair value and its cost (nil) is a valuation inception adjustment.

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

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

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

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

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

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

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

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

(q) Income tax

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

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

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

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

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

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

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

(r) Goods and Services Tax

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

(s) Share Based Payments

Employees (including Senior Management) of the Company may receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions with employees is measured by reference to the fair value at grant date.

The cost of equity-settled transactions is recognised, together with a corresponding increase to the share based payments reserve within equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

(t) Capital and reserves

Treasury Shares

Own equity instruments held (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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.

Share based payments reserve

The share based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

(u) Segment reporting

Operating segments are identified by Management based on the nature of the products and services provided. Discrete financial information about each of these operating segments is reported to the chief executive, being the chief operating decision-maker, on at least a monthly basis, who assesses the performance of the operating segments on a measure of EBITDAF. Segment EBITDAF represents profit earned by each segment exclusive of any allocation of central administration costs, share of profits of associates, change in fair value of financial instruments, depreciation and amortisation, impairment of exploration expenditure, finance costs and income tax expense.

Transactions between segments are carried out on normal commercial terms and represent charges by Other Segments to Energy Markets.

(v) Related parties

The Group considers its related parties to be key management personnel, its subsidiaries, associates and joint arrangements and other Crown related entities.

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

NOTE 2. NON STATUTORY MEASURE - UNDERLYING EARNINGS

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

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Net profit for the year	**212**	115	**171**	185
Change in the fair value of financial instruments	**(32)**	(25)	**(32)**	(27)
One-off and/or infrequently occurring events	**-**	37	**-**	2
Impaired assets	**-**	85	**-**	3
Equity accounted share of the change in the fair value of financial instruments of associate entities	**(5)**	(2)	**-**	-
Equity accounted share of the change in the fair value of financial instruments of joint ventures (refer note 15)	**-**	(38)	**-**	-
Adjustments before income tax expense	**(37)**	57	**(32)**	(22)
Income tax expense on taxable adjustments	**10**	8	**9**	7
Adjustments after income tax expense	**(27)**	65	**(23)**	(15)
Underlying earnings after tax	**185**	180	**148**	170

Tax has been applied on all taxable adjustments at 28%.

NOTE 3. SEGMENT REPORTING

Identification of reportable segments

Energy Markets

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

Other Segments

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

Unallocated

Represents other corporate support services and other elimination adjustments.

Group June 2014	Energy Markets $M	Other segments $M	Unallocated $M	Inter-segment $M	Total $M
Total segment revenue	**1,696**	**44**	**(2)**	**(33)**	**1,705**
Direct costs	**(1,013)**	**-**	**-**	**33**	**(980)**
Other operating expenses	**(160)**	**(28)**	**(33)**	**-**	**(221)**
Segment EBITDAF	**523**	**16**	**(35)**	**-**	**504**

Group June 2013	Energy Markets $M	Other segments $M	Unallocated $M	Inter-segment $M	Total $M
Total segment revenue	1,824	47	(2)	(32)	1,837
Direct costs	(1,159)	-	-	32	(1,127)
Other operating expenses	(170)	(82)	(68)	-	(320)
Segment EBITDAF	495	(35)	(70)	-	390

MIGHTY RIVER POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4. OTHER INCOME STATEMENT DISCLOSURES

	Note	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Rental and operating lease costs		6	5	5	5
Net (gain)/loss on sale of property, plant and equipment		(4)	-	(4)	-
Net loss on disposal of subsidiaries		-	4	-	-
Foreign currency exchange (gains)/losses		-	(24)	(18)	4
Interest charged		93	92	87	86
Interest capitalised to capital work in progress		(6)	(31)	(6)	(31)
Total interest expense		87	61	81	55
Depreciation	10	150	136	79	83
Amortisation of intangible assets	11	13	13	11	12
Amortisation of fair values and the release from cash flow hedge reserve relating to forecast transactions that are no longer expected to occur	22	(2)	1	(2)	1
Total depreciation and amortisation		161	150	88	96
Impaired property, plant and equipment	10	-	(52)	-	-
Impaired exploration and development expenditure	10	-	(28)	-	(1)
Impaired exploration and development expenditure reversed	10	-	6	-	-
Impaired investment and advances to associate	14	-	(10)	-	-
Impaired investment and advances to associate reversed	14	-	1	-	-
Impaired available for sale financial asset		-	(2)	-	(2)
Total impaired assets		-	(85)	-	(3)

Audit fees

Fees incurred during the year for audit and review of the financial statements by EY (NZ) was $608,000 (2013: $899,000). Fees incurred relating to the audit of the financial statements of offshore entities (US and Chile) during the year were $231,000 (2013: $570,000). In the prior year fees of $1.3m were also paid to EY(NZ) for other services relating to the investigating accountants' role for the Company's IPO.

NOTE 5. INCOME TAX

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
(i) Income tax expense				
Profit before income tax	295	186	236	261
Prima facie income tax expense at 28% on the profit before tax	(83)	(52)	(66)	(73)
Increase/(decrease) in income tax due to:				
• share of associates' tax paid earnings	2	1	-	-
• share of joint ventures' tax paid earnings	(1)	16	-	-
• non-deductible cost of restructure of international geothermal interests	-	(10)	-	(1)
• foreign entities' current losses not recognised for deferred tax	-	(27)	-	-
• foreign entities' prior losses recognised for deferred tax	-	12	-	-
• capital gain/(loss)	1	(3)	1	-
• non-deductible foreign exchange loss	-	(6)	-	-
• Assessable dividends not reported in profit before income tax	(2)	(1)	-	-
• other differences	(2)	(2)	-	(3)
Over/(under) provision in prior period	2	1	-	1
Income tax expense attributable to profit from ordinary activities	(83)	(71)	(65)	(76)
Represented by:				
Current tax expense	(78)	(81)	(62)	(73)
Deferred tax recognised in the income statement	(5)	10	(3)	(3)
Total income tax expense	(83)	(71)	(65)	(76)
(ii) Income tax reported in other comprehensive income				
Tax on movements in asset revaluation reserve	(11)	(22)	(2)	(12)
Tax on movements in cash flow hedge reserve	(13)	(29)	(15)	(20)
Income tax reported in other comprehensive income	(24)	(51)	(17)	(32)

NOTE 6. SHARE CAPITAL AND DISTRIBUTION

The share capital of the Company is represented by 1,400,012,517 ordinary shares (30 June 2013: 1,400,000,094) issued and fully paid. These shares do not have a par value. All shares have equal voting rights and share equally in dividends and any surplus on winding up.

	Group and Company 2014 Number of shares (M)	Group and Company 2014 $m	Group and Company 2013 Number of shares (M)	Group and Company 2013 $m
Treasury shares				
Balance at the beginning of the year	**1**	**3**	-	-
Acquisition of treasury shares	**23**	**50**	1	3
Disposal of treasury shares	**-**	**(1)**	-	-
Balance at the end of the year	**24**	**52**	1	3

In May 2013, 1.3 million shares were acquired, and in December 2013 12,423 new shares were issued by the Group, to meet the current and future obligations under long-term incentive plans and the Employee Share Purchase Programme. In August 2013, 0.3 million shares were transferred to some of the participants of the long-term incentive plan.

In October 2013, the Group announced an on-market share buy-back programme. Under the programme, the Group purchased $50 million of the Group's issued share capital, a total of 23.4 million shares representing an average cost of $2.1356 per share. These shares are held as treasury shares and no decision has been made by the Board of Directors whether to re-issue or cancel these shares.

Dividends declared and paid	Cents per share	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Final dividend for 2012	3.21	**-**	45	**-**	45
Interim dividend for 2013	4.80	**-**	67	**-**	67
Final dividend for 2013	7.20	**101**	-	**101**	-
Interim dividend for 2014	5.20	**72**	-	**72**	-
		173	112	**173**	112

After the reporting date a final dividend of 8.3 cents per share was approved by the Board of Directors. This dividend will be fully imputed utilising imputation credits arising from tax payments made by the Group. This amount has not been recognised as a liability as at 30 June 2014 but will be brought to account during the 2015 financial year.

Imputation credits available to shareholders in the future amount to $45.8 million (2013: $32.5 million).

NOTE 7. EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year.

	Group 2014	Group 2013
Net earnings attributable to owners of the parent ($M)	**212**	115
Weighted average ordinary shares (millions) for basic and diluted earnings per share calculation	**1,388**	1,400
Basic and diluted earnings per share (Cents)	**15.27**	8.19

NOTE 8. RECEIVABLES

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Trade receivables and accruals	**216**	238	**187**	201
Allowance for impairment loss	**(5)**	(5)	**(3)**	(4)
Net trade receivables and accruals	**211**	233	**184**	197
Prepayments	**12**	11	**9**	9
Related party receivables	**1**	2	**471**	682
	224	246	**664**	888
Current	**218**	240	**664**	888
Non-current	**6**	6	**-**	-
	224	246	**664**	888

Trade receivables are non-interest bearing and are generally on 30 day terms, except for international VAT recorded as non-current which is recoverable on commencement of operations. For terms and conditions of related party receivables refer to note 27.

Movements in the allowance for impairment loss were as follows:

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Balance at the beginning of the year	**5**	5	**4**	4
Charge for the year	**4**	4	**5**	4
Amounts written off	**(4)**	(4)	**(6)**	(4)
Balance at the end of the year	**5**	5	**3**	4

Receivables past due but not considered impaired:

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Less than one month past due	**7**	5	**7**	4
Two to three months past due	**-**	-	**-**	-
Three to six months past due	**-**	-	**-**	-
Later than six months past due	**-**	-	**-**	-
	7	5	**7**	4

NOTE 9. INVENTORIES

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Consumable stores	**21**	19	**13**	12
Meter stock	**3**	1	**3**	1
	24	20	**16**	13

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

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NOTE 10. PROPERTY, PLANT AND EQUIPMENT

Group

	Hydro and thermal assets at fair value $M	Other generation assets at fair value $M	Other plant and equipment at cost $M	Meters at cost $M	Office land and buildings at fair value $M	Computer hardware and tangible software at cost $M	Vehicles at cost $M	Capital work in progress at cost $M	Total $M
Year ended 30 June 2013									
Opening net book value	3,432	1,048	19	67	7	13	1	476	5,063
Additions, including transfers from capital work in progress	22	220	2	6	-	5	-	(30)	225
Disposals of subsidiaries	-	(10)	-	-	-	-	-	(2)	(12)
Disposals	-	-	-	-	(5)	-	-	-	(5)
Revaluation	43	37	-	-	-	-	-	-	80
Impaired assets	-	(52)	-	-	-	-	-	-	(52)
Impairment of exploration and development expenditure	-	-	-	-	-	-	-	(28)	(28)
Impairment of exploration and development expenditure reversed	-	-	-	-	-	-	-	6	6
Exchange movements	-	1	-	-	-	-	-	(1)	-
Depreciation charge for the year	(62)	(55)	(4)	(9)	-	(6)	-	-	(136)
Closing net book value	3,435	1,189	17	64	2	12	1	421	5,141
Balance at 30 June 2013									
Cost or valuation	3,435	1,193	39	138	2	45	2	421	5,275
Accumulated depreciation	-	(4)	(22)	(74)	-	(33)	(1)	-	(134)
Net book value	3,435	1,189	17	64	2	12	1	421	5,141
Year ended 30 June 2014									
Opening net book value	**3,435**	**1,189**	**17**	**64**	**2**	**12**	**1**	**421**	**5,141**
Additions, including transfers from capital work in progress	**41**	**362**	**3**	**7**	**4**	**9**	**-**	**(355)**	**71**
Disposals	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**
Revaluation	**5**	**35**	**-**	**-**	**-**	**-**	**-**	**-**	**40**
Exchange movements	**-**	**(4)**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(6)**
Depreciation charge for the year	**(59)**	**(72)**	**(3)**	**(10)**	**-**	**(6)**	**-**	**-**	**(150)**
Closing net book value	**3,422**	**1,510**	**17**	**61**	**6**	**14**	**1**	**64**	**5,095**
Balance at 30 June 2014									
Cost or valuation	**3,422**	**1,517**	**42**	**145**	**6**	**53**	**2**	**64**	**5,251**
Accumulated depreciation	**-**	**(7)**	**(25)**	**(84)**	**-**	**(39)**	**(1)**	**-**	**(156)**
Net book value	**3,422**	**1,510**	**17**	**61**	**6**	**14**	**1**	**64**	**5,095**

Company

	Hydro and thermal assets at fair value $M	Other generation assets at fair value $M	Other plant and equipment at cost $M	Meters at cost $M	Office land and buildings at fair value $M	Computer hardware and tangible software at cost $M	Vehicles at cost $M	Capital work in progress at cost $M	Total $M
Year ended 30 June 2013									
Opening net book value	3,432	14	17	67	8	13	-	82	3,633
Additions, including transfers from capital work in progress	22	7	1	6	-	4	-	(8)	32
Disposals	-	-	-	-	(5)	-	-	-	(5)
Revaluation	43	-	-	-	-	-	-	-	43
Impairment of exploration and development expenditure	-	-	-	-	-	-	-	(1)	(1)
Depreciation charge for the year	(62)	(2)	(3)	(9)	-	(6)	-	-	(82)
Closing net book value	3,435	19	15	64	3	11	-	73	3,620
Balance at 30 June 2013									
Cost or valuation	3,435	22	35	138	3	43	1	73	3,750
Accumulated depreciation	-	(3)	(20)	(74)	-	(32)	(1)	-	(130)
Net book value	3,435	19	15	64	3	11	-	73	3,620
Year ended 30 June 2014									
Opening net book value	**3,435**	**19**	**15**	**64**	**3**	**11**	**-**	**73**	**3,620**
Additions, including transfers from capital work in progress	**41**	**-**	**2**	**7**	**4**	**6**	**-**	**(24)**	**36**
Disposals	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**
Revaluation	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**
Depreciation charge for the year	**(59)**	**(2)**	**(3)**	**(10)**	**-**	**(5)**	**-**	**-**	**(79)**
Closing net book value	**3,422**	**17**	**14**	**61**	**7**	**11**	**-**	**49**	**3,581**
Balance at 30 June 2014									
Cost or valuation	**3,422**	**22**	**37**	**145**	**7**	**48**	**1**	**49**	**3,731**
Accumulated depreciation	**-**	**(5)**	**(23)**	**(84)**	**-**	**(37)**	**(1)**	**-**	**(150)**
Net book value	**3,422**	**17**	**14**	**61**	**7**	**11**	**-**	**49**	**3,581**

Assets carried at fair value

All hydro, thermal and other generation assets shown at valuation (except Resource Management Act consents) were revalued using a net present value methodology by PricewaterhouseCoopers, an independent valuer as at 30 June 2014. This resulted in an increase to the carrying value of generation assets of $40 million in the current year. This is in addition to the $80 million revaluation increase recognised in 2013. As a consequence of the revaluation, accumulated depreciation on these assets was reset to nil.

The key assumptions that are used in the valuation include the forecast of the future wholesale electricity price path, volumes, projected operational and capital expenditure, capacity and life assumptions and discount rate. In all cases there is an element of judgement required as they make use of level 3 inputs including wholesale electricity prices of between $70/MWh and $95/MWh, average operational expenditure of $188 million p.a. and average production volumes of 7,107/GWh p.a. The valuation also assumed the on-going operation of New Zealand Aluminium Smelters Limited at Tiwai Point and that the current regulatory environment is retained. The net present value methodology implicitly assumes control over the assets versus a valuation using share prices.

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

	Sensitivity	Valuation impact
Future wholesale electricity price path	+/- 10%	**$684 million / ($687 million)**
Discount rate	+/- 0.5%	**($489 million) / $645 million**
Operational expenditure	+/- 10%	**($230 million) / $230 million**

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

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Hydro and thermal assets	**1,111**	1,095	**1,111**	1,095
Other generation assets	**978**	698	**17**	19
Office land and buildings	**6**	2	**6**	2

NOTE 11. INTANGIBLE ASSETS

	Group			Company		
	Intangible software $M	Rights $M	Total $M	Intangible software $M	Rights $M	Total $M
Year ended 30 June 2013						
Opening net book value	26	24	50	26	2	28
Additions	11	4	15	11	3	14
Amortisation for the year	(11)	(2)	(13)	(11)	(1)	(12)
Closing net book amount	26	26	52	26	4	30
Balance at 30 June 2013						
Cost	103	40	143	103	7	110
Accumulated amortisation	(77)	(14)	(91)	(77)	(3)	(80)
Net book value	26	26	52	26	4	30
Year ended 30 June 2014						
Opening net book value	**26**	**26**	**52**	**26**	**4**	**30**
Additions	**14**	**2**	**16**	**13**	**1**	**14**
Amortisation for the year	**(11)**	**(2)**	**(13)**	**(10)**	**(1)**	**(11)**
Closing net book amount	**29**	**26**	**55**	**29**	**4**	**33**
Balance at 30 June 2014						
Cost	**117**	**42**	**159**	**116**	**8**	**124**
Accumulated amortisation	**(88)**	**(16)**	**(104)**	**(87)**	**(4)**	**(91)**
Net book value	**29**	**26**	**55**	**29**	**4**	**33**

The majority of the rights relates to land access agreements for generation development and includes a goodwill amount of $1 million.

NOTE 12. EMISSIONS UNITS

	2014				2013			
	Group		Company		Group		Company	
	Units (M)	$M	Units (M)	$M	Units (M)	$M	Units (M)	$M
Balance at the beginning of the year	**522**	**11**	**474**	**10**	521	4	473	4
Allocated units	**-**	**-**	**-**	**-**	1	-	1	-
Purchased units	**-**	**5**	**-**	**5**	-	7	-	7
Sale of units	**-**	**-**	**-**	**-**	-	-	-	(1)
Balance at the end of the year	**522**	**16**	**474**	**15**	522	11	474	10

The Group has entered into several forward purchase agreements to acquire emissions units to be used to meet its obligations under the Emissions Trading Scheme. The cost of the acquisitions under these contracts is recognised when the units are acquired. Under these contracts the Group expects to acquire 3.8 million emissions units over a 14 year period which will satisfy the Group's obligations under the Emissions Trading Scheme. The commitments under these forward purchase agreements are included in note 24.

NOTE 13. INVESTMENT IN SUBSIDIARIES

The Group financial statements include the following subsidiaries:

	% Holding			Country of
Name of Entity	**2014**	**2013**	**Principal Activity**	**Incorporation**
Direct Subsidiaries				
Mighty River Power Geothermal Limited	100	100	Investment holding	New Zealand
Mercury Energy Limited	100	100	Non trading	New Zealand
Metrix Limited	100	100	Metering services	New Zealand
ECNZ International Limited	100	100	Investment holding	New Zealand
Bosco Connect Limited	100	100	Retail of utilities	New Zealand
GLO-BUG Limited	100	100	Retail of electricity	New Zealand
Mighty River Power ESPP Limited	100	100	Trustee Company	New Zealand
Mighty River Power LTI Limited	100	100	Trustee Company	New Zealand
Mighty River Power Limited Employee Share Purchase Programme Trust	-	-	Trust	New Zealand
Mighty River Power Limited Executive Long Term Incentive Plan Trust	-	-	Trust	New Zealand
Mighty River Power Limited On-going Executive Long Term Incentive Plan Trust	-	-	Trust	New Zealand
Indirect Subsidiaries - Domestic				
Rotokawa Geothermal Limited	100	100	Investment holding	New Zealand
Rotokawa Generation Limited	100	100	Electricity generation	New Zealand
Kawerau Geothermal Limited	100	100	Geothermal development	New Zealand
Ngatamariki Geothermal Limited	100	100	Geothermal development	New Zealand
Mighty Geothermal Power Limited	100	100	Investment holding	New Zealand
Mighty Geothermal Power International Limited	100	100	Investment holding	New Zealand
Special General Partner Limited	100	100	Investment holding	New Zealand
Indirect Subsidiaries - International				
PT ECNZ Services Indonesia	100	100	Non trading	Indonesia
Mighty River Power (US) LLC	100	100	Investment holding	United States
Mighty River Power UK Limited Partnership	100	100	Investment holding	United Kingdom
MRP U.S. Holdings LLC	100	100	Investment holding	United States
MRP U.S. EnergySource LLC	100	100	Investment holding	United States
MRP NRI-Peru Holdings Limited	100	100	Investment holding	Ireland
MRP FinCo-Peru Limited	100	100	Finance management	Ireland
MRP Holdings-Peru Limited	100	100	Investment holding	Ireland
MRP Peru Holdings LLC	100	100	Investment holding	United States
MRP Peru S.R.L.	100	100	Geothermal development	Peru
MRP NRI-Chile Holdings Limited	100	100	Investment holding	Ireland
MRP FinCo-Chile Limited	100	100	Finance management	Ireland
MRP Holdings-Chile Limited	100	100	Investment holding	Ireland
MRP Chile Holdings LLC	100	100	Investment holding	United States
MRP Chile Energia Limitada	100	100	Investment holding	Chile
MRP Geotermia Curacautín Limitada	100	100	Geothermal development	Chile
MRP Chile Exploración Limitada	100	100	Geothermal development	Chile
MRP Geotermia Chile Limitada	100	100	Geothermal development	Chile

During the year the Company recapitalised a number of its subsidiaries by $123 million. Consideration was by way of reduction in related party loans.

Mighty River Power Limited Employee Share Purchase Programme Trust, Mighty River Power Limited Executive Long Term Incentive Plan Trust and Mighty River Power Limited On-going Executive Long Term Incentive Plan Trust are entities created to facilitate the Company's long term incentive plans and employee share purchase programme. As the substance of the relationship between the parties indicates these entities are controlled by the Company they have been consolidated into the Group.

NOTE 14. INVESTMENT IN AND ADVANCES TO ASSOCIATES

The Group financial statements include the following associates:

Name of Entity	% Holding 2014	% Holding 2013	Principal Activity	Country of Incorporation
TPC Holdings Limited	25	25	Investment holding	New Zealand
Hot Water Innovations Limited	-	33.46	Development of a hot water storage solution	New Zealand

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Balance at the beginning of the year	82	78	4	5
Equity accounted earnings	8	5	-	-
Equity accounted share of movement in other comprehensive income	(8)	13	-	-
Dividends received during the year	(4)	(4)	-	-
Impaired investments in associates	-	(10)	-	-
Other	-	-	-	(1)
Balance at the end of the year	78	82	4	4

NOTE 15. INVESTMENT IN AND ADVANCES TO JOINT OPERATIONS

The Group financial statements include the following Joint Operations:

Name of joint operation	% Holding 2014	% Holding 2013	Principal Activity	Principal Place of Business
Rotokawa	64.8	64.8	Steamfield operation	New Zealand
Nga Awa Purua	65.0	65.0	Electricity generation	New Zealand

At the end of the year the Group had an outstanding advance to its Rotokawa joint venture partner in the amount $12 million (2013: $13 million). For terms and conditions of this related party receivable refer to note 27.

NOTE 16. INVESTMENT IN JOINT VENTURES

The Group financial statements include the following joint ventures:

Name of Entity	% Holding 2014	% Holding 2013	Principal Activity	Country of Incorporation
Energy Source LLC	20.86	20.86	Investment holding	United States
Hudson Ranch Holdings LLC	75	75	Investment holding	United States

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

Aggregate summary financial information of joint ventures:	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Balance at the beginning of the year	29	108	-	-
Additions during the year	1	5	-	-
Equity accounted earnings	(4)	58	-	-
Equity accounted share of movement in other comprehensive income	-	(2)	-	-
Cash distribution received	-	(139)	-	-
Exchange movements	(3)	(1)	-	-
Balance at the end of the year	23	29	-	-

In compliance with the equity method under NZ IAS 28 - Investments in Associates and Joint Ventures, the Group has yet to recognise its share of losses relating to Energy Source LLC amounting to US$7.3 million (2013: US$nil).

NOTE 17. PAYABLES AND ACCRUALS

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Trade payables and accruals	**166**	215	**150**	178
Employee entitlements	**8**	9	**7**	9
Sundry creditors	**1**	1	**1**	1
	175	225	**158**	188
Current	**169**	213	**152**	176
Non-current	**6**	12	**6**	12
	175	225	**158**	188

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

NOTE 18. PROVISIONS

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Balance at the beginning of the year	**13**	7	**2**	2
Provisions made during the year	**3**	7	**-**	-
Provisions used during the year	**(1)**	-	**-**	-
Disposal of subsidiaries	**-**	(1)	**-**	-
Discounting movement	**1**	-	**-**	-
Balance at the end of the year	**16**	13	**2**	2
Current	**-**	4	**-**	2
Non-current	**16**	9	**2**	-
	16	13	**2**	2

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

NOTE 19. LOANS

	Borrowing Currency Denomination	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Bank loans (unsecured)	NZD	**185**	125	**185**	125
Fixed Rate Bonds (unsecured)	NZD	**204**	204	**204**	204
Floating Rate Bonds (unsecured)	NZD	**351**	351	**351**	351
US Private Placement (unsecured)	USD	**261**	261	**261**	261
Commercial paper programme (unsecured)	NZD	**50**	100	**50**	100
Deferred financing costs		**(1)**	(2)	**(1)**	(2)
Fair value adjustments		**(9)**	19	**(9)**	19
Carrying value of loans		**1,041**	1,058	**1,041**	1,058
Current		**56**	105	**56**	105
Non-current		**985**	953	**985**	953
		1,041	1,058	**1,041**	1,058

The NZD denominated bank loans represent $185 million drawn against $520 million of committed and unsecured bank loan facilities with final repayment due in December 2015. The remaining undrawn $335 million provides liquidity support, with $120 million of facility maturing in March 2015, $15 million in December 2015, $100 million in February 2016 and a rolling bank loan facility of $100 million currently maturing in December 2015. The average interest rate for the drawn $185 million bank facility at 30 June 2014 was 4.21% (3.41% as at 30 June 2013).

The $200 million Fixed Rate Bonds consist of $70 million wholesale bonds with an interest rate of 7.55% expiring in October 2016, $75 million wholesale bonds with an interest rate of 5.029% expiring in March 2019, $30 million wholesale bonds with an interest rate of 8.21% expiring in February 2020 and $25 million wholesale bonds with an interest rate of 5.793% expiring in March 2023.

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

The unsecured and unsubordinated wholesale Floating Rate Bonds of $50 million mature on 12 October 2016. The average interest rate as at 30 June 2014 was 5.09% (4.51% as at 30 June 2013).

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

In February 2012 the Group established a $200 million Commercial Paper programme which is fully backed by committed and undrawn bank facilities. Notes issued under the programme are short-term money market instruments, unsecured and unsubordinated and targeted at professional investors. The programme is rated A2 by Standard & Poor's and as at 30 June 2014 $50 million of notes have been issued.

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

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

On 11 July 2014 the Company issued $300 million of unsecured subordinated Capital Bonds. The Capital Bonds have a legal maturity of 11 July 2044 and have an interest rate of 6.90% to the first reset date (11 July 2019). The Company has the right, but no obligation, to redeem all or some of the Capital Bonds on a reset date or on any quarterly interest payment date after the first reset date (and on the occurrence of certain events as outlined in the Supplemental Trust Deed). On the first reset date and every five years thereafter, the interest rate will reset to be the sum of the five-year swap rate on the relevant reset date plus a margin of 2.50 per cent.

In August 2014, the Company restructured its $520 million bank loan facilities to $300 million of committed and unsecured bank loan facilities, of which $200 million is due in August 2018 and a rolling bank loan facility of $100m currently due in February 2016.

NOTE 20. DEFERRED TAX

(i) Recognised deferred tax assets and liabilities

	Assets 2014 $M	Assets 2013 $M	Liabilities 2014 $M	Liabilities 2013 $M	Net 2014 $M	Net 2013 $M
Group						
Property, plant and equipment	-	-	(1,030)	(1,027)	(1,030)	(1,027)
Financial instruments	31	87	-	(34)	31	53
Employee benefits and other provisions	16	19	-	-	16	19
	47	106	(1,030)	(1,061)	(983)	(955)
Company						
Property, plant and equipment	-	-	(804)	(824)	(804)	(824)
Financial instruments	36	80	-	(20)	36	60
Employee benefits and other provisions	3	4	-	-	3	4
	39	84	(804)	(844)	(765)	(760)

(ii) The movement in deferred tax

	Property, plant and equipment $M	Financial instruments $M	Employee entitlements $M	Other $M	Total $M
Group					
Balance as at 1 July 2012	(1,001)	89	1	3	(908)
Charged/(credited) to the income statement	2	(7)	-	14	9
Charged/(credited) to other comprehensive income	(22)	(29)	-	-	(51)
Prior period adjustment	(6)	-	-	1	(5)
Balance as at 30 June 2013	(1,027)	53	1	18	(955)
Balance as at 1 July 2013	(1,027)	53	1	18	(955)
Charged/(credited) to the income statement	7	(9)	-	(2)	(4)
Charged/(credited) to other comprehensive income	(11)	(13)	-	-	(24)
Prior period adjustment	1	-	(1)	-	-
Balance as at 30 June 2014	(1,030)	31	-	16	(983)
Company					
Balance as at 1 July 2012	(814)	87	1	2	(724)
Charged/(credited) to the income statement	2	(7)	-	-	(5)
Charged/(credited) to other comprehensive income	(12)	(20)	-	-	(32)
Prior period adjustment	-	-	-	1	1
Balances transferred	-	-	-	-	-
Balance as at 30 June 2013	(824)	60	1	3	(760)
Balance as at 1 July 2013	(824)	60	1	3	(760)
Charged/(credited) to the income statement	8	(9)	-	-	(1)
Charged/(credited) to other comprehensive income	(2)	(15)	-	-	(17)
Prior period adjustment	-	-	-	-	-
Balances transferred	14	-	(1)	-	13
Balance as at 30 June 2014	(804)	36	-	3	(765)

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

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

NOTE 21. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise trade receivables and accruals (not prepayments), cash and cash equivalents, loans, available for sale financial assets, derivatives and 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.

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.

(A) MARKET RISK

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 Management Policy.

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

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

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Energy contracts	**2,762**	2,816	**2,729**	2,833

Sensitivity analysis

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

	Impact on post tax profit		Impact on equity	
	2014 $M	2013 $M	2014 $M	2013 $M
Group				
Electricity forward price increased by 10%	**4**	12	**(37)**	(47)
Electricity forward price decreased by 10%	**(5)**	(9)	**37**	47
Company				
Electricity forward price increased by 10%	**3**	12	**(37)**	(46)
Electricity forward price decreased by 10%	**(5)**	(9)	**37**	46

Foreign Exchange Risk

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

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

It is the Group's policy to enter into forward exchange contracts to hedge its expenditure programme. To do this foreign exchange contracts are taken out to hedge spot rate risk on highly probable forecast transactions. 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 highly probable forecast 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 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 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Foreign currency forward exchange contracts	**38**	11	**33**	11

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

Sensitivity analysis

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

	Impact on post tax profit Group		Impact on equity Group	
	2014 $M	2013 $M	2014 $M	2013 $M
New Zealand Dollar - United States Dollar				
Currency strengthens by 10% (2013: 10%)	**2**	-	**(1)**	(1)
Currency weakens by 10% (2013: 10%)	**(3)**	-	**1**	1
New Zealand Dollar - Japanese Yen				
Currency strengthens by 10% (2013: 10%)	**-**	-	**-**	-
Currency weakens by 10% (2013: 10%)	**-**	-	**-**	-
New Zealand Dollar - Euro				
Currency strengthens by 10% (2013: 10%)	**-**	-	**(2)**	-
Currency weakens by 10% (2013: 10%)	**-**	-	**2**	-

Interest Rate Risk

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

Financial instruments are held to protect a portion of future borrowings forecast to support the Company's capital structure and credit rating, even though the underlying facility is not yet placed.

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

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Interest rate swaps	**2,651**	2,646	**2,651**	2,646

Sensitivity analysis

The following table summarises the impact on post tax profit due to movements in interest rates. The sensitivity analysis is based on an assessment of the reasonably possible movement in the 10 year swap rate over a one year period based on actual movements over the last 10 years, with all other variables held constant. The movement in post tax profits are due to higher/lower interest costs from variable rate debt and cash balances combined with the result of fair value changes in interest rate swaps and options that are valid economic hedges but which do not qualify for hedge accounting under NZ IAS 39. The movements in other components of equity result from fair value changes in interest rate swaps and options that have qualified for hedge accounting.

	Impact on post tax profit Group and Company		Impact on equity Group and Company	
	2014 $M	2013 $M	2014 $M	2013 $M
Interest rates higher by 100 bpts (2013: 100 bpts)	**14**	27	**9**	9
Interest rates lower by 100 bpts (2013: 100 bpts)	**(15)**	(28)	**(10)**	(11)

(B) CREDIT RISK

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

The Group manages its exposure to credit risk under policies approved by the Board of Directors. The Group performs credit evaluations on all electricity customers and normally requires a bond from customers who have yet to establish a suitable credit history. Customer bonds of $1 million are held in a separate bank account (2013: $1 million).

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

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

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

The carrying amounts of financial assets recognised in the balance sheet best represent the Group's maximum exposure to credit risk at the reporting date without taking account of any collateral held by way of customer bonds. However, in the case of offshore bank accounts credit risk is reduced in the United States (through FDIC insurance) and in Chile (under Chilean law). Credit risk through these means has been reduced by $0.4 million (2013: $1.1 million).

Included in receivables are the following balances:

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Energy Clearing House Limited	**32**	38	**29**	34

(C) LIQUIDITY RISK

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

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

Non-derivative financial liabilities

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

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

Group June 2014	Less than 6 months $M	6 to 12 months $M	1 to 5 years $M	Later than 5 years $M	Total $M
Liquid financial assets					
Cash and cash equivalents	19	-	-	-	19
Receivables	218	-	6	-	224
	237	-	6	-	243
Financial liabilities					
Payables and accruals	(169)	-	(6)	-	(175)
Loans	(74)	(26)	(535)	(694)	(1,329)
	(243)	(26)	(541)	(694)	(1,504)
Net inflow/(outflow)	(6)	(26)	(535)	(694)	(1,261)

Group June 2013	Less than 6 months $M	6 to 12 months $M	1 to 5 years $M	Later than 5 years $M	Total $M
Liquid financial assets					
Cash and cash equivalents	11	-	-	-	11
Receivables	240	-	6	-	246
	251	-	6	-	257
Financial liabilities					
Payables and accruals	(213)	-	(12)	-	(225)
Loans	(119)	(19)	(399)	(804)	(1,341)
	(332)	(19)	(411)	(804)	(1,566)
Net inflow/(outflow)	(81)	(19)	(405)	(804)	(1,309)

Company June 2014	Less than 6 months $M	6 to 12 months $M	1 to 5 years $M	Later than 5 years $M	Total $M
Liquid financial assets					
Cash and cash equivalents	15	-	-	-	15
Receivables	664	-	-	-	664
	679	-	-	-	679
Liabilities					
Payables and accruals	(152)	-	(6)	-	(158)
Loans	(74)	(26)	(535)	(694)	(1,329)
	(226)	(26)	(541)	(694)	(1,487)
Net inflow/(outflow)	453	(26)	(541)	(694)	(808)

Company June 2013	Less than 6 months $M	6 to 12 months $M	1 to 5 years $M	Later than 5 years $M	Total $M
Liquid financial assets					
Cash and cash equivalents	7	-	-	-	7
Receivables	888	-	-	-	888
	895	-	-	-	895
Liabilities					
Payables and accruals	(176)	-	(12)	-	(188)
Loans	(119)	(19)	(399)	(804)	(1,341)
	(295)	(19)	(411)	(804)	(1,529)
Net inflow/(outflow)	600	(19)	(411)	(804)	(634)

While the above tables gives the impression of a liquidity shortfall, the analysis does not take into account expected future operating cash flows or committed and undrawn debt facilities which will provide additional liquidity support. For example, net cash provided by operating activities over the last two financial years has averaged $302 million (2013: $281 million). At balance date, $335 million (2013: $475 million) of committed and undrawn debt facilities existed which will enable the Group to meet its short-term obligations.

Derivative financial liabilities

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

Group June 2014	Less than 6 months $M	6 to 12 months $M	1 to 5 years $M	Later than 5 years $M	Total $M
Derivative liabilities - net settled	**(39)**	**(20)**	**(96)**	**(47)**	**(202)**
Derivative liabilities - gross settled					
Inflows	**37**	**-**	**-**	**-**	**37**
Outflows	**(38)**	**-**	**-**	**-**	**(38)**
Net maturity	**(40)**	**(20)**	**(96)**	**(47)**	**(203)**

Group June 2013	Less than 6 months $M	6 to 12 months $M	1 to 5 years $M	Later than 5 years $M	Total $M
Derivative liabilities - net settled	(45)	(35)	(187)	(144)	(411)
Derivative liabilities - gross settled					
Inflows	(11)	-	-	-	(11)
Outflows	11	-	-	-	11
Net maturity	(45)	(35)	(187)	(144)	(411)

Company June 2014	Less than 6 months $M	6 to 12 months $M	1 to 5 years $M	Later than 5 years $M	Total $M
Derivative liabilities - net settled	**(39)**	**(21)**	**(97)**	**(47)**	**(204)**
Derivative liabilities - gross settled					
Inflows	**32**	**-**	**-**	**-**	**32**
Outflows	**(33)**	**-**	**-**	**-**	**(33)**
Net maturity	**(40)**	**(21)**	**(97)**	**(47)**	**(205)**

Company June 2013	Less than 6 months $M	6 to 12 months $M	1 to 5 years $M	Later than 5 years $M	Total $M
Derivative liabilities - net settled	(46)	(35)	(187)	(144)	(412)
Derivative liabilities - gross settled					
Inflows	(11)	-	-	-	(11)
Outflows	11	-	-	-	11
Net maturity	(46)	(35)	(187)	(144)	(412)

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

(D) FAIR VALUE ESTIMATION

Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2014:

	Carrying Amount $M	Fair Value $M
Financial assets:		
Interest rate derivatives	6	6
Cross currency interest rate derivatives	1	1
Electricity price derivatives	24	24
Total current	31	31
Interest rate derivatives	10	10
Electricity price derivatives	89	89
Available for sale financial assets	12	12
Total non-current	111	111
Total financial assets	142	142
Financial liabilities:		
Interest rate derivatives	8	8
Electricity price derivatives	14	14
Total current	22	22
Interest rate derivatives	121	121
Cross currency interest rate derivatives	33	33
Electricity price derivatives	55	55
Total non-current	209	209
Total financial liabilities	231	231

The carrying amount of financial assets and liabilities recorded in the financial statements approximates their fair values except for the Fixed Rate Bonds and the US Private Placement, the fair values for which have been calculated at $207 million (2013: $212 million) and $243 million (2013: $266 million) respectively based on quoted market prices for each bond issue.

Valuation techniques

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

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

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

Group June 2014 **Valuation technique**	Quoted market price Level 1	Market observable inputs Level 2	Non-market observable inputs Level 3	Total
Financial assets	$M	$M	$M	$M
Derivative instruments				
Interest rate derivatives	-	16	-	16
Cross currency interest rate derivatives	-	1	-	1
Electricity price derivatives	4	-	109	113
Foreign exchange rate derivatives	-	-	-	-
Available for sale investments				
Investment option	-	-	12	12
	4	17	121	142
Financial liabilities				
Derivative instruments				
Interest rate derivatives	-	129	-	129
Cross currency interest rate derivatives	-	33	-	33
Electricity price derivatives	1	-	68	69
	1	162	68	231

Group June 2013 Valuation technique	Quoted market price Level 1	Market observable inputs Level 2	Non-market observable inputs Level 3	Total
Financial assets	$M	$M	$M	$M
Derivative instruments				
Interest rate derivatives	-	20	-	20
Cross currency interest rate derivatives	-	8	-	8
Electricity price derivatives	3	-	152	155
Foreign exchange rate derivatives	-	1	-	1
Available for sale investments				
Investment option	-	-	13	13
	3	29	165	197
Financial liabilities				
Derivative instruments				
Interest rate derivatives	-	184	-	184
Cross currency interest rate derivatives	-	8	-	8
Electricity price derivatives	3	-	140	143
	3	192	140	335

Company June 2014 Valuation technique	Quoted market price Level 1	Market observable inputs Level 2	Non-market observable inputs Level 3	Total
Financial assets	$M	$M	$M	$M
Derivative instruments				
Interest rate derivatives	-	16	-	16
Cross currency interest rate derivatives	-	1	-	1
Electricity price derivatives	4	-	99	103
Foreign exchange rate derivatives	-	-	-	-
	4	17	99	120
Financial liabilities				
Derivative instruments				
Interest rate derivatives	-	129	-	129
Cross currency interest rate derivatives	-	33	-	33
Electricity price derivatives	1	-	79	80
Foreign exchange rate derivatives	-	-	-	-
	1	162	79	242

Company June 2013 Valuation technique	Quoted market price Level 1	Market observable inputs Level 2	Non-market observable inputs Level 3	Total
Financial assets	$M	$M	$M	$M
Derivative instruments				
Interest rate derivatives	-	20	-	20
Cross currency interest rate derivatives	-	8	-	8
Electricity price derivatives	3	-	141	144
Foreign exchange rate derivatives	-	1	-	1
	3	29	141	173
Financial liabilities				
Derivative instruments				
Interest rate derivatives	-	185	-	185
Cross currency interest rate derivatives	-	8	-	8
Electricity price derivatives	3	-	154	157
Foreign exchange rate derivatives	-	-	-	-
	3	193	154	350

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

Financial instruments that use a valuation technique which includes non-market observable data include non-exchange traded electricity contracts which are valued using a discounted cash flow methodology using a combination of ASX market prices for the first four years, combined with Management's internal view of forward prices for the remainder of the contract's term. Management's internal view of forward prices incorporates a minimum price of $70/MWh and a maximum price of $95/MWh over the period in question (in real terms) and 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. The transfer of level 3 valuations to level 1 in 2013 represent those electricity price derivative contracts that, post inception, became observable via ASX quoted market prices.

The investment option held by the company represents a right to take an ownership interest in GGE Atlantic Holdings Limited the entity which holds the German interests previously held by Mighty River Power UK Limited Partnership. The option has been valued using a binomial option model which includes an assessment of the future value of the assets using a net present value methodology. As the option is contingent on the actions of a 3rd party, the assessment of the probability of execution and the underlying future value of the assets, it requires an element of judgement. Some of these inputs, most notably future asset values, represent non-market observable factors, of which management do not have sufficient access to update. Accordingly, these factors are held constant at their original estimates until such time as further information becomes available. As with all options, ultimately it may not be exercised in which case the option costs will be foregone. The Group currently has no direct interest or on-going management involvement in GGE Atlantic Holdings Limited.

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

Reconciliation of Level 3 fair value movements

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Opening balance	25	(57)	(14)	(51)
New contracts	2	11	1	(2)
Matured contracts	(4)	-	3	(3)
Transfer to Level 1 valuations	-	6	-	6
Ineffectiveness of electricity derivative cash flow hedges recognised through the income statement	-	1	1	(1)
Gains and losses				
Through the income statement	(23)	(26)	(25)	(25)
Through other comprehensive income	53	90	54	62
Closing balance	53	25	20	(14)

Level 3 fair value movements recognised within the income statement of the Group are recognised within 'change in the fair value of financial instruments'.

Deferred 'inception' gains/(losses)

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

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

Electricity price derivatives	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Opening deferred inception gains	38	40	27	25
Deferred inception gains on new hedges	7	-	7	-
Deferred inception (losses) / gains realised during the year	(27)	(2)	(23)	2
Closing inception gains	18	38	11	27

(E) CAPITAL RISK MANAGEMENT

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

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

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

	Group 2014 $M	Group 2013 $M
Loans at carrying value	**1,041**	1,058
Fair value adjustments US Private Placement	**9**	(19)
Less cash and cash equivalents	**(19)**	(11)
Net debt	**1,031**	1,028
Total equity	**3,219**	3,183
Total capital	**4,250**	4,211
Gearing Ratio	**24.3%**	24.4%

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

The Group seeks to maintain a debt to EBITDAF ratio of less than 2.8 times to maintain credit metrics sufficient to support its credit rating on an on-going basis. For the year ended 30 June 2014, the Group had a debt to EBITDAF ratio of 2.1 times (2013: 2.7 times).

NOTE 22. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
CURRENT				
Interest rate derivative assets	6	5	6	5
Electricity price derivative assets	24	34	24	34
Foreign exchange rate derivative assets	-	1	-	1
Cross currency interest rate derivative asset	1	1	1	1
	31	41	31	41
Interest rate derivative liabilities	8	9	8	9
Electricity price derivative liabilities	14	35	19	42
	22	44	27	51
NON-CURRENT				
Interest rate derivative assets	10	15	10	15
Electricity price derivative assets	89	121	79	110
Cross currency interest rate derivative asset	-	7	-	7
	99	143	89	132
Interest rate derivative liabilities	121	175	121	175
Cross currency interest rate derivative liabilities - margin	33	8	33	8
Electricity price derivative liabilities	55	108	61	116
	209	291	215	299

The majority of interest rate derivatives, short-term low value foreign exchange derivatives, and short-term low value exchange traded energy contracts, 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 interest rate derivatives (predominantly forward starting derivatives), foreign exchange and energy derivatives (except those described below) are designated as cash flow hedges under NZ IAS 39.

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

Electricity Contracts not designated as hedges for accounting purposes

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

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

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

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

In December 2013, the Company entered into a new outage cover contract with Nga Awa Purua to support the Joint Venture's generation revenue in the event of a forced station outage for which it receives an annual premium.

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

	Income Statement Group		Other Comprehensive Income Group	
	2014 $M	2013 $M	2014 $M	2013 $M
Cross currency interest rate derivatives	(30)	(12)	-	-
Borrowings - fair value change	27	9	-	-
	(3)	(3)	-	-
Interest rate derivatives	51	45	-	10
Cross currency interest rate derivatives - margin	-	-	(2)	3
Electricity price derivatives	(14)	(16)	51	89
Foreign exchange rate derivatives	-	-	(2)	2
Total change in fair value of financial instruments	34	26	47	104

	Income Statement Company		Other Comprehensive Income Company	
	2014 $M	2013 $M	2014 $M	2013 $M
Cross currency interest rate derivatives	(30)	(12)	-	-
Borrowings	27	9	-	-
	(3)	(3)	-	-
Interest rate derivatives	51	46	-	10
Cross currency interest rate derivatives - margin	-	-	(2)	3
Electricity price derivatives	(14)	(15)	59	56
Foreign exchange rate derivatives	-	-	(2)	2
Total change in fair value of financial instruments	34	28	55	71

Movement in cash flow hedge reserve	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Opening balance	(39)	(119)	(62)	(113)
The effective portion of cash flow hedges recognised in the reserve	44	101	52	68
Amortisation of fair values[1]	2	1	2	1
The amount transferred to balance sheet	1	2	1	2
Equity accounted share of associates' movement in other comprehensive income	(2)	5	-	-
Tax effect of movements	(13)	(29)	(15)	(20)
Closing balance	(7)	(39)	(22)	(62)

Total income statement fair value movements

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Ineffectiveness of cash flow hedges recognised in the income statement	(2)	(1)	(2)	(1)
Other changes in fair value recognised through the income statement	34	26	34	28
Fair value movements recognised through the income statement	32	25	32	27

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

NOTE 23. RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Profit for the year	**212**	115	**171**	185
Items classified as investing or financing activities				
• Dividend from jointly controlled entities	**-**	(2)	**-**	-
• Transfers between group companies and related parties	**-**	-	**-**	(14)
• Net foreign exchange loss	**-**	-	**19**	(4)
Adjustments for:				
Depreciation and amortisation	**161**	150	**88**	96
Capitalised interest	**(6)**	(31)	**(6)**	(31)
Net loss on disposal of subsidiaries	**-**	4	**-**	-
Change in the fair value of financial instruments	**(32)**	(25)	**(32)**	(27)
Impaired assets	**-**	85	**-**	3
Movement in effect of discounting on long-term provisions	**1**	-	**-**	-
Share of earnings of associate companies	**(8)**	(5)	**-**	-
Share of earnings of jointly controlled entities	**4**	(58)	**-**	-
Release from the foreign currency translation reserve	**-**	22	**-**	-
Other non-cash items	**2**	-	**-**	-
Net cash provided by operating activities before change in assets and liabilities	**334**	255	**240**	208
Change in assets and liabilities during the year:				
• Decrease in trade receivables and prepayments	**23**	71	**17**	67
• (increase)/decrease in inventories	**(4)**	4	**(4)**	5
• Decrease in trade payables and accruals	**(29)**	(55)	**(20)**	(63)
• (Decrease)/increase in provision for tax	**(9)**	16	**(15)**	23
• Increase/(decrease) in deferred tax	**2**	(5)	**(12)**	3
Net cash inflow from operating activities	**317**	286	**206**	243

NOTE 24. COMMITMENTS

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Capital commitments				
Commitments for future capital expenditure include:				
Property, plant and equipment	**34**	39	**28**	20
Emission units	**103**	102	**103**	102
	137	141	**131**	122
Within one year	**24**	39	**18**	20
One to two years	**15**	11	**15**	11
Two to five years	**36**	25	**36**	25
Later than five years	**62**	66	**62**	66
	137	141	**131**	122

In the event the emissions trading scheme is terminated the forward purchase agreements for the acquisition of emission units which cover a 14 year period will also terminate.

	Group 2014 $M	Group 2013 $M	Company 2014 $M	Company 2013 $M
Operating lease commitments				
Future minimum lease payments under non cancellable operating leases are:				
Within one year	**6**	5	**6**	5
One to two years	**6**	6	**6**	5
Two to five years	**12**	13	**12**	13
Later than five years	**14**	18	**14**	18
	38	42	**38**	41
Other operating commitments				
Commitments for other operating items are:				
Within one year	**2**	3	**2**	3
One to two years	**1**	1	**1**	1
Two to five years	**1**	2	**1**	2
Later than five years	**1**	1	**1**	1
	5	7	**5**	7

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

NOTE 25. CONTINGENCIES

The Company holds land and has interests in fresh water and geothermal resources that are subject to claims that have been brought against the Crown. At the time of signing the accounts the land claim is before the Supreme Court. In relation to the land claim, the Company has received advice that, if the claim succeeds, it is unlikely that the remedy granted by the Court will impact the Company's ability to operate its hydro assets. A separate claim by the New Zealand Maori Council relating to fresh water and geothermal resources was lodged in 2012 with the Waitangi Tribunal. The Tribunal concluded that Maori have residual (but as yet undefined) proprietary rights in fresh water and geothermal resources and it will be for the Crown to determine how any such rights and interests may best be addressed. The impact of this claim on the Company’s operations is unknown at this time.

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

The Company is involved in a contract dispute over asset purchases which is currently before the Courts and has a potential cost of up to $6.4 million.

MRP Geotermia Curacautín Limitada is involved in two contract disputes which are currently before the Courts with a potential liability of up to $2.5 million New Zealand Dollar equivalent.

The Group has no other material contingent assets or liabilities.

NOTE 26. SHARE-BASED PAYMENTS

Long-term incentive plans

The Group has operated two equity-settled share based long-term incentive (LTI) plans for senior executives. The plans are designed to enhance the alignment between shareholders and those executives most able to influence the performance of the Company. Under the plans the senior executives purchase shares at market value funded by an interest free loan from the Company, with the shares held on trust by the Trustee of the LTI plan until the end of the vesting period. Vesting of shares is dependent on continued employment through the vesting period and the Company's relative total shareholder return. If the shares vest, executives are entitled to a cash amount which, after deduction for tax, is equal to the loan balance for the shares which have vested. That cash amount must be applied towards repayment of their loan balance and the corresponding shares are released by the trustee to the individual. The vesting period for the first plan was from July 2010 to June 2013 except for the out-going Chief Executive where the vesting period is July 2011 to August 2014. The second executive plan has vesting periods commencing July 2013 and ending June 2015 and June 2016.

Under the plans, a relative total shareholder return measure is used. Performance is measured against a benchmark peer group comprising of i) under the first plan, other electricity generators who were listed on the NZX at the commencement of the relevant LTI period; and, ii) under the second plan, all NZX50 companies as at the start of the vesting period.

The LTI plans represent the grant of in-substance nil-price options to executives. The fair value of the options granted under the LTI plans is estimated as at the date of grant using binomial models taking into account the terms and conditions upon which the options were granted. In accordance with the rules of the plans, the models simulate the Company's total shareholder return and compares it against the peer group over the vesting period. The models take into account the historic dividends, share price volatilities and co-variances of the Company and peer group to produce a predicted distribution of relative share performance. This is applied to the relevant grant to give an expected value of the total shareholder return element.

During the year the Company expensed $501,403 in relation to equity-settled share based payment transactions (2013: $305,385).

Movements in the number of share options are as follows:	**2014**	**2013**
Balance at the beginning of the year	570,943	-
Options granted	12,423	570,943
Options expired	(24,205)	-
Options exercised	-	-
Balance at the end of the year	559,161	570,943

No options were exercisable at the end of the year (2013: 24,205) with the remaining options under the plans having a weighted average life of 1.3 years (2013: 2.2 years).

Employee Share Purchase Programme

The Group operates an employee share purchase programme. Eligible employees wishing to participate were each provided with a $2,340 interest-free loan, repayable through monthly salary deductions over three years, to acquire shares at market value which are held in trust until the vesting conditions are met and the loans repaid. Employees who leave during the three year vesting period must sell their shares back to the Trustee at the lower of the original purchase price and current market value and settle the outstanding balance of the loan. The equity-settled share-based payment expense is recognised over the three year vesting period and is equivalent to the fair value of the interest-free element of the loan provided to the employees, calculated as at grant date. The amount recognised as an expense takes into account an expectation of the number of employees who will leave during the three year vesting period and will therefore forfeit their shares. At each balance date the Company revises its estimates of the employees who have or are expected to leave during the three year period and on vesting date will be adjusted to reflect the actual number of employees not completing the service condition. A corresponding entry is recognised in equity as a share-based payment reserve.

NOTE 27. RELATED PARTY TRANSACTIONS

Majority shareholder

The majority shareholder of Mighty River Power Limited is the Crown, providing it with significant influence over the Group. All transactions with the Crown and other State-Owned Enterprises are on commercial terms. Transactions cover a variety of services including trading energy, postal, travel and tax.

Transactions with related parties

Notes 13 to 16 provide details of subsidiaries, associates and joint arrangements. All of these entities are related parties of the Company.

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

	Transaction Value For the year ended 30 June		Balance Outstanding As at 30 June	
	2014 $M	2013 $M	2014 $M	2013 $M
Subsidiaries				
Management fees and service agreements received	3	2	-	-
Interest income	4	4	18	14
Associates				
Management fees and service agreements received/(paid)	4	(30)	1	1
Energy contract settlements received	4	2	1	-
Joint operations				
Management fees and service agreements received	5	5	1	1
Energy contract settlements (paid)/received	(6)	(1)	-	2
Interest income	1	2	-	-

Energy contracts, management and other services are made on 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 and Mighty River Power Limited's advances to Mighty Geothermal Power Limited, Mighty Geothermal Power International Limited and Special General Partner Limited which carry a floating market interest rate and are repayable on demand.

Advances to TPC Holdings Limited of $4 million (2013: $4 million) are interest free and repayable on demand subject to certain conditions being met.

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

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

Key management personnel compensation (paid and payable) comprised:	2014 $000	2013 $000
Directors' fees	756	785
Benefits for the Chief Executive and Senior Management:		
Salary and other short-term benefits	6,491	4,670
Share-based payments	501	1,516
	7,748	6,971

The above numbers have been disclosed in thousands of dollars.

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 Directors also provide directorship services to other third party entities. A number of these entities transacted with the Group on normal commercial terms during the reporting period.

A number of key management personnel provide directorship services to direct subsidiaries and other third party entities as part of their employment without receiving any additional remuneration. Again, a number of these entities transacted with the Group on normal commercial terms in the reporting period.

NOTE 28. COMPARISON TO PROSPECTIVE FINANCIAL INFORMATION (PFI)

Consolidated Income Statement

	Group 2014 Actual $M	Group 2014 Forecast $M
Sales	**1,672**	1,834
Other revenue	**33**	24
Total revenue	**1,705**	1,858
Energy costs	**505**	591
Line charges	**431**	473
Other direct cost of sales, including metering	**44**	46
Employee compensation and benefits	**80**	83
Maintenance expenses	**54**	64
Sales and marketing	**18**	19
Contractors' fees	**9**	10
Professional services	**13**	14
Other expenses	**47**	60
Total expenses	**1,201**	1,360
Earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments, impairments and equity accounted earnings (EBITDAF)	**504**	498
Depreciation and amortisation	**(161)**	(170)
Change in the fair value of financial instruments	**32**	32
Impaired assets	**-**	-
Equity accounted earnings of associate companies	**8**	3
Equity accounted earnings of interest in jointly controlled entities	**(4)**	(13)
Earnings before net interest expense and income tax (EBIT)	**379**	350
Interest expense	**(87)**	(95)
Interest income	**3**	2
Net interest expense	**(84)**	(93)
Profit before income tax	**295**	257
Income tax expense	**(83)**	(97)
Net profit for the year	**212**	160

Sales revenue was below forecast due to lower volumes in both: residential and commercial fixed price variable volume (FPVV) retail segments; and generation. Lower FPVV volumes were a result of lower consumption within the residential segment, due in part to warmer than average temperatures, with lower commercial volumes due to the pro-active decision by Management not to compete aggressively in this segment due to lower renewal prices. Lower generation volumes were a result of lower than forecast inflows into the Waikato catchment area combined with lower geothermal generation volumes, predominantly due to the later than forecast commissioning of the Ngatamariki geothermal power station and the lower than forecast output of the Nga Awa Purua geothermal power station due to a damaged rotor.

The relative price paid for purchases compared to the wholesale price the Group received for its generation (LWAP/GWAP), was below 1.0 for the first time in four years helping to offset the impact of lower sales volumes. In addition, lower thermal production resulted in savings in gas purchase costs while net contract for difference (CFD) energy revenue was lower due to higher buy contracts entered into by the Group to cover lower generation volumes. Lower lines charges were reflective of lower retail sales volumes.

Total expenses, excluding energy costs, lines charges and other direct costs of sales, were lower than PFI by $30 million with the majority of savings coming from maintenance, employee related costs, insurance charges, professional service fees and international geothermal development costs. The PFI classified all international geothermal development costs within 'other expenses' while actual costs have been classified to their appropriate line items.

While the delay in the commissioning of Ngatamariki adversely affected sales volumes it also resulted in lower depreciation and interest charges for the year.

Similar to FY2013, the Group's equity accounted losses were smaller than expected due to changes in the equity accounting treatment resulting from better access to information following the restructure of our international geothermal operations. This also had flow-through effect on the Group's deferred tax estimate, which affects tax expense.

Consolidated Statement of Comprehensive Income

	Group 2014 Actual $M	Group 2014 Forecast $M
Net profit for the year	**212**	160
Other comprehensive income		
Fair value revaluation of hydro and thermal assets	**5**	-
Fair value revaluation of other generation assets	**35**	-
Equity accounted share of movements in associates' reserves	**(8)**	-
Equity accounted share of movements in joint ventures' reserves	**-**	-
Exchange movements on equity accounted share of movements in joint ventures' reserves	**(2)**	-
Movement in available for sale investment reserve	**1**	-
Movements in foreign currency translation reserve	**(8)**	-
Cash flow hedges gain/(loss) taken to or released from equity	**47**	(10)
Income tax on items of other comprehensive income	**(24)**	3
Other comprehensive income for the year, net of taxation	**46**	(7)
Total comprehensive income for the year	**258**	153

Consolidated Statement of Changes in Equity

	Group 2014 Actual $M	Group 2014 Forecast $M
Balance as at 1 July 2013	**3,183**	3,068
Fair value revaluation of hydro and thermal assets, net of taxation	**4**	-
Fair value revaluation of other generation assets, net of taxation	**25**	-
Equity accounted share of movements in associates' reserves	**(8)**	-
Equity accounted share of movements in joint ventures' reserves	**(2)**	-
Net loss on available for sale investment reserve	**1**	-
Movements in foreign currency translation reserve	**(8)**	-
Cash flow hedges gain/(loss) taken to or released from equity, net of taxation	**34**	(7)
Other comprehensive income	**46**	(7)
Net profit for the year	**212**	160
Total comprehensive income	**258**	153
Acquisition of treasury shares	**(49)**	-
Dividend	**(173)**	(174)
Balance as at 30 June 2014	**3,219**	3,047

The Group revalued its generation assets as at 30 June 2014. These revaluation increments were not included in the PFI as they are periodically undertaken at the end of a financial year by an independent valuer. Movements in interest rates, electricity prices, and foreign exchange rates on hedge contracts result in movements in the cash flow hedge reserve compared to PFI. Movements in foreign exchange rates also impact the foreign currency translation reserve.

The Group undertook a share buy-back programme during the year with the resulting shares being recorded as treasury shares.

MIGHTY RIVER POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Consolidated Balance Sheet

	Group 2014 Actual $M	Group 2014 Forecast $M
SHAREHOLDERS' EQUITY		
Issued capital	378	378
Treasury shares	(52)	-
Reserves	2,893	2,669
Total shareholders' equity	3,219	3,047
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	19	10
Receivables	218	248
Inventories	24	22
Derivative financial instruments	31	35
Total current assets	292	315
NON-CURRENT ASSETS		
Property, plant and equipment	5,095	5,154
Intangible assets	55	51
Emissions units	16	17
Available for sale financial assets	12	1
Investment and advances to associates	78	70
Investment in joint ventures	23	32
Advances	13	12
Receivables	6	27
Derivative financial instruments	99	134
Total non-current assets	5,397	5,498
Total assets	5,689	5,813
LIABILITIES		
CURRENT LIABILITIES		
Payables and accruals	169	215
Provisions	-	5
Current portion loans	56	106
Derivative financial instruments	22	29
Taxation payable	24	27
Total current liabilities	271	382
NON-CURRENT LIABILITIES		
Payables and accruals	6	8
Provisions	16	-
Derivative financial instruments	209	305
Loans	985	1,126
Deferred tax	983	945
Total non-current liabilities	2,199	2,384
Total liabilities	2,470	2,766
NET ASSETS	3,219	3,047

Current receivables and payables are impacted by both lower volumes and wholesale prices for the month of June compared to PFI.

The property plant and equipment balance at 30 June 2014 was lower than PFI due to total capex expenditure being less than forecast, mainly related international geothermal, partially offset by the revaluation of the Group's generating assets.

The Group's retained interest in the German assets was reported in receivables in the PFI but has been classified as an available for sale financial asset in the actual results.

The balance of derivative financial instruments at 30 June reflects the impact of actual market movements on their fair values.

Lower debt levels are primarily due to lower capital expenditure in both FY2013 and FY2014.

MIGHTY RIVER POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Consolidated Cash Flow Statement

	Group 2014 Actual $M	Group 2014 Forecast $M
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**1,706**	1,348
Payments to suppliers and employees	**(1,214)**	(855)
Interest received	**3**	3
Interest paid	**(90)**	(96)
Taxes paid	**(88)**	(72)
Net cash provided by operating activities	**317**	328
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(82)**	(200)
Advances to joint venture partner repaid	**1**	1
Investment in joint ventures	**(3)**	(13)
Distribution received from joint ventures	**-**	2
Acquisition of intangibles	**(15)**	(15)
Acquisition of emission units	**(5)**	(6)
Dividends received	**5**	6
Net cash used in investing activities	**(99)**	(225)
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of treasury shares	**(50)**	-
Proceeds from loans	**60**	71
Repayment of loans	**(50)**	-
Dividends paid	**(173)**	(174)
Net cash used in financing activities	**(213)**	(103)
Net increase in cash and cash equivalents held	**5**	-
Net foreign exchange movements	**3**	-
Cash and cash equivalents at the beginning of the year	**11**	10
Cash and cash equivalents at the end of the year	**19**	10

Net cash provided by operating activities is unfavourable to PFI reflecting a higher final provisional tax payment in relation to FY2013 earnings. The PFI reported lines charges on a net basis against receipts from customers whereas actual results reflect lines payments on a gross basis against payments to suppliers and employees.

The Group's net cash used in investing activities was lower primarily due to actual investment in international geothermal development be less than that forecast within PFI.

The Group's lower than PFI net cash used in investing activities facilitated the Group's share buy-back programme during the year and lower loan drawdowns.

NOTE 29. SUBSEQUENT EVENTS

On 3 July 2014, the company entered into a long-term contract with Trustpower to provide metering services through its Metrix metering division, including the deployment of smart meters to Trustpower's 225,000 residential customers. This will commit capital expenditure of approximately $100 million over a three year period, with $20-25 million in FY15 increasing to $40 million in FY16 and the balance in FY17.

On 11 July 2014 the Company issued $300 million of unsecured subordinated Capital Bonds which have a legal maturity of 11 July 2044 and an interest rate of 6.90% to the first reset date being 11 July 2019. The Capital Bonds have a BB+ issue credit rating from Standard & Poor's and the proceeds will be used for general corporate purposes including the repayment of bank debt and extending the average term of the Company's funding profile.

In August 2014, the Company restructured its $520 million bank loan facilities to $300 million of committed and unsecured bank loan facilities, of which $200 million is due in August 2018 and a rolling bank loan facility of $100m currently due in February 2016.

The Board of Directors has approved a final dividend of 8.3 cents per share to be paid on 30 September 2014.

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MIGHTY RIVER POWER LIMITED AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

We have audited the financial statements of the company and group on pages 2 to 48 that comprise the balance sheet as at 30 June 2014, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

Financial statements

In our opinion the financial statements of the company and group on pages 2 to 48:

- 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 2014; and
  - financial performance and cash flows for the year ended on that date.

Other legal requirements

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

Our audit was completed on 20 August 2014. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

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

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

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

The Board of Directors' responsibilities arise from the Financial Reporting Act 1993.

Responsibilities of the Auditor

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

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have performed a review of the interim financial statements for the six months ended 31 December 2013, which is compatible with those independence requirements.

Partners and staff of Ernst & Young may deal with the group on normal terms within the ordinary course of trading activities of the business of the group.

Other than the audit and the review of the interim financial statements, we have no relationship with or interests in the company or any of its subsidiaries.

Simon O'Connor
Ernst & Young
On behalf of the Auditor-General
Auckland, New Zealand

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one (Please provide any other relevant details on additional pages): 1

Full name of Issuer	Mighty River Power Limited
Name of officer authorised to make this notice	Tony Nagel, General Counsel
Authority for event, e.g. Directors' resolution	Directors' resolution
Contact phone number	+64 9 308 8200
Contact fax number	+64 9 308 8209
Date	20 / 8 / 2014

Nature of event
Tick as appropriate

Bonus Issue	☐
If ticked, state whether: Taxable / Non Taxable	☐ / ☐
Conversion	☐
Interest	☐
Rights Issue Renouncable	☐
Rights Issue non-renouncable	☐
Capital change	☐
Call	☐
Dividend	X
If ticked, state whether: Interim	☐
Full Year	X
Special	☐
DRP Applies	☐

EXISTING securities affected by this

If more than one security is affected by the event, use a separate form.

Description of the class of securities	Mighty River Power Limited ordinary shares
ISIN	NZMRPE0001S2

If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the class of securities	
ISIN (*If unknown, contact NZX*)	
Number of Securities to be issued following event	
Minimum Entitlement	
Ratio, e.g. 1 for 2	for
Conversion, Maturity, Call Payable or Exercise Date (*Enter N/A if not applicable*)	
Treatment of Fractions	
Tick if pari passu	☐
OR provide an explanation of the ranking	
Strike price per security for any issue in lieu or date Strike Price available.	

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income)	$0.08300
Source of Payment	Income available for distribution
Excluded income per security (only applicable to listed PIEs)	not applicable
Currency	New Zealand Dollars
Total monies	$114,180,491

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	$0.014647
Date Payable	30 September 2014

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price	$
Resident Withholding Tax	$0.005764
Imputation Credits (Give details)	$0.032278
Foreign Withholding Tax	$
FWP Credits (Give details)	

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm *For calculation of entitlements -*	3 September 2014
Application Date *Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week.*	30 September 2014
Notice Date *Entitlement letters, call notices, conversion notices mailed*	
Allotment Date *For the issue of new securities. Must be within 5 business days of application closing date.*	

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:
Security Code:

NZX