

PRODUCT RULING - BR Prd 13/01

This is a product ruling made under s 91F of the Tax Administration Act 1994.

Name of the Person who applied for the Ruling

This Ruling has been applied for by the Minister of State Owned Enterprises and the Minister of Finance, in their capacity as holders of all of the issued shares in Mighty River Power Limited (MRP) on behalf of Her Majesty the Queen in Right of New Zealand (the Crown).

Taxation Law

All legislative references are to the Income Tax Act 2007 unless otherwise stated.

This Ruling applies in respect of s CC 3.

This Ruling does not consider or rule on the tax consequences (if any) arising from the sale or disposition of any Shares acquired under the Arrangement.

The Arrangement to which this Ruling applies

The Arrangement is the transfer of fully paid ordinary shares in Mighty River Power Limited (the Shares, which include the IPO Shares and the Loyalty Bonus Shares each as defined below) by the Crown to New Zealand Applicants (as defined below) pursuant to a combined Investment Statement and Prospectus relating to the Initial Public Offering (IPO) of Ordinary Shares in MRP (the Offer Document).

Further details of the Arrangement are set out in the paragraphs below.

1. MRP is a New Zealand incorporated company. MRP commenced operations in 1999, when the Crown separated Electricity Corporation of New Zealand into three state-owned enterprises. MRP produces electricity, mainly from renewable sources, using its power station assets. MRP sells electricity to retail and business customers through multiple channels and retail brands.
2. All shares in MRP are currently held by the Crown. The Crown is intending to sell up to 49% of the ordinary Shares in MRP under the IPO.
3. The purchase price payable to the Crown for each Share under the IPO will be determined under an institutional book-build process. Application has been made to list all of the Shares in MRP on the Australian and New Zealand stock exchanges.
4. New Zealand Applicants under the General Offer will acquire Shares from the Crown under the IPO (the IPO Shares) on the date of completion of the IPO (the Allotment Date) pursuant to the terms of the IPO. New Zealand Applicants who continue to hold those IPO Shares in the same registered name for a period of 24 months will be entitled to be transferred additional MRP shares from the Crown (the Loyalty Bonus Shares) based upon a ratio of one Loyalty Bonus Share for every 25 IPO Shares held by that New Zealand Applicant, up to a maximum number of 200 Loyalty Bonus Shares for each New Zealand Applicant.

5. In submitting an application form for IPO Shares, New Zealand Applicants under the General Offer are automatically applying for Loyalty Bonus Shares to which they may become entitled under the terms of the Offer Document.
6. Participants under the MRP Employee Share Purchase Programme will not receive Loyalty Bonus Shares under the IPO in respect of shares purchased under that Programme.
7. The date upon which the Loyalty Bonus Shares will be allotted to eligible New Zealand Applicants is intended to be within 5 business days from 24 months after the Allotment Date (Measurement Date).
8. New Zealand Applicants pay the same amount per share as all other purchasers under the IPO. This amount (the Final Price) is payable on completion of the Offer. No further consideration (in addition to the price paid by New Zealand Applicants when applying for their Shares) is payable by New Zealand Applicants who receive Loyalty Bonus Shares. There is no partial refund to the New Zealand Applicants if they do not receive the Loyalty Bonus Shares.
9. The Offer Document contains the following statement:

For the purposes of the financial arrangements rules, the Crown confirms that the Final Price is the lowest price it would have accepted for the Shares on the basis of payment in full on the Allotment Date.
10. No promise to hold the IPO Shares for the required period of time is given by the New Zealand Applicants; they are free to dispose of their IPO Shares at any time. The recipients of the Loyalty Bonus Shares are determined solely by reference to those of the New Zealand Applicants still on the MRP share register at the Measurement Date. The Crown promises to transfer Loyalty Bonus Shares to New Zealand Applicants on a future date if the New Zealand Applicants are on the MRP share register at the Measurement Date.
11. A New Zealand Applicant is defined in the Offer Document as an applicant who is in New Zealand and provides, in conjunction with their application to acquire Shares, a New Zealand IRD number, a New Zealand bank account, a New Zealand address, confirmation that the applicant is in New Zealand and is not acting for the account or benefit of a person in the United States, and a declaration that the applicant is:
 - a) in the case of an individual, a New Zealand citizen or permanent resident; or
 - b) in the case of a New Zealand incorporated company, incorporated in New Zealand and the majority of its ultimate beneficial owners are New Zealand citizens or permanent residents; or
 - c) in the case of a trust, established in New Zealand and the majority of its ultimate beneficiaries are New Zealand citizens or permanent residents; or
 - d) in the case of any other legal entity, it is incorporated or established in New Zealand and the majority of its ultimate

beneficial owners, beneficiaries or members are New Zealand citizens or permanent residents.

12. The document describing the Arrangement is the combined Investment Statement and Prospectus dated 5 April 2013.

How the Taxation Law applies to the Arrangement

The Taxation Law applies to the Arrangement as follows:

- a) The New Zealand Applicants will not derive income under s CC 3 as a result of acquiring Loyalty Bonus Shares under the Mighty River Power Limited Initial Public Offering.

The period or income year for which this Ruling applies

This Ruling will apply for the period beginning on 5 April 2013 and ending on 4 April 2016.

This Ruling is signed by me on the 5th day of April 2013.

Fiona Heiford

Director (Taxpayer Rulings)