Genesis Energy Limited

Appendix 1

GENESIS ENERGY LIMITED INCORPORATED IN NEW ZEALAND

FULL YEAR REPORT

Reporting period twelve months to 30 June 2017 Previous reporting period twelve months to 30 June 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET – 22 AUGUST 2017

Revenue and Net Profit	30 June 2017	30 June 2016	
	Amount	Amount	Percentage
	(\$NZ million)	(\$NZ million)	change
Revenues from ordinary activities	1,951.1	2,011.3	-3%
Profit (loss) from ordinary activities			
after tax attributable to security holder.	118.7	184.2	-36%
Net profit (loss) attributable to			
security holders	118.7	184.2	-36%

Dividends – Ordinary Shares	30 June 2017	30 June 2016	
	Amount per	Amount per	
	security	security	Percentage
	(NZ cents)	(NZ cents)	change
Final dividend	8.4	8.2	2%
Final dividend - imputed amount	2.61	2.55	2%

Record date: 29 September 2017 Payment date: 13 October 2017

COMMENTARY ON RESULTS FOR THE PERIOD

For commentary on the results please refer to the results presentation attached.

FINANCIAL INFORMATION

The Appendix 1 form should be read in conjunction with the consolidated financial statements for the year ended 30 June 2017 as attached.

Net Tangible Assets – Ordinary Shares	30 June 2017	30 June 2016	
	Amount per	Amount per	
	security	security	Percentage
	(NZ cents)	(NZ cents)	change
Net Tangible Asset	161	186	-13%

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)

of Issuer Genesis E	nergy Limit	ted								
Name of officer authorised to make this notice		Cherie Lawrence Company Secr		ounsel and	Authority for e		Director	rs' resolut	ions	
Contact phone number 09 9	51 9294		Contact fax number			Date	22	2 / 0	8 /	2017
Nature of event Tick as appropriate	Bonus Issue Rights Issue non-renouncab	If ticked, state whether: Capital Ca change If ticked, state whether:	Taxable Dividend	/ Non Taxable If ticked, state whether: Int	Conve	_	Interest		Rights Issue Renouncable	
EXISTING securities affect	ted by this		If more than or	ne security is affected	by the event, us	se a separate form.				
Description of the class of securities	Ordinary S	hares				ISIN		GNEE000		
Details of securities issue	ed pursuant to	this event	ı	If more than one class	s of security is to	be issued, use a s	eparate for	m for each cla	ass.	
Description of the class of securities						ISIN	If	unknown, co	ntact NZX	
Number of Securities to be issued following event					Minimum Entitlement			atio, e.g 1) for 2	for	
Conversion, Maturity, Call Payable or Exercise Date		Enter N/A if not		Tick if	Treatment of Fra	ovide an				
Strike price per security for any Strike Price available.	issue in lieu or	applicable date		pari passu	of i	planation the nking				
Monies Associated with I	<u>Event</u>	Dividen	d payable, Call paya	ble, Exercise price, C	onversion price, I	Redemption price,	Application	money.		
Amount per security (does not include any exc	In dollars	\$0.084 per share		Source of Payment		R	Retained	Earnings	3	
Excluded income per sec (only applicable to listed in										
Currency		NZ Dollars			ntary idend tails -	Amount per sec in dollars and ce		\$0.0118	59 per sha	are
Total monies		\$84,000,000			ng Rule 7.12.7	Date Payab	le	13 Octob	oer, 2017	
Taxation				Amou	ınt per Security ir	n Dollars and cents	to six deci	mal places		
In the case of a taxable bonus issue state strike price		\$	Resident Withholding Ta	\$0.01021	1 per share	Imputat (Give d	ion Credits etails)	\$0.0261	33 per sha	are
			Foreign Withholding Ta	\$		FDP Cr (Give d				
Timing (Refer	Appendix 8 in th	ne NZSX Listing Rules)								
Record Date 5pm For calculation of entitlements	-	00.0	2047	Also,	cation Date Call Payable, Div est Payable, Exer	roino Dato	2.0-1-1			
		29 September	2017	Conv of ap	ersion Date. In the olications this mu usiness day of th	ne case ist be the	3 Octobe	er zull/		
Notice Date Entitlement letters, call notices conversion notices mailed				For the Must	ment Date ne issue of new so be within 5 busin plication closing o	ess days				

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:





MARKET RELEASE
Date: 22 August 2017

A successful year as Genesis establishes a solid platform for growth

	Full Year ended 30 June 2017	Change year on year
EBITDAF ¹	\$333 million	1% decline on FY16 of \$335 million
Net Profit	\$119 million	36% decline on FY16 of \$184 million
Earnings per share	11.88 cents	Down 36% from 18.43 cps
Dividend per share	16.6 cents	Up 1% on FY16 on 16.4 cents
Free cash flow ²	\$199 million	Down 2% on FY16 of \$202 million

A refreshed strategic direction, two major acquisitions, and keeping a constant focus on moving towards a customer-centric future all helped to make FY2017 a successful one for Genesis Energy while building a platform for ongoing growth and innovation.

Genesis Energy (GNE) announced today it had delivered an EBITDAF of \$333 million in the year ended 30 June 2017, ahead of market guidance.

"We are pleased to deliver a result that's ahead of guidance during a period of significant change," said Genesis chairman Dame Jenny Shipley.

The FY2017 result is consistent with the previous year's. The positive effects of revenue growth and lower costs had been offset by lower wholesale prices for most of the period.

Net profit after tax was \$119 million, down 36% on the prior comparable period as a result of prior-year revaluations of assets, and free cash flow was down 2%.

While the roll-off of oil price hedges and one-off restructuring and transactions costs affected earnings, Genesis also saw the benefit from \$15 million of additional earnings from its Kupe acquisition in the second half of the year.

Net debt was up \$379 million on the same period, as borrowings were used to fund the Kupe and Nova Energy LPG distribution transactions. This included the issue of an 8-year \$100 million wholesale bond and a 30-year \$225 million capital bond which increased the average debt tenure to 11.4 years, while the average cost of debt declined 80 basis points to 5.7%.

"In FY2017 we made significant progress on our mission to reimagine energy, delivered through our optimise-innovate-invest strategy," said chief executive Marc England.

Mr England pointed to the strategic importance of the company's two major acquisitions in FY2017, firstly a 15% increase in the ownership share in Kupe for \$168 million announced in November 2016, and then the acquisition of the retail bottled gas business of Nova Energy for \$192 million announced in May 2017.

"These deals mean Genesis now has an integrated position between LPG production from Kupe and our significant retail position in a relatively high-margin market that continues to grow."

Mr England said a continual drive for efficiency delivered \$8 million in cost savings in FY2017.

"In the wholesale business this was achieved through planning and scheduling maintenance activities that delivered both cost savings and greater plant availability.

¹ Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses

² Free Cash Flow is EBITDAF, less finance expense, taxes paid and stay in business capital expenditure.



"In the retail customer area of our business, the implementation of new technologies has resulted in call volumes falling and self-service transactions increasing.

"Our agile workplace culture is working to redefine products and experiences for our customers, building on our position as the only company that can offer its customers bottled LPG, natural gas, and electricity on one billing platform.

"By reimagining energy we will be able to deliver new products, services and ways of working with energy that give customers the convenience, control and comfort they want in their lives," Mr England said.

Dame Jenny Shipley said the Genesis board had declared a final dividend of 8.4 cents per share, taking total dividends to 16.6 cents per share - an increase of 1% on the same basis as the prior comparable period.

"This is consistent with our policy of growing dividends in real terms over time," Dame Jenny said.

The dividend will be paid on 13 October 2017, with a record date of 29 September 2017.

FY2018 guidance

EBITDAF guidance for the full year ended 30 June 2018 is in a range of between \$345 million and \$365 million. This assumes average hydrological conditions, an average hedged oil price of \$56 USD/bbl and \$15 to \$20 million of additional operating expenditure to support future growth. Capital expenditure guidance for FY18 is \$50 to \$60 million with an additional sum of up to \$10 million on Phase 2 expenditure at Kupe.

Further information on the company's operations and financing can be found in the investor presentation of the full year results at nzx.com/markets/NZSX/securities/GNE and www.genesisenergy.co.nz/presentations.

To view Genesis' *Annual Report* and additional content highlighting our acheivements in FY2017, go to www.yearinreview.genesisenergy.co.nz.

ENDS

For media enquiries, please contact: Mark Watts Acting Head of Public Affairs 027 2504 018

For investor relations enquiries, please contact:
Wendy Jenkins
Group Manager Corporate Finance and Investor Relations
Genesis Energy
P: 09 951 9355
M: 027 471 2377

About Genesis Energy

Genesis Energy (NZX: GNE) is a diversified New Zealand energy company. It sells electricity, reticulated natural gas and LPG through its retail brands of Genesis Energy and Energy Online. It is New Zealand's largest energy retailer with around 505,000 customers. The Company generates electricity from a diverse portfolio of thermal and renewable generation assets located in different parts of the country. Genesis Energy also has a 46% interest in the Kupe Joint Venture, which owns the Kupe Oil and Gas Field offshore of Taranaki, New Zealand. Genesis Energy had revenue of \$NZ2 billion during the 12 months ended 30 June 2017. More information can be found at www.genesisenergy.co.nz



FY17 result presentation

YEAR ENDED 30 JUNE 2017

— Marc England CHIEF EXECUTIVE

— Chris Jewell
CHIEF FINANCIAL OFFICER

agenda

Year in Review

Marc England
CHIEF EXECUTIVE

Strategy and Outlook

3

Marc England
CHIEF EXECUTIVE

Financial Results

2

Chris Jewell
CHIEF FINANCIAL OFFICER

Supplementary Information

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Delivering a cohesive customer experience with 3 products on one technology platform

Ensuring security of supply in a volatile renewable market

Creating value through an integrated fuel position

Agile culture embracing and leading change









FY17 highlights

significant steps
 delivered on new strategy.

COMPLETED

192

Nova Energy retail LPG business acquisition making Genesis a retailer of scale across 3 fuel types

COMPLETED

\$168_m

Kupe acquisition taking total ownership to 46% and further enhancing integrated fuel position and provides key decision rights





EBITDAF

Thermal assets deliver value in elevated June wholesale market conditions



organic growth in LPG*.

19*

Flybuys Membership with

FlyBuÿs

120,000 customers linked

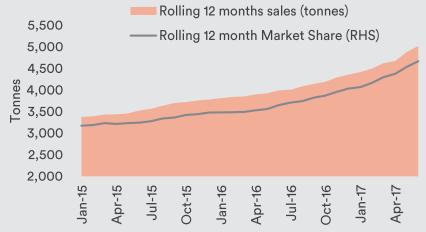
* Excludes Customers acquired in Nova Energy retail LPG acquisition.

Customer segment highlights

- a foundational year as Genesis puts the customer at the forefront of everything we do
- The acquisition of the bottled gas business of Nova Energy was a key highlight for Genesis in FY17
 - Delivers scale in a growing market with higher margins whilst rebalancing the upstream and downstream LPG positions with significant value chain synergies available
 - Supplements strong organic growth with LPG customers up 19%
- New pricing plans implemented driving higher revenues
- Dual brand strategy refreshed with genesis brand launch today
- Local Energy Project established and ahead of target
- New App enhancements, CRM system investment and IVR¹ improvements
- 14,500 customers lost excluding acquired customers







Source: Genesis Energy / LPGA

- 1. Interactive Voice Response
- Excludes volume acquired in Nova Energy retail LPG business

genesis

6

7.0% %

6.5%

6.0%

5.5%

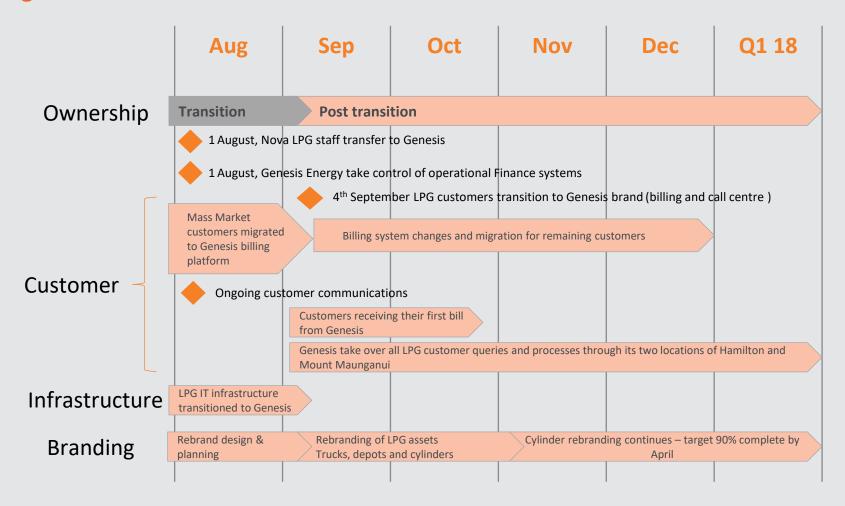
5.0%

4.5%

4.0%

LPG acquisition integration timeline

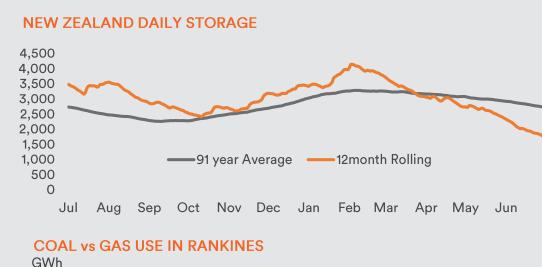
— integration activities for our new LPG distribution business on track

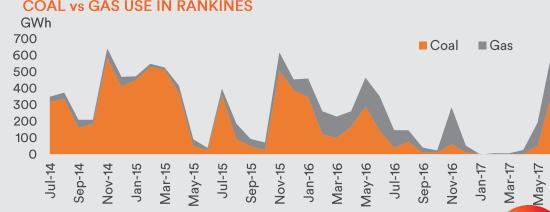


Wholesale segment highlights

— mixed hydrological conditions demonstrated benefit of diverse generation portfolio

- Wet and warm for most of FY17 led to suppressed spot prices (\$61/MWh) with thermal generation down 19% and total generation down 5%
- Conditions changed in Q3 as South Island catchments started to dry up leading to higher spot prices in Q4
- 99 GWh of Huntly swaptions called in June by South Island generators limited upside from higher prices
- \$5 million of cost savings delivered with average monthly forced outages down to 0.9%, from 2.0%, and plant availability up 3.5% to 92.5%
- Resource consent received to replace coal fired units at Huntly with gas-fired units through to 2037
- Carbon emissions down 32% for FY17 to 1.5 million tCO2, down 74% since 2006





genesis

Kupe segment highlights

— gas production levels remain strong at 85% of maximum capacity

- Underlying performance down due to FY17 oil sales hedged at an average of US\$56/bbl relative to FY16 average of US\$78/bbl
- LPG production limited by corrosion rectification and compression system repairs
- Record gas production of 2.3PJ achieved in June 17 (100% of capacity) to support generation requirements
- FY17 average Brent crude oil spot prices 15% up on FY16
- Phase 2 development planning is ongoing compression possible from 2020, with an additional well from 2022
 - Any development is contingent on rebalancing the terms of the existing gas contracts and agreeing commercial terms for all future gas contracts
 - Genesis has first rights of refusal to all future gas production
 - Discussions with other Joint Venture parties have commenced

additional 15%
interest in Kupe
delivers \$15m
EBITDAF in line with
expectations



KUPE GAS SALES VOLUMES



9

genesis

Health & Safety

— zero harm is our commitment

- Our rigorous focus on health and safety has translated into tangible outcomes with our TRIFR remaining at sector-leading levels
- No serious or lost time incidents in past 12 months
- Staylive, an important forum for industry collaboration and learnings, was recently recognised with the EEA 2017 Workplace Safety Award



Total Recordable Injury Frequency Rate = Lost time injuries + Restricted Work Injuries + Medically Treated Injuries)
per 200,000 hours worked







FY17 financial highlights

— EBITDAF delivered ahead of guidance

EBITDAF

similar to FY16 as subdued wholesale market conditions offset by retail growth, strong cost control and acquisitions

NPAT

variance driven by prior year revaluation of assets

FREE CASH FLOW

variance due to lower EBITDAF

TOTAL DIVIDENDS

than FY16 representing 84% of free cash flow with 80% imputation

ACTIVE CAPITAL MANAGEMENT

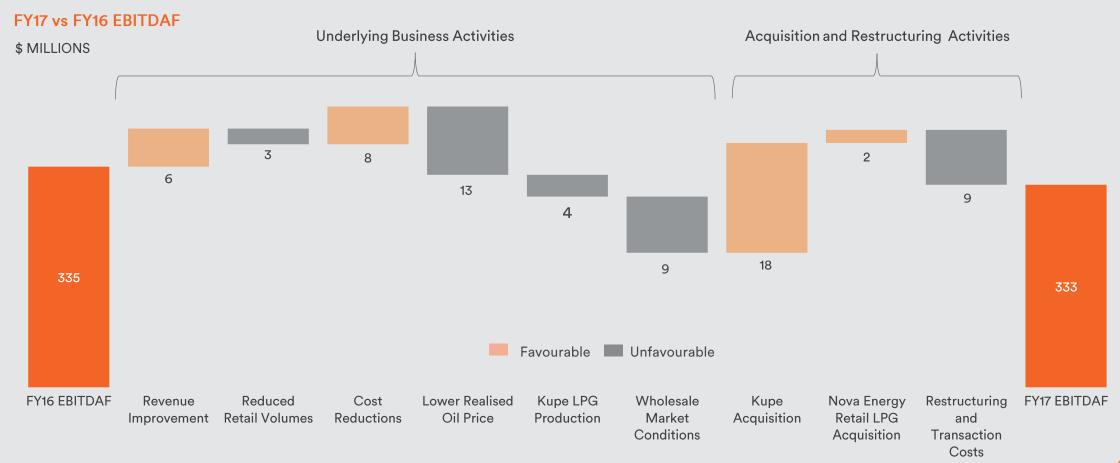
new bonds issued, average interest rate down 80 basis points **COST SAVINGS**

delivered before restructuring costs



EBITDAF FY17 vs FY16

— transformation activities deliver value in subdued wholesale market conditions



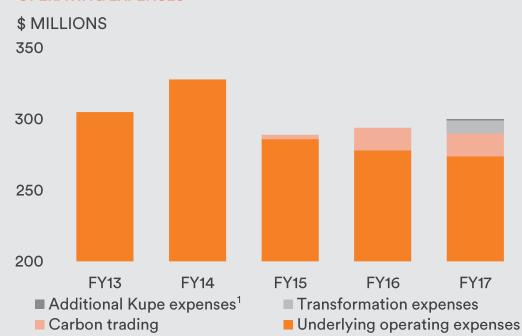


Operating expenses

continual drive for efficiency

- Reduction of \$31 million in underlying operating expenses over the past 5 years
- \$8 million of cost savings in FY17 mainly from wholesale operational efficiencies, lower emissions and reduced headcount
- 6% reduction in FTE's
- Cost to serve declined by \$4 per customer as the implementation of new technologies has resulted in call volumes falling and self-service interactions increasing
- Operational efficiency remains one of the key strategic priorities for the business to create headroom for growth

OPERATING EXPENSES



1. Due to the acquisition of an additional 15% interest in January 2017



Cash flow

— free cash flow stable in line with earnings

- Investing cash flow \$378 million increased due to purchase of additional 15% of Kupe and the Nova Energy retail LPG business
- Financing cash flow movement reflects proceeds from borrowings used to support acquisitions
- Operating cash flow movement of \$76 million reflects an elevated FY16 position:
 - FY16 benefited from a tax refund of \$21 million
 - 313kt FY16 coal stockpile reduction of \$25 million not repeated in FY17
 - Increase in receivables from acquisitions and higher spot price impacts at year end

Cash Information	FY17 (\$m)	FY16 (\$m)	Variance (\$m)
Net Operating Cash Flow	249	325	(76)
Net Investing Cash Flow	(410)	(32)	(378)
Net Financing Cash Flow	154	(279)	433
Net Increase in Cash	(7)	14	(21)
EBITDAF	333	335	(2)
Less: Net Finance Expense	(61)	(63)	2
Less: Income Tax Expense ¹	(34)	(30)	(4)
Less: Stay in Business Capital Expenditure	(39)	(40)	1
Free Cash Flow	199	202	(3)
Dividends/Free Cash Flow	84%	81%	

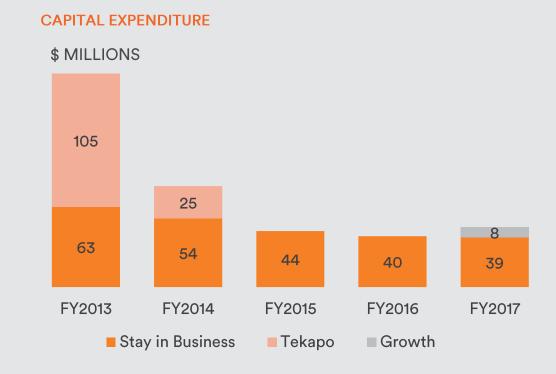
^{1.} Adjusted for the revaluation of generation assets



Capital expenditure

— discipline in capital spend despite growth ambitions

- \$47m capital expenditure within guidance of \$45 to \$55 million
- \$39 million stay-in-business projects:
 - Huntly Unit 5 maintenance
 - Upgrade of EOL billing platform
 - Hydro plant upgrades
 - CIC phone system implementation
- \$8 million growth projects:
 - CRM upgrades
 - LPG integration
 - Local Energy Project

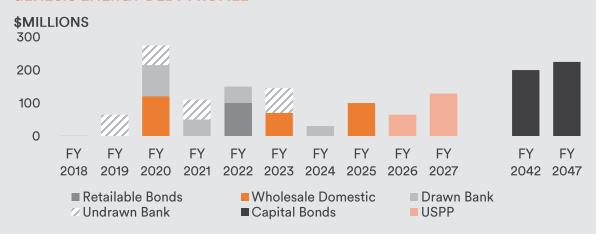


Capital structure

— longer tenure debt in place at lower cost, S&P credit rating reaffirmed

- Average cost of debt down 80 basis points whilst tenure up
 3.9 years
- \$100 million of new 8-year wholesale bonds issued at 5.0% and \$225 million of 30-year capital bonds issued at 5.7% subject to renewal after 5 years
- S&P reaffirmed BBB+ rating post acquisitions in May 2017

GENESIS ENERGY DEBT PROFILE



Debt Information	FY17 (\$m)	FY16 (\$m)	Variance (\$m)
Total Debt	\$ 1,260	912	(348)
Cash and Cash Equivalents	\$ 28	35	(7)
Headline Net Debt	\$ 1,232	877	(355)
USPP FX and FV Adjustments	\$ 22	46	(24)
Adjusted Net Debt ¹	\$ 1,210	831	(379)
Headline Gearing	38.9%	31.4%	(7.5%)
Adjusted Gearing	38.4%	30.3%	(8.1%)
Net Debt/EBITDAF ²	3.6x	2.5x	
Interest Cover	6.6x	6.3x	
Average Interest Rate	5.7%	6.5%	
Average Debt Tenure	11.4yrs	7.5yrs	

- 1. Net debt has been adjusted for foreign currency translation and fair value movements related to USD denominated borrowings which have been fully hedged with cross currency swaps
- 2. EBITDAF only includes 6 months of earnings from the Kupe acquisition and 1 month of earnings from the Nova Energy retail LPG business acquisition``

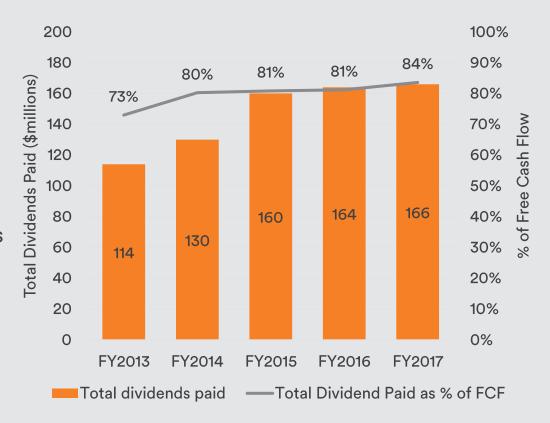


Dividends

continued growth in dividends

- Final dividend of 8.4 cps
 - 80% imputation
 - Supplementary dividend of 1.1859cps to non-resident shareholders
- FY17 total dividends of 16.6 cps, up 1.2% on FY16, representing 84% of free cash flow
- Total dividends per share have grown 3.8% over the past three years against inflation of 2.5%. Genesis policy remains to grow dividends in real terms over time
- Will continue to pay dividends half yearly with expectation that interim will be consistent with 50% of previous year dividend
- Sector leading total shareholder return delivered of 21%

DIVIDEND & PAYOUT HISTORY

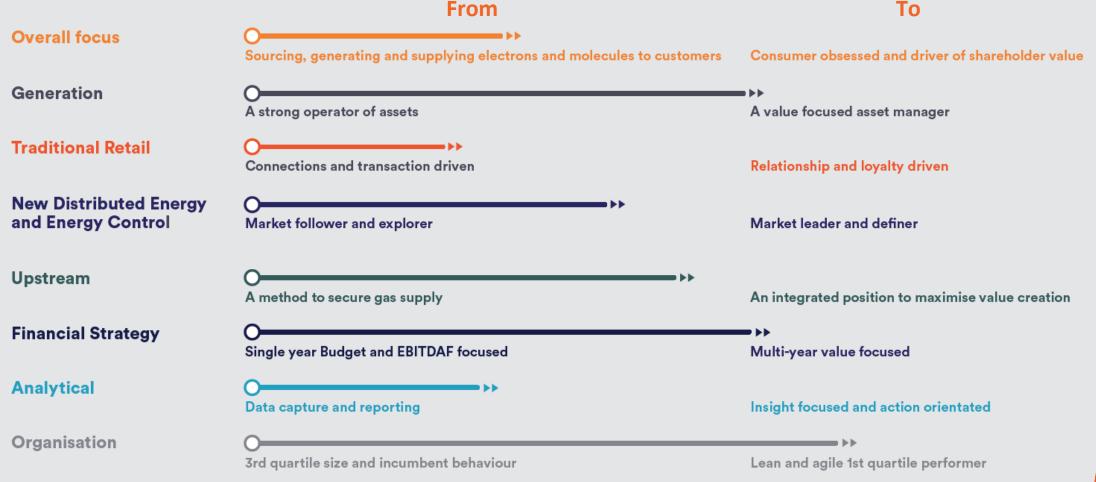






What we said and how far we have come

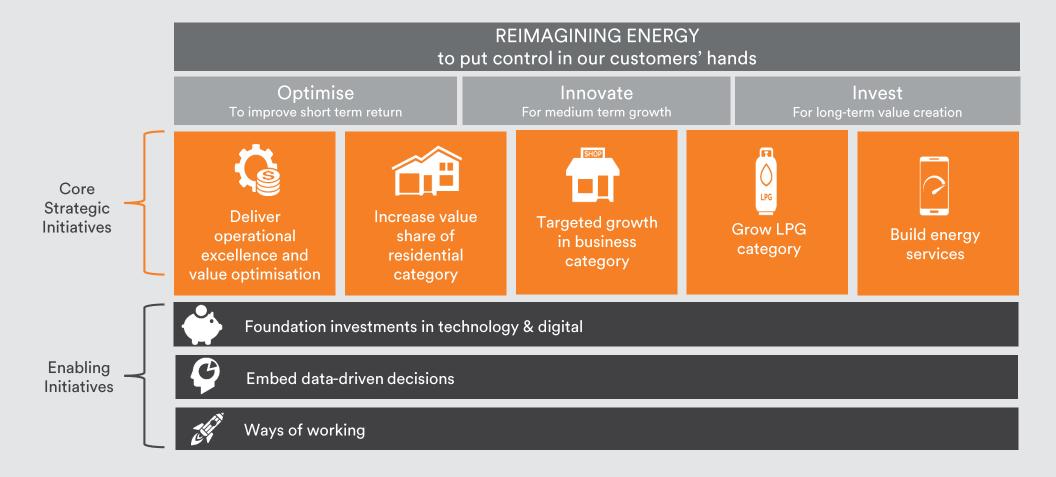
— we are well on the way but have much more to do





Strategy update

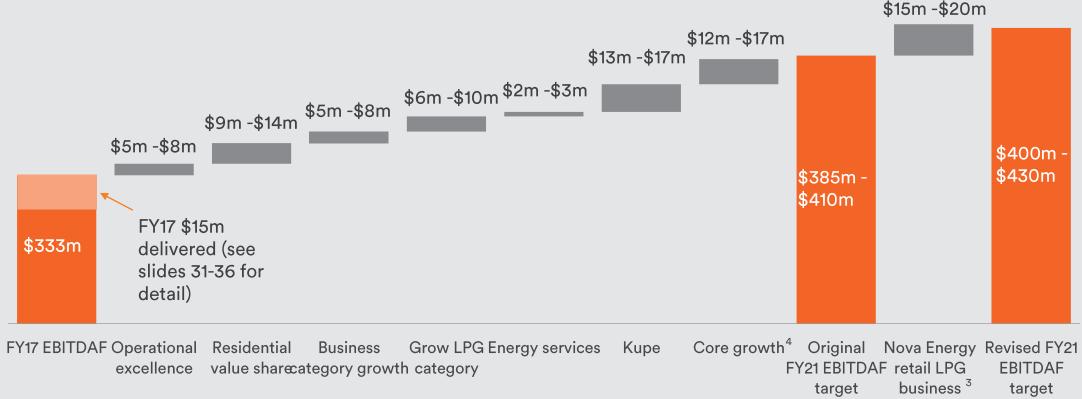
— five key strategic initiatives underpin our transformation





FY21 revised target EBITDAF

— target to deliver \$400 - 430 million by FY21 and top quartile TSR



NOTES

- 1. Several initiatives are interdependent. As an example, energy services capability will contribute towards residential value share
- 2. All ranges are net of operational investment required to achieve target outcomes
- 3. Represents acquired EBITDAF in the acquisition of the Nova Energy retail LPG business not in original FY21 target. \$4-6 million of synergies from the acquisition will be reflected in the "grow LPG category"
- 4. Core growth represents partial benefit from the rolling off of the take or pay gas contracts and natural growth in wholesale prices over time



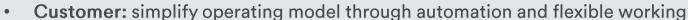
FY18 strategic delivery actions

— the journey continues

FY18 Actions



Deliver operational excellence and value optimisation



- Customer: grow self and assisted service through IVR and My Account functionality
- Wholesale: pursuing initiatives to increase earnings and reduce cost through fuel portfolio optimisation, generation asset management and active trading



Increase value share of residential category

- Brand launch and Fly Buys retention activities
- Retail sales team established with appropriate incentive structure
- Improved customer experience such as home move and loyalty propositions



Targeted growth in business category

- Additional field sales teams established targeting new segments and dual fuel
- New industry specific products being developed
- Targeted price increases gas underway with electricity to follow
- Commercialising business energy partnership with Panoramic Power



Grow LPG category



Build energy services

- Successfully complete integration of Nova Energy retail LPG business
- Weigh scales prototype certified and in customer trials prior to scaled launch
- Targeted growth in commercial markets
- Increased service co-creation with customers via the Local Energy Project
- Development of digital services for customers to understand and manage energy use
- Continued growth in emerging markets, e.g. solar, storage and electric vehicles



Funding required for growth

- further investment required to deliver sustainable EBITDAF growth
- Improved asset management insights and risk assessments has enabled the reallocation of capital between stay in business and growth investments
- FY18 operational investment to drive growth of \$15-20 million
- FY18 capital investment to drive growth of c.\$10 million. Key projects:
 - Finalisation of CRM upgrades
 - New product innovation
 - Technology support for strategic initiatives
- Collectively investment supports \$35 million of EBITDAF from strategic initiatives (net of costs) by FY21

Key operating cost allocation	FY18 impact
Additional people and capability	\$4-5m
Refreshed brand and marketing	\$4-5m
Customer retention investment	\$4-5m
New product innovation	\$3-5m
Total	\$15-20m



FY18 guidance

- FY18 sees the transformation journey continue
- FY18 EBITDAF is expected to be in the range of \$345 to \$365 million subject to any material events, one-off expenses or other unforeseeable circumstances. Key assumptions include:
 - Average hydrological conditions with generation 6,700 MWh
 - Average 74% hedged oil price of \$56 USD/bbl with Kupe production similar to FY17
 - Additional operating expenditure to support growth of \$15 to \$20 million
 - The range reflects earnings volatility that could result from national hydrology and other market factors
- FY18 capital expenditure guidance of \$50 to \$60 million for core business, and up to \$10 million on Phase 2 expenditure at Kupe
- Genesis remains committed to its dividend policy to increase dividends in real terms over time







Financial statements

Income Statement	FY17 (\$m)	FY16 (\$m)	Variance
Revenue	1,951.1	2,011.3	(3.0%)
Total Operating Expenses	(1,618.6)	(1,676.0)	3.4%
EBITDAF	332.5	335.3	(0.8%)
Depreciation, Depletion & Amortisation	(174.6)	(127.5)	
Revaluation of Generation Assets	51.5	138.0	
Fair Value Change	22.6	(26.6)	
Other Gains (Losses)	(4.0)	(3.0)	
Earnings Before Interest & Tax	228.0	316.2	(27.9%)
Interest	(60.5)	(63.2)	
Tax	(48.8)	(68.8)	
Net Profit After Tax	118.7	184.2	(35.6%)
Earnings Per Share (cps)	11.88	18.43	(35.5%)
Stay in Business Capital Expenditure	32.4	39.7	(1.8%)
Free Cash Flow	198.6	202.2	(1.8%)
Dividends Per Share (cps)	16.6	16.4	1.2%
Dividends Declared as a % of FCF	84%	81%	3%

Balance Sheet	FY17 (\$m)	FY16 (\$m)	Variance
Cash and Cash Equivalents	27.8	34.9	
Other Current Assets	344.2	296.9	
Non-Current Assets	3,846.8	3,446.4	
Total Assets	4,218.8	3,778.2	11.7%
Total Borrowings	1,259.8	912.2	
Other Liabilities	977.1	874.8	
Total Equity	1,981.9	1,991.2	(0.5%)
Adjusted Net Debt	1,210.0	830.9	
Gearing	38.4%	30.3%	
EBITDAF Interest Cover	6.6x	6.3x	
Net Debt/EBITDAF	3.6x	2.5x	
Cash Flow Summary	FY17 (\$m)	FY16 (\$m)	Variance (\$m)
Net Operating Cash Flow	248.5	324.8	
Net Investing Cash Flow	(409.6)	(32.1)	
Net Financing Cash Flow	154.0	(278.8)	
Net Increase (Decrease) in Cas	sh (7.1)	13.9	(21.0)



Reconciliation of EBITDAF to NPAT

- EBITDAF is a non-GAAP item but is used as a key metric by management to monitor performance at a business segment and group level
- Genesis Energy believes that reporting EBITDAF assists stakeholders and investors in understanding the Company's operational performance
- In FY17 EBITDAF was down 0.8% on FY16
- FY17 Net Profit After Tax is down 35.6%, materially effected by fair value accounting treatment on generation assets
- Generation assets increase in value \$52 million in FY17

Income Statement	FY17 (\$m)	FY16 (\$m)
EBITDAF	332.5	335.3
Depreciation, Depletion & Amortisation	(174.6)	(127.5)
Revaluation of Generation Assets	51.5	138.0
Change in Fair Value of Financial Instruments	22.6	(26.6)
Other Gains (Losses)	(4.0)	(3.0)
Profit Before Net Finance Expense and Income Tax	228.0	316.2
Finance Revenue	1.6	2.0
Finance Expense	(62.1)	(65.2)
Profit Before Income Tax	167.5	253.0
Income Tax Expense	(48.8)	(68.8)
Net Profit After Tax	118.7	184.2



Operational highlights

Customer Key Information	FY17	FY16	Variance
EBITDAF (\$ millions)	109.6	102.7	6.7%
Electricity Only Customers	350,869	371,758	
Gas Only Customers	18,439	19,782	
LPG Only Customers	28,018	4,376	
Customers with > 1 Product	113,304	99,958	
Total Customers ¹	510,630	495,874	3.0%
Volume Weighted Average Electricity Selling Price – Mass Market (\$/MWh)	\$242.30	\$238.27	1.7%
Volume Weighted Average Electricity Selling Price – TOU (\$/MWh)	\$120.04	\$116.41	3.1%
Volume Weighted Average Gas Selling Price (\$/GJ)	\$27.14	\$26.99	0.5%
Customer Electricity Sales (GWh)	5,653	5,669	(0.3%)
Customer Gas Sales (PJ)	7.4	7.3	1.0%
Customer LPG Sales (tonnes)	5,979	3,949	51.3%

^{1.} Includes customers acquired in Nova Energy retail LPG acquisition

Wholesale Key Information	FY17	FY16	Variance
EBITDAF (\$ millions)	176.1	194.1	(9.3%)
Renewable Generation (GWh)	3,154	2,678	17.8%
Thermal Generation (GWh)	3,268	4,043	(19.2%)
Total Generation (GWh)	6,422	6,721	(4.5%)
GWAP (\$/MWh)	60.63	64.07	(5.4%)
LWAP/GWAP Ratio	100%	100%	0.0%
Weighted Average Fuel Cost (\$/MWh)	32.54	37.15	(12.4%)
Coal/Gas Mix (Rankines only)	41%	67%	(38.9%)
Kupe Key Information	FY17	FY16	Variance
Kupe Key Information EBITDAF (\$m)	FY17 84.4	FY16 80.4	Variance 5.0%
EBITDAF (\$m)	84.4	80.4	5.0%
EBITDAF (\$m) Gas Sales (PJ)	84.4 9.3	80.4 7.4	5.0% 25.7%
EBITDAF (\$m) Gas Sales (PJ) Oil Production (kbbl)	9.3 475.9	80.4 7.4 427.3	5.0% 25.7% 11.4%
EBITDAF (\$m) Gas Sales (PJ) Oil Production (kbbl) Oil Sales (kbbl)	9.3 475.9 506.8	80.4 7.4 427.3 416.9	5.0% 25.7% 11.4% 21.6%

genesis



Operational excellence & value optimisation

— delivering best in class cost to serve and optimising value

FY17 Actions

Customer

- ✓ Streamlining the "customer join" experience, assisted by investment in customer relationship management and phone systems
- ✓ Restructure of customer experience team to enhance performance and reduce costs

Wholesale

- Campaign maintenance strategy delivered increased availability of plant and reduced costs
- √ 18.4 GWh saved from efficiencies in hydro schemes
- Revised long term maintenance agreement for Unit 5 resulting in \$10 million savings over 6-years from FY19

FY17: \$5m delivered¹

to FY21: Remaining target \$5 - \$8m

Key Metrics

	FY16	FY17
Customer cost to serve (per ICP)	\$165	\$161
Customer assisted interactions per ICP ²	2.28	2.25
Generation Opex savings (year on year)	\$4.7m	\$4.3m
Equipment availability factor	89.0%	92.5%

- 1. Excludes costs associated with initial investment
- 2. interactions that require assistance from the customer experience team



Increase value share of residential category

— through differentiated products, loyalty rewards and portfolio optimisation

FY17 Actions

- X Customer losses higher than expected following value optimisation
- ✓ Launched Fly Buys with >120,000 customers linked
- ✓ Targeted retail pricing changes based around regions and types of customers
- ✓ Doubled annualised profitability of EOL
- ✓ Dual brand strategy review completed, with EOL launched June and Genesis following in August
- X Retail sales team with revised incentives still to be established

FY17: \$8m delivered¹

to FY21: Remaining target \$9 - \$14m

	FY16	FY17
Electricity and Gas Customers ²	460,281	451,240
Products per residential customer ³	1.27	1.29
Electricity gross margin per customer (\$/customer)	\$358	\$416
Gas gross margin per customer (\$/GJ)	\$314	\$331
Net promotor score	-5%	1%

- 1. Excludes costs associated with initial investment
- 2. The entity (person, people, company) who receives products and/or services from Genesis Energy or Energy Online. Includes Nova Energy acquired dual fuel customers
- 3. Measured as electricity and gas ICP's per customer. Excludes EOL



Targeted growth in business category

— growing customers and volumes in the business category

FY17 Actions

- ✓ Set up dedicated regional field sales force with 8 FTE recruited into 2 teams SME and agribusiness
- ✓ Optimised pricing across the customer base including new pricing plans and more immediate network pass throughs
- ✓ First agribusiness product 'Farmhouse' launched at Fieldays
- Exclusive relationship with Panoramic Power Ltd providing energy monitoring technology for customers
- X Low volume growth in FY17 however momentum now building

FY17: \$1m delivered¹

to FY21: Remaining target \$5 - \$8m

	FY16	FY17
Total B2B volume won (excluding TOU) MWh²	270	285
% of business customers with > 1 product ³	22.6%	24.1%
Electricity gross margin (\$/MWh)4	23.9	27.5
Gas gross margin (\$/GJ) ⁴	\$2.53	\$3.79

- 1. Excludes costs associated with initial investment
- 2. Estimated based on number of new ICP's and estimated volumes
- 3. Products are classified as electricity, gas and LPG installations
- 4. Excludes TOU and C&I customers



Grow LPG category

— a higher margin fuel, with greater growth prospects and lower churn

FY17 Actions

- ✓ Acquisition of the Nova Energy retail LPG operation accelerates capabilities with integration a key focus
- ✓ New bottled gas smart plan and Switch. Save. Easy campaign
- ✓ Entered the commercial segment through the bobtail truck which is now 59% utilised
- ✓ Smart metering in place for all bulk LPG
- X Weigh Scales prototype developed and in certification testing which is delaying start of customer trials
- × Proportion of dual fuel customers reduced with addition of bottled gas only customers from Nova Energy

FY17: \$1m delivered¹

to FY21: Remaining target \$6 - \$10m

	FY16	FY17
LPG customers	15,890	19,439 (Genesis) 36,279 (Nova)
LPG volume in tonnes	3,949	5,979 (Genesis) 28,401 (Nova²)
% of residential LPG customers with dual fuel	75%	50%



^{1.} Excludes costs associated with initial investment. Excludes Nova acquisition. Synergy benefits will be included in future years

^{2.} FY17 volumes, of which 2,814 was delivered in June under Genesis ownership

Build energy services

— delivery of comfort, convenience and control to customers

FY17 Actions

- ✓ Launch Local Energy Project (LEP) community in South Wairarapa with 200+ customers
- Established digital development capability
- ✓ Build Energy Management test platform
- ✓ Launch Energy Insights trial
- Develop 5 new services to Minimal Viable Product (MVP) stage
- Execute solar and storage sales campaign, including 130+ on site assessments
- Build awareness of LEP through community engagement

FY17: \$0m delivered¹

to FY21: Remaining target \$2 - \$3m

	FY16	FY17
# MVP delivered ²	NA	5
# services launched ³	NA	1
# customers engaging with an energy services product	NA	7,700

- 1. Excludes costs associated with initial investment
- 2. Minimum viable products tested with customers
- 3. Products available to mass market







— to be customers' first choice for energy management



Delivering a cohesive customer experience with 3 products on one technology platform

Ensuring security of supply in a volatile renewable market

Creating value through an integrated fuel position

Agile culture embracing and leading change



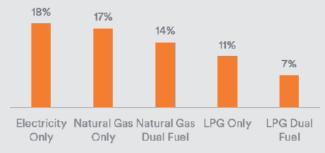






3 products on one technology platform

— delivering a cohesive customer experience with 3 products on one platform







lower customer churn









Ensuring security of supply

— supporting New Zealand's high level of renewable energy through thermal capacity







thermal players
 reducing
 increasing ↑

relevance of remaining players



for industry participants





An integrated fuel position

— creating value through an integrated and diverse fuel position

full value chain on all fuels

enables

priority

thermal position

three catchments for hydro combined with thermal provides more

stable earnings

greater buying power than competitors

optimisation
of supply chain &
production assets

3 fuel customer strategy



Agile culture

— delivering innovation through an agile culture and leading change

□ a start up
with heritage

o speed

to market in rapidly evolving and competitive environment

Customer at centre

of designing new approaches to energy management

proven methodology in technology centric development environment

embracing unpredictability

to develop resilience in quickly evolving market

harnessing innovation
 from a broad employee base

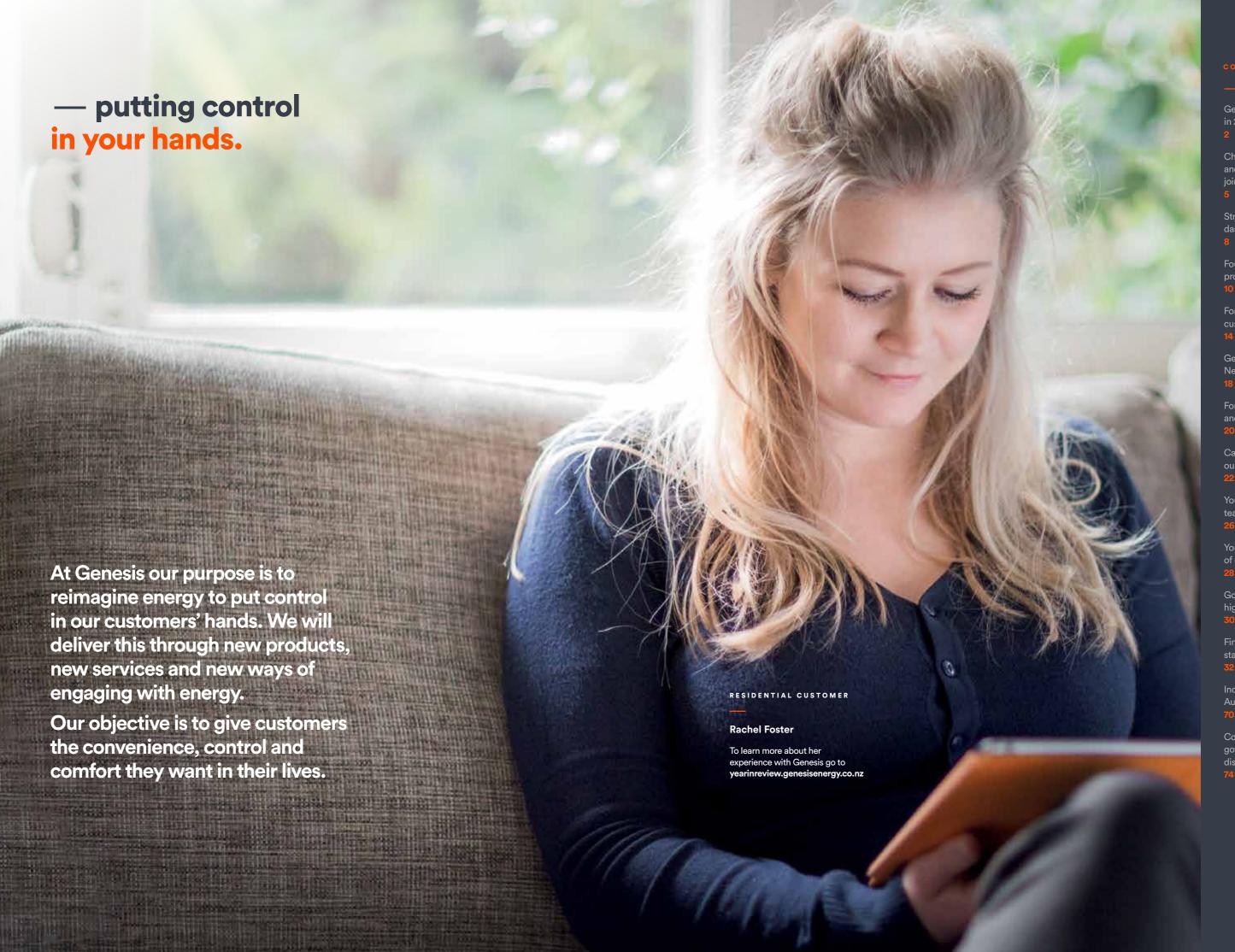
Thank you

GENESIS

annual report 2017







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Your Board of directors

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Independent Auditor's report

Corporate governance and disclosures

here are the highlights.







AT A GLANCE

kupe product

26*

FY17 **9.3** PJ

renewable generation

18%

3,154 GWh

Fly Buÿs

120,000

joining in May 2017

digital interaction

780,000

820

employees across eight locations

\$47m capital spending

599

Whio (Blue Duck) pairs increased from 533 in 2015 92

schools in the Schoolgen programme

\$48m

FY17 tax payable³

\$225m successful issue

successful issue of hybrid bonds to investors

- 1 Before working capital and accounting wash-up adjustments.
- Represents the number of customers receiving Genesis products, not Installation Control Points (ICPs).

3 Estimate based on year-end tax calculation.

Dame Jenny Shipley DNZM CHIEF EXECUTIVE OFFICER Marc England GENESIS ANNUAL REPORT 2017

— a letter from our Chair and CEO.

Richard and Angela Espley, Genesis dual fuel customers.

Lydia Genet, Local Energy Project

Dear Shareholder, It's our pleasure to report on FY17, an important and successful year for Genesis.

> Against the backdrop of New Zealand's rapidly evolving energy market, FY17 has been a successful year for Genesis.

Your Board and executive worked as a team, focused on the single purpose of setting a refreshed strategic direction for our Company and then driving hard to realise our vision. We kept the needs of our many customers and shareholders at the forefront of what we do, with a clear focus on our goal of becoming a \$400+ million EBITDAF1 company by 2021.

We succeeded in the 2017 financial year thanks to the united efforts of the 820 people we employ across eight New Zealand locations. There has been a collective drive to deliver value from our upstream position, our strong set of flexible generation assets and through the development of energy products and services aimed at building deeper relationships with the 480,546 New Zealand families and businesses we are proud to have as our customers.

In this Report and the accompanying website, you will hear the stories of some of these customers.

The last financial year was a year in which the Board and senior management set a solid platform for future growth and innovation, in part through the purchase of two gas businesses (at different ends of the value chain) which will see Genesis offer more services and touch more New Zealanders' lives, and also through an internal reorganisation that puts our customers front and centre in our strategy.

All members of our executive team are now accountable for delivering an improved level of service and products for customers, driven by a common purpose to reimagine energy to put control in our customers' hands.



Genesis is a strong and energetic company using its strategic strength and wealth of data to take a leading role in a dynamic market. The energy, spirit and adaptive approach we've brought to our endeavours are encompassed in the new look and feel of our brand.







¹ Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains

Optimise, innovate and invest

The Genesis story in FY17 can also be told through the way in which we implemented our Optimise-Innovate-Invest strategy we outlined last year.

Optimise today's business

Optimising means a continual drive for efficiency, searching for new ways to improve across all traditional activities and constantly striving to deliver value for our customers and shareholders.

By continually optimising and innovating throughout the business, we achieved combined cost savings of \$8 million² in FY17. In the generation and wholesale team we lowered operating expenses by planning and scheduling maintenance activities that resulted in both cost reduction and greater plant availability.

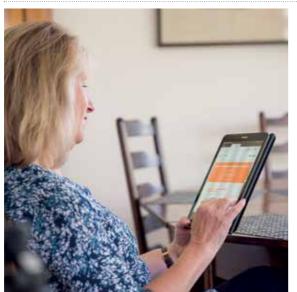
Operating our hydro power stations more efficiently allowed us to gain additional generation from the same amount of water. It is important to note that despite reducing costs, plant reliability was better than in previous years, showing that the cost savings are sustainable. Savings were boosted further by a reduced headcount, lower emissions costs and strong wholesale performance.

At our Hamilton customer service centre, the implementation of new technologies has resulted in call volumes falling and self-service interactions increasing. Technology updates to our MyAccount system, and other changes, are making the way our customers interact with us more seamless, intuitive and useful to them.

Invest for tomorrow

In November 2016, we were pleased to announce the expansion of our integrated upstream position by acquiring an additional 15 per cent share of the Kupe oil and gas field from New Zealand Oil and Gas. The acquisition was funded by existing debt facilities and increased our overall stake from 31 per cent to 46 per cent, giving us strategic influence over future decisions around the gas field.

The Kupe acquisition in turn helped set the scene for our second big acquisition of 2017.



Angela Espley Genesis dual fuel customer, uses MyAccount to view her energy usage.



year in revie

To listen to Dame Jenny Shipley and Marc England talk about this past financial year go to yearinreview.genesisenergy.co.nz

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We've been prepared to invest in the future and our investments in LPG distribution and the Kupe gas field are future proofing Genesis not only for our shareholders but, in many respects, for the energy sector New Zealand-wide.

In May, we moved to acquire the LPG distribution business of Nova Energy, giving us a distribution capability for bottled gas around New Zealand and increasing our market share in retail bottled gas from 3 per cent to 19 per cent. We now have an integrated position between our Kupe LPG production assets and our significant retail position in this relatively highmargin market that continues to grow. Through the Nova Energy retail LPG business acquisition we have now added 35,000 LPG customers, as well as welcoming an experienced operations team to bolster our existing capabilities.



Innovating to lead

Innovation at Genesis means harnessing our people, technology and products to take great ideas and execute them well for our customers.

Right now, Genesis is the only company with all three fuels – bottled LPG, natural gas and electricity – on one technology platform. This approach gives customers a convenient single billing interface encompassing these fuels, as well as solar energy and even battery technology.

Additionally, in an industry first, Genesis has made Fly Buys points available to customers on all fuels to add additional value for all our customers.

The drive for innovation also took us to South Wairarapa to launch New Zealand's first 'real world' energy research and development community. The Local Energy Project enables customers to experience, test and provide us with valuable feedback on energy management experiences that include technologies such as solar, battery and energy monitoring and control. The Local Energy Project will give us deep insights into the commercial value of each product and influence how all our customers manage their energy in the future.

Maximising value from flexible generation assets and our flexible fuel contracts

Genesis maintains a highly flexible mix of renewable and thermal generating assets and fuel contracts at locations throughout New Zealand. A drier than expected 2017 winter, bringing with it the need to run Genesis' thermal generation to 'keep the lights on' for New Zealand households and businesses, is testament to the value our thermal position can create.

We have taken advantage of the lower priced spot gas market and the improved flexibility in our fuel portfolio to increasingly run our thermal plant on gas. Thermal generation in FY17 was 3,268GWh, with a much lower use of coal required than in prior years.

Genesis' hydro power schemes in the North and South Islands continued to deliver strong results, with generation up 18 per cent, close to 50 per cent of total generation for the portfolio.

Our people

The Genesis team has moved to a 'scaled, agile' approach to product development. We now have more than 100 staff working in cross-functional teams designing new customer products and services. The shift to this agile methodology has broken down hierarchical barriers and empowered our people to meet our customers' needs faster.

Creating and receiving the benefits from a diverse workplace remains a fundamental principle at Genesis. A diverse workplace that reflects the communities that sustain our business is essential. To further show commitment as a fair and equitable employer, Genesis has launched 'Minding the Gap' – a policy designed to govern and improve awareness of potential gender pay inequity.

Keeping our people safe

A relentless focus on health and safety for our staff, contractors and the public continues to translate into tangible outcomes. Among our own workforce we achieved one of the lowest total recordable injury frequency rates (TRIFR) of 0.53 in FY17 in the energy sector.

In the year ended 30 June 2017, there were no serious incidents and no lost time injuries. While we take pride in our industry-leading health and safety record, zero harm remains our commitment.

The Board

The Board of Directors wishes to acknowledge the contribution of Graeme Milne, John Dell and Rukumoana Schaafhausen, who we farewelled from our Board and thank for their valuable service. The Board in turn welcomed three outstanding new members, Paul Zealand, Tim Miles and Maury Leyland. Their diverse skills have already contributed significantly to the Board and senior management.

Our goal: a \$400+ million³ EBITDAF company by 2021

We are on the way to the lofty goal of becoming a \$400+ million EBITDAF company by 2021. If we reach this goal, it should represent an upper quartile 14 per cent total shareholder return between FY16 and FY21. We will achieve this by running the business efficiently and innovating the customer experience to put customers in control of their energy spend.

About seven to eight per cent of this return will come from dividends paid to our shareholders. The rest will come from increasing our profitability, as we build on the foundations laid down in FY17 through the execution of our Optimise—Innovate—Invest strategy.

We thank you for your continued support and interest in the hard work and dedication of the Genesis team during the financial year ended 30 June 2017.

Dame Jenny Shipley DNZM

Chair

Mans England

THE RESULTS

The Board is pleased to announce the key financial figures that sum up what we achieved together in 2017:

net profit after tax

\$118.7 m

owing to lower revaluation reversals through profit or loss

revenue

\$2.0^k

consistent with FY16

EDITOA

*332.5 m

مائد مثاما ماما

16.6 cps

81% of free cash flow

free cash flow

\$198.6 m

1.8 % on FY16

EBITDAF EXPLAINED

EBITDAF is a non-GAAP (Generally Accepted Accounting Principles) item, but is used as a key metric to monitor performance of the business. A reconciliation between EBITDAF and net profit after tax can be found in the FY17 results presentation.

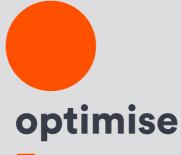
2 Excluding restructuring costs.

³ Excludes EBITDAF acquired in the Nova Energy retail LPG business transaction.

OUR VISION

to be customers' first choice for energy management.

At Genesis we are reimagining energy to put control in our customers' hands. More than just a 'provider of electrons', we are intent on becoming an energy manager, giving our customers the comfort, control and convenience they want. It's a bold vision and we are putting it into practice through our Optimise—Innovate—Invest strategy.



Driving efficiency throughout the business.

SHORT-TERM

million in cost savings delivered in FY17.

Continual drive for efficiency.

>120,000

customers linked since joining in May 2017.

Fly Buÿs

driving loyalty in the customer base.

Sector-leading TRIFR.

A highly committed workforce that remains committed to zero harm.





innovate

Segment growth and defining the future of energy management.

MID-TERM



Martin Abondano Scrum master, pricing team

agile culture embracing and leading change.

Defining new approaches to energy management through new ways of working.



+

4

New Zealand's first research and development

community.

Launched New Zealand's first research and

first research and development energy community through the Local Energy Project. The results helped the consumers make, see and store energy efficiently.





Supported by innovation such as two-touch and automatic bottle ordering.

18.9%

* Before mergers and acquisitions activity.



invest

Targeted business growth to support overall strategy.

LONG-TERM

acquisition of Nova Energy retail LPG business.



\$192_m

^{\$}14,

strategic capital spend.

Investing in growth to support our strategic priorities.

168_m

15% increase in Kupe ownership, building on our integrated fuels strategy.

Creating value from production, thermal generation and our customers.



building capacity for growth — Kupe.

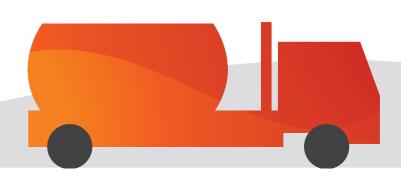
In FY17, we announced an ambitious plan to secure greater flexibility over future gas supply and to bolster our integrated fuels strategy.





building a platform for growth — LPG distribution.

In June 2017, Genesis positioned itself as a leading player in the growing LPG market through the acquisition of Nova Energy's retail LPG distribution capability and customers for \$192 million.



In November 2016, we announced that we were acquiring an additional 15 per cent share of the Kupe Oil and Gas field from New Zealand Oil and Gas for \$168 million. Added to our existing 31 per cent share, the acquisition took our stake in the Kupe joint venture up to 46 per cent, effective 1 January 2017.

Kupe produces approximately half of all of New Zealand's LPG and bottled gas and, following the purchase, Genesis now produces 24 per cent of New Zealand's total LPG.



This increase gives
Genesis access to
approximately 13,000
additional tonnes of LPG
per annum and 26 petajoules
of uncontracted gas.





Te Awha Leevey
Gas operator-maintainer, Huntly

The Kupe acquisition brings multiple benefits for Genesis, our customers and our shareholders, in line with our mission to reimagine energy. It is an enabler of our LPG strategy, through additional LPG production, and positions us well to provide the fuel we will need to support our thermal plant well into the future.

The strong cash flows generated by our Kupe stake add capacity for us to invest in areas aligned to our overall strategy, such as home energy management supported by new technology.



Total share in Kupe following acquisition.

Shareholders will also benefit, as the additional cash flows provide support for dividends and have imputation benefits, too.

Kupe continues to be a high-quality asset and a key contributor to Genesis' revenue, adding a total of \$84 million, or 25 per cent, of total EBITDAF in FY17.

The acquisition itself has had a \$15.1 million impact on Genesis' FY17 EBITDAF, after accounting for transaction and funding costs. Gas production is up 26 per cent on FY16 whilst oil sales are up 22 per cent. This acquisition gave us an extensive LPG distribution network and an established base of 35,000 customers throughout New Zealand.

Our LPG distribution capability now includes 23 depots, reticulated networks in Dunedin and Christchurch, 68 delivery vehicles and a team of experienced staff.



Duncan Halley LPG Bulk Delivery Specialist

Through this purchase Genesis has created the unique industry position of combining three fuels (LPG, natural gas, electricity) and is able to integrate customers onto one billing platform, creating opportunity for innovative pricing plans and products to target new customers.

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We now have 19 per cent of the New Zealand LPG market by volume.

We forecast that the financial impact of the acquisition of the Nova Energy retail LPG business will be \$17 million additional EBITDAF in FY18, before integration costs and synergies.



With the acquisition complete, we now have 19 per cent of the New Zealand LPG market by volume. Matched to Genesis producing 24 per cent of New Zealand's LPG, we have achieved a balanced supply chain from source, all the way to our customers' doors.





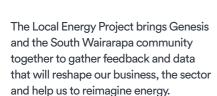
energy management — learning with our customers.

During FY17, we have been building our energy management capabilities through initiatives like the **Local Energy Project.**



getting agile — working faster and smarter for our customers.

To become an innovation leader in our industry we need to radically change the way we work.





won the Genesis 'Electric Vehicle for

a Year' competition, which was a Local Energy Project promotion. Left to right: Lydia Genet (Genesis); and Siv Fjaerestad, Emily Greenberg, Rupert Watson (Featherston Community Centre)

Launched in March 2017, the project is scheduled to run for up to three years, enabling long-term assessment of how residential, business and the agricultural sectors use, adapt and embrace new energy technologies.

In 2017, we will be inviting our customers to let us know if they are interested in being the first to trial new products and work with us to develop them.



Using this feedback, Genesis learns in a controlled test environment before bringing new products and services to the wider market.

Based in Martinborough, the project's initial offer is focused on solar power installation and access to other products, including batteries, electric vehicle chargers and energy-monitoring tools. In return we ask participants for their thoughts and ideas from the experience of managing energy differently.

Customers taking part in the Local Energy Project, as at 30 June 2017.

Since launch, we've had 375 registrations of interest, completed 161 assessments of homes/businesses, signed up over 100 customers to take part and by the end of August 2017 will have done up to 50 installations.

In the past year, we've restructured large areas of our business, replacing purely functional disciplines with cross-functional, 'agile' teams.

Customers involved in energy insights.

Genesis' agile environment now encompasses 12 squads, multiple workstreams and over 100 people. The squads unite people from all areas of our business, including software developers, electricians, product managers, marketers and operational staff.

Our customers are now involved in all stages of a development process that releases multiple forms of a product to gain feedback for refinement.

Early squad activity included our energy insights trial that focused on using energy consumption data to build tools that help customers understand their energy requirements.



We can then uncover customer problems, test minimum viable products and keep improving them in a shorter period of time.

In Auckland and Waikato, 9,587 customers shared 12 months of smart meter data with us, enabling analysis of their energy use from heating, lighting and hot water, which was then itemised in personal reports.

Customers could then compare their usage with that of similarsized households, so they could make informed decisions around future usage.



Business

GENESIS ANNUAL REPORT 2017 GENESIS ANNUAL REPORT 2017



Rachel lives in the Auckland suburb of Glendowie with her husband and their two small children. She's been a Genesis customer for five years and likes a lot about Genesis, such as the way the Genesis app allows her to keep an eye on her household energy usage.

When Rachel saw that her monthly power bills were much higher than usual, she needed to find out why. After talking with David Tolcher, one of Genesis' Hamilton-based customer service reps, things started to look brighter.

David was able to help Rachel figure out that a faulty Ajax valve was the problem – the little valve had stopped doing its job of regulating the flow of hot water from Rachel's hot water cylinder and the result was those higher power bills.

Rachel called a plumber in, the valve got replaced and her problem disappeared. Rachel was impressed.

The next month my power bill was \$250 cheaper. To me that kind of savings was gold. I felt heard and

To learn more about Rachel and her experience go to: yearinreview. genesisenergy.co.nz

reimagining energy — at home.

In FY17, we applied innovation, partnerships and fresh thinking to advance our goal of reimagining energy to put control in our customers' hands.

The year brought a range of initiatives, all brought to market speedily and involving teams from across our Company – testament to what our 'agile' philosophy looks like in practice:

Fly Buys

We joined the Fly Buys programme in May, rewarding our loyal customers for the energy they use every day.

Energy Your Way

We launched the 'Energy Your Way' online energy plan service for our electricity customers. Using simple questions, the customer can determine the right monthly plan to meet their needs.

MyAccount Update

We've updated our MyAccount online system with a new, more intuitive design.

Simplified bottled gas pricing

We simplified our bottled gas pricing, offering either fixed or flexible plans. And our customer base for bottled gas is now set to increase significantly following our acquisition of the LPG distribution business of Nova Energy.

Hackathon

Our 'hackathon', held in March, brought together Genesis people with the staff of companies we partner with. The challenge? To reimagine the customer experience through the use of mobile and digital technologies.

The hackathon embodied the nimble and innovative approach we are taking throughout our Company in support of our vision to reimagine energy. We had people in customer-facing and generation roles working alongside creatives and technology experts, to try and come up with solutions that have potential to be taken to the market for our customers.

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The winning team worked with Microsoft HoloLens, a 'holographic computer'.

The team used HoloLens as a key component of a solution, including more conventional web and mobile interfaces, that in the future could help our customers see and manage their energy consumption in a radically different way.

IVR



Our new interactive voice response (IVR) system makes customer interactions faster and more personalised. Now, when a customer calls us from the number listed on their account, the system will identify their account number and let our team member know the customer's name on a pop-up screen. Being able to use the customer's name straight away and not having to ask for an account number helps to make for a faster, individualised service that our customers have responded well to.

Energy Online (EOL)

Energy Online is Genesis' challenger brand, targeted at consumers who prefer a no fixed-term contracts energy service at a competitive price. Customers responded well to this offering in FY17, particularly in the gas segment where customers were up 30 per cent over the previous year.

MYACCOUNT UPDATE

The update of our MyAccount online system uses a new, more intuitive design showing:

energy usage data

+ Fly Buys points

upgraded self-service features



30,000+

is used by more than 30,000 of our customer each month.



Andy is an electrician, a sparky, and a very successful one, too. He founded AB Electrical seven years ago and now employs seven people from his Brown's Bay base, doing jobs for residential customers across Auckland's fast growing North Shore.

Andy's been with Genesis for several years and sums up his experience with us with a single word: "faultless".

The admiration is mutual. Andy is signed up to Genesis' Trusted Trades programme, meaning that when Genesis customers are looking for a high-quality, trustworthy electrician, plumber or gasfitter, we will recommend Andy and the team at AB Electrical Limited.

The work he does gives Andy insights into the latest technology and trends and what these might mean for the future of energy management. The ideas of comfort, convenience and control all resonate with him, as they do with us. Andy reckons solar energy has got a big role to play in the future and Genesis agrees.

14

I think the next big thing we're going to be looking at is solar energy, along with automation for houses. The panels are getting a lot better and a lot more efficient. We're currently doing a job in Torbay that's going to have a 6.7 kilowatt system installed, which will also have a nine kilowatt-hour system battery back-up.

reimagining energy — for business.

Genesis is in the business of business. From sparkies like Andy Baker in Auckland, to micro-breweries in the deep South, to a range of commercial, industrial and farming customers, too, we help the nation's businesses to keep their customers happy.

In FY17, we ticked off a number of important initiatives for the 37,000 businesses we supply energy to.

In April, we set up a dedicated nationwide small and medium enterprise (SME) and agribusiness team. We also tested and launched our first agribusiness-focused product, 'Farmhouse', providing our rural customers with a platform to put farms and homes on one energy account.

We also secured a long-term energy supply agreement with Genesis' IT partner and one of New Zealand's most innovative companies, Spark.

In June, we rolled out this new service and showed off future technologies through our display stand at the world famous Fieldays in Hamilton.

For our commercial and industrial customers, we signed a contract in April to become the only energy retailer with the rights to offer Panoramic Power, an innovative energy-monitoring tool.

We have already installed 56 power sensors and have 230 more confirmed for future installation in a broad variety of industries, including meat processing, data management and healthcare.

We listened to our customers and developed an online tool giving builders, electricians and gas fitters the ability to complete online connection applications for their customers, any time and from any site.

LPG delivery

As part of our LPG growth strategy we purchased an LPG 'bobtail' truck to supply our SME and bulk LPG customers in the Auckland and Waikato regions. The truck can deliver around 1,000 tonnes of LPG annually to businesses that have tanks requiring onsite refuelling.

The LPG tanks are linked to an online automated monitoring service that tracks real-time tank levels and automatically sends customised reports to the customer and Genesis. Using this information Genesis schedules future gas deliveries.

The truck can deliver around

1,000 tonnes of LPG annually

to businesses

that have tanks requiring onsite

1000 tonnes per year





TRUSTED TRADES

Who do you trust to do a good job in your home?

The Trusted Trades initiative was born when Genesis saw an opportunity to provide a new service connecting our customers with local businesses.



Through Trusted Trades,
we help customers to find high-quality
electricians, gasfitters and plumbers –
people like sparkie and Genesis customer
Andy Baker. The tradies are selected
by Genesis via a stringent quality check,
covering reputation, rates, qualifications,
safety, Master Trades members and
customer ratings.



By going to genesisenergy.co.nz/trustedtrades, customers can select the trade they want and give us a few key details on the job that needs doing.



Genesis will then send a request to the most suitable trade partner, who'll be in touch with the customer within four hours of the referral being sent.



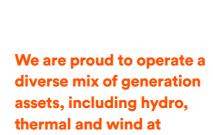


Te Awha Leevey is an operator-maintainer at Genesis' Huntly power station. It's a big plant and Te Awha has a big job. He helps to run, monitor and maintain vital equipment at the station so that it all hums smoothly when the power station is called on to generate the electricity

New Zealand needs.

Check out: yearinreview. genesisenergy.co.nz

— keeping the lights on.



locations in both the

North and South Islands.

Our fuel flexibility provides strength during difficult periods like those experienced in the winter of 2017, when cold weather increased electricity demand and southern lake hydro storage was low. Our thermal generation at Huntly underlines the important role Genesis plays in maintaining the resilience of New Zealand's electricity supply at such times.

Dry weather in the South Island resulted in electricity spot prices increasing and all swaption contracts being called for significant periods. The combination of more thermal generation at Huntly, with ample North Island hydro storage and high spot prices, means we finished the financial year in good shape. Total generation volume for FY17 was 6,422GWh, down five per cent on the prior year.

Our hydro stations at Tongariro, Waikaremoana and Tekapo had a combined 12-month generation output of 3,133GWh, up 18 per cent on FY16 and represented nearly 50 per cent of our total generation. Contributing to this output was 18.4GWh of additional generation, resulting from our ability to operate our hydro units more frequently at their most efficient loading – in essence, ensuring we use our valuable water to its full potential.



Tekapo power schem

Our long-term asset management and continued focus on optimising our generation business delivered sustainable cost savings of \$5 million during the financial year. We commenced a programme to review our preventative maintenance activity, utilising our new asset and risk management framework to ensure we undertake maintenance and capital investment on the right assets at the right time.

We also changed the timing of our maintenance to better reflect both plant and market conditions and bundled maintenance activities into reduced outage windows. This has significantly increased plant availability by over 30 days across the portfolio and, through improved planning and coordination, reduced the cost of resourcing our maintenance activities.



Genesis' own hydro stations at Tongariro, Waikaremoana and Tekapo had a combined 12-month generation output of 3,133GWh, up 18 per cent on FY16 and represented nearly 50 per cent of our total generation.



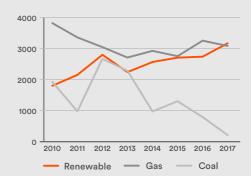
During the year, Genesis was granted resource consents from the Waikato Regional Council to replace the coal-fired Rankine units at Huntly power station any time during the next 20 years. The consents allow for the option of installing new gas turbines and provides an important platform for future development to support New Zealand's high percentage of renewable generation.

AT A GLANCE

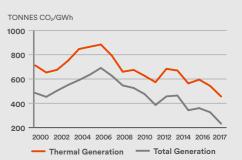
genera	tion	outputs

	FY17	FY16	% CHANGE
Gas (GWh)	3,082	3,240	(4.9)
Coal (GWh)	186	803	(76.9)
otal Thermal	3,268	4,043	(19.2)
lydro	3,133	2,654	18.0
Vind	21	24	(13.1)
otal Renewable	3,154	2,678	17.8
otal Generation	6,422	6,721	(4.5)
Average Price Received or Generation GWAP	\$60.63	\$64.07	(5.4)

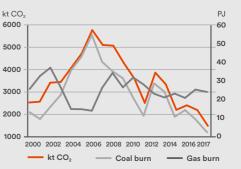
generation trend (gwh) by fuel type



carbon emitted per GWh generated



carbon dioxide emissions



(KT CO₂ and gas/coal burn (PJ) at Huntly Power Station)

Emily, from **Belmont Primary**

GENESIS ANNUAL REPORT 2017

Emily is proud to be an Energy Detective at Belmont Primary School, one of 92 schools in New Zealand that are part of our Schoolgen programme.

The school received a 4 kW photovoltaic system from Genesis in 2015, free of charge, and now uses Schoolgen resources within the teaching curriculum.

Emily's sleuthing helps to ensure her school is as efficient as possible in its use of electricity, by keeping appliances and light switches turned off when they're not needed and generally making sure the school is using its energy in the right way.

> Check out: yearinreview. genesisenergy.co.nz

doing good in our communities.

Genesis cares how we look after the environments in which we operate and the communities that help to sustain our success.

Youth Development

Now in its eleventh year, Schoolgen gives children the opportunity to learn about energy and energy efficiency using free online resources. For the 92 schools using our free solar panels, the teachers and students can see the energy they are making in real time on the Schoolgen website.

Over the past year these schools generated 489 MWh of electricity, which is equivalent to powering the entire country for five and a half minutes. In 2018, we will be reinvigorating what is already a great programme and using this as a springboard for some exciting new partnerships and initiatives that highlight the connections between our Company and the worlds of science and technology. Our aim is to help foster the sorts of curious minds and imaginations our country will need to keep succeeding.

Environmental Initiatives

The Whio Forever programme, run in partnership with the Department of Conservation (DOC), aims to secure the endangered whio (blue duck) population in the wild. With a population of less than 3,000, the whio is a vital indicator of the health of our high country river systems. Our work centres on predator control and advocacy for this important bird. Between 2015 and 2016 the number of protected whio pairs increased from 533 to 599.



Emily and Lachlan Belmont Primary School, Auckland.

We're doing our best to look after eel populations, too. The Waikaremoana power scheme is home to thousands of longfin eels, an iconic and endemic river animal and important traditional food source. Unfortunately, it's a species in decline across New Zealand. Longfin eels live up rivers for most of their lifespan then move downstream when they mature. Historically, this has meant navigating dam structures, water intakes and turbines. To ease the impact of these barriers we manually transport elvers (baby eels) upstream past these impediments and have built the Lake Whakamarino eel bypass, which opens every rainy night during the autumn spawning migration period, to allow adult eels to migrate downstream to spawn.

Social Need

Receiving the right budgeting advice can make a huge difference to a family struggling financially and that's why we have supported the NZ Federation of Budgeting Services since 2012. The nationwide service offers free, confidential assistance. Our funding was directed towards supporting the 0508 Budgetline, which took 2,991 calls over the past year, and was used to upgrade the Federation's client management tool. In addition, Genesis supported curtain banks, where free curtains are provided to low income families, in Auckland, Wellington and Christchurch.

AT A GLANCE

Graham Dingle Foundation

2,000

students participated in Graeme Dingle Foundation programmes at schools in the Waikato with the support of Genesis.

Whio Forever



Between 2015 and 2016 the number of protected whio (Blue Duck) pairs increased from 533 to 599.

Hillary Step

138

students from low decile schools attended a week-long education course funded by Genesis.



To find out more about our community investment programme, go to genesisenergy.co.nz/about us



our people — our competitive advantage.

Our purpose, to reimagine energy to put control in our customers' hands, is brought to life by the 820 passionate and caring people who work at Genesis.

We work hard to make Genesis a workplace where people can be themselves and where insight and empathy matters. Teams that work better together innovate more and come up with better products, services and ideas for our customers – and go the extra mile to keep one another safe.

We know that a diverse workplace, reflecting the communities and customers who sustain us, is essential to the success of our business.

This year, we extended our commitment to being an inclusive and diverse company through launching a new policy, **Minding the Gap**. This is an important component of increasing awareness of fairness in gender pay and creating action to address inequity.

Keeping our people safe

Our commitment to health, safety and wellbeing is unwavering. Our people rated safety as one of our unique strengths in this year's annual employee survey and our key measure of total recordable injury frequency rate (TRIFR) remains one of the lowest of similar companies in the energy industry.



We invest for continual improvements in our environments to prevent harm.

Genesis volunteer day.

We were proud to see our StayLive partnership win the EEA Workplace Safety Award for 2017. StayLive focuses on developing common safety frameworks and processes to enhance safety performance across New Zealand's energy sector.

Powering our leaders

Delivering more for our customers means having the right approach to leadership, too. We're optimising our leaders' skills so we can anticipate changing market and customer needs and foster high-performing teams.

We were delighted to see two exceptional Genesis leaders shortlisted for the 2017 Deloitte Energy Excellence awards. Tracey Hickman, Executive General Manager Generation & Wholesale, was a finalist in the Women in Energy category, while Shaun Goldsbury, Wholesale Manager in our Generation & Wholesale team, was a finalist for the Young Energy Professional of the Year.



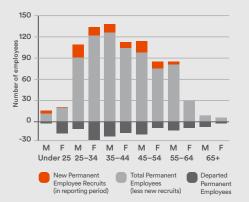
workforce employment

Type by gender



gender diversity

Age and gender profiles of workforce



40%

of Genesis' senior management are women.



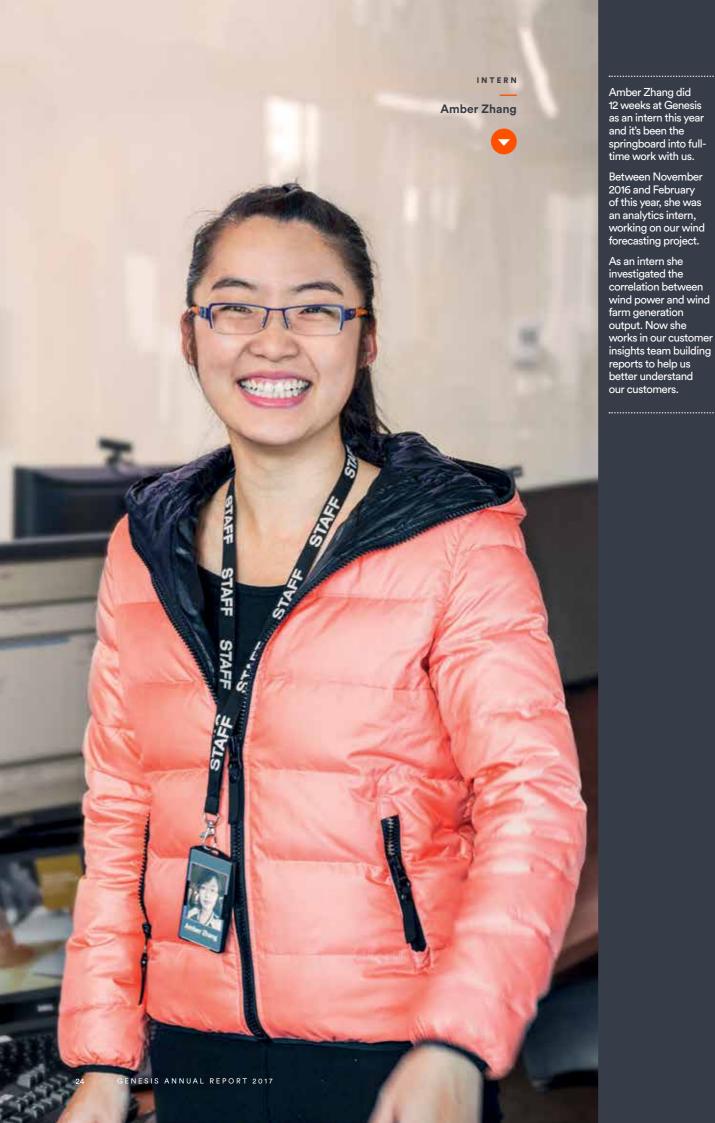
Louisa George is a health and safety business partner at

Genesis. Her role is to

work with staff across all our generation sites

to make sure they get home to their whānau each and every day.

It's about making sure people take responsibility for themselves and each other by helping them understand what the risks are and how to deal with them.



CARING FOR OUR PEOPLE

Building on the success of the 2015 internship programme, Genesis has again invested in bringing Māori and Pasifika interns into our business.

The Year of the Intern

Through our partnership with Ngaa Maramara o Raahui Pookeka (Huntly Marae Relationship Agreement) four students from local school Te Wharekura O Rakaumangamanga are working at the Huntly power station as part of an internship/ apprenticeship programme, working towards mechanical and electrical engineering qualifications.

In November 2016, five university students from the Tupu Toa programme began their twelve-week assignments at our Greenlane office. The Tupu Toa programme focuses on identifying, developing and supporting highpotential Māori and Pasifika graduates' transition to corporate careers.

These interns at Greenlane are working across the organisation and have been linked up with mentors to support them throughout their time with the business.



L to R Matawhero Collier-Hughes, Kena Rangi, Cyril Hogan. Absent Te Toka Edwards.



Girls in Hi-Vis at Tokaanu

Girls in Hi-Vis at Tokaanu

What should I do when I leave school? It's a big decision and it can be a hard one to make without the right information. Genesis is a partner in the Connexis Girls in Hi-Vis initiative, helping young women to understand the opportunities available to them in New Zealand's infrastructure sector. This year we were delighted to host 12 students at our Tokaanu power station.

The year 10 to year 13 students learned

The students heard from Sarah Erstich about her journey from civil engineer to her current role as Maintenance Contracts manager for Tokaanu. Millie Burry shared her trade apprenticeship path into Genesis, and Katie Brien shared how she transitioned from her executive assistant background into her current role as our bulk LPG co-ordinator.

first-hand from some of Genesis' female employees about the infrastructure working world and how our people got the knowledge and training essential to their future success.

TOTAL INJURIES	FY12	FY13	FY14	FY15	FY16	FY17
Workforce Injury Rate (injuries/100 employees)	14.27	8.28	4.92	4.86	2.83	2.85
Percentage of Absent Days (Absentee days/total days worked)	4.50%	4.53%	3.57%	2.47%	3.72%	0.00
Lost Time Injury Frequency Rate (LTIFR) (Lost time injuries x 200,000/ actual hours worked)	0.73	0.24	0.20	0.36	0.13	0.00
Total Recordable Injury Frequency Rate (TRIFR) ((Lost time injuries + Restricted work injuries + Medically treated injuries) x 200,000/actual hours worked)	1.46	0.47	0.39	0.49	0.51	0.53

¹ The data reported includes all minor self-treatment first-aid injuries. Note: 'Workforce' is defined as permanent and fixed-term employees, Employees as at 30 June 2017.

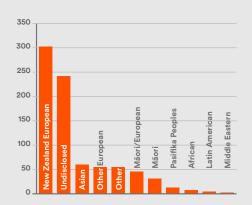
AT A GLANCE

workforce by employment type Full-time, part-time and contract



ethnicities represented

Across Genesis



number of staff

Retained our ACC accreditation at tertiary level.

of senior leaders participated in our leadership development

leadership

programme.

your — executive team.

Marc England and his team bring many years of experience from 16 different industry sectors, spanning eight countries.

While they have backgrounds as varied as the households and businesses we are proud to have as our customers. our executive team has been unified in its commitment to our Company's strategic direction.



CHIEF EXECUTIVE OFFICER

Marc England MBA, MENG

Marc England is the Chief Executive of Genesis so is responsible for the leadership, strategic direction and management of all of its business interests. Marc has a wealth of financial, marketing and strategy management experience with a track record of driving growth and innovation for customers.

Marc has strong international experience in large business leadership roles in energy businesses in the United Kingdom and Australia.

In his most recent role before ioining Genesis, Marc was on the executive team of Sydney-based AGL Energy, first as Group Head of Strategy then more recently Executive General Manager of New Energy.

Marc has also held roles at British Gas and the Ford Motor Company.



EXECUTIVE GENERAL MANAGER CUSTOMER **OPERATIONS**

Nigel Clark BBus (Acc), Dip Treasury Management, FCPA, FAICD, CFTP (Snr)

Nigel, who joined Genesis in October 2016, is responsible for driving exceptional customer experience across the retail and LPG distribution portfolio, including customer service, credit management and field services.

He has extensive energy executive experience, having been Managing Director at Momentum Energy in Australia.

Nigel is a Non-Executive Director of Snowy Hydro Limited.



EXECUTIVE GENERAL MANAGER GENERATION AND WHOLESALE

Tracey Hickman MA (Hons)

Tracey covers two key areas of the business, signalling greater integration and operating flexibility and efficiency between generation, fuels and wholesale activities.

Tracey is responsible for all aspects of wholesale and trading activity and fuels management, including managing the Company's hedge, active and carbon books.

Her role includes asset management, including lifecycle investment and maintenance, 24/7 operations, environmental management and health and safety in the generation part of the business.

Tracey has worked in the energy sector in a variety of roles for more than 20 years.



EXECUTIVE GENERAL MANAGER TECHNOLOGY AND DIGITAL

Jennifer (Jen) Cherrington-Mowat BCom, MBA

Jen joined Genesis in October 2016 after holding several senior leadership roles in organisations in the United Kingdom (UK).

This is a new role within the leadership team. Jen is responsible for helping deliver the digital services and tools our customers need to streamline energy management in their homes or their businesses. She brings almost 20 years of digital experience to Genesis and understands how technology and mobility are reshaping services to the home and for business.

CHIEF FINANCIAL

BE (Hons), MEM, CIMA

expertise to the Company.

management roles.

As Chief Financial Officer, Chris is responsible for overseeing all financial, treasury, tax, risk,

mergers and acquisitions (M&A), Investor

national and international experience and

commercial management, energy markets,

He joined Genesis in February 2013 after a

decade with Mercury Energy in a variety of

telecommunications and infrastructure roles

in New Zealand and the United Kingdom.

Chris has also worked in a variety of

Chris Jewell

Prior to joining Genesis, Jen held executive leadership roles at Mothercare, BT Group, eBay UK, Amazon UK, Yahoo! Europe and, most recently, Electrocomponents PLC.



EXECUTIVE GENERAL MANAGER PEOPLE AND CULTURE

in October 2016.

Nicola is responsible for the people and culture focus of the Company, including human resources, internal communications, property, health and safety and remuneration.

Nicola has worked for the ASB and internationally in Asia and the United Kingdom in financial services, real estate, manufacturing consulting firms.



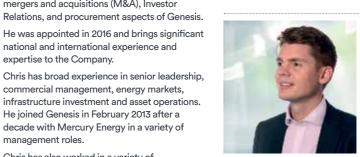
EXECUTIVE GENERAL AND TRANSFORMATION

Dean Schmidt BA (Hons)

Dean heads the Transformation Office, which is responsible for ensuring the Company's strategic initiatives are being implemented and delivered. In addition, he leads our strategic thinking on government and regulatory matters while also overseeing Genesis' legal team, corporate communications and community investment.

Having joined Genesis in August 2012, Dean brings political, private sector and State-owned enterprise experience to the Company.

He served as Head of Corporate Affairs at Television New Zealand, Group Corporate Affairs Manager for New Zealand Post Group and Head of Government and Community Relations at Telecom New Zealand Limited.



GENERAL MANAGER
PRODUCT MARKETING

James Magill BSc (Hons), Dip Corp Finance, MBA (Madrid/Melbourne)

James joined Genesis in October 2016 and is responsible for driving growth across the retail portfolio, including accountability for product development, pricing, marketing, sales and customer analytics.

He has worked within the energy industry for the last 12 years in the United Kingdom, Texas and Australia before moving to New Zealand.

James has experience in strategy, corporate finance, product development and originating new business opportunities.

Nicola Richardson

Nicola joined Genesis in October 2014 as Group Manager Talent and Development and was appointed to the leadership team

industries and global human resource

yourboardof directors.

Our Directors bring an impressive range of experience and outlooks to their governance roles at Genesis.

All have held important leadership and governance roles at major organisations here and overseas, in the public and private sectors. These roles have ranged from the most senior positions in government to chief executive roles in a wide range of industries, including telecommunications, engineering and accounting.

As with every other aspect of our Company in FY17, the Board saw changes, too. Directors Graeme Milne, John Dell and Rukumoana Schaafhausen departed our Board, after eight and seven years' service respectively, and we thank them for their valuable service. The Board in turn welcomed three outstanding new members, Paul Zealand, Timothy Miles and Maury Leyland.





Joanna Perry MNZM, MA Econ (Cantab), FCA

Joanna Perry joined the Genesis Board in 2007 and she is also Chairman of the Company's Audit and Risk Committee.

Joanna is a professional Director whose Board appointments include Trade Me Group Limited, Partners Life Limited, Kiwi Property Group Limited and Regional Facilities Auckland (Deputy Chair). Joanna is Chairman of the International Financial Reporting Standards (IFRS) Advisory Council.

She was previously a partner in the international accountancy and consultancy firm KPMG, Chairman of the New Zealand Financial Reporting Standards Board and a member of the Securities Commission.



Mark Cross BBS, CA

CHAIR

Rt Hon Dame Jenny Shipley

DNZM

Dame Jenny Shipley has been Chairman

of Genesis since 2009. During this period

she has overseen both the reshaping

of the Company's strategic direction and

the move into a listed environment.

She is Chairman of the Company's

Nominations Committee and is also

a member of the Company's Human

Resources and Remuneration Committee.

Dame Jenny is Chairman of Oravida

Limited, Oravida Waters Limited and

Oravida NZ Limited. She is Chairman of

China Construction Bank (New Zealand)

Limited having sat on the Hong Kong and

Shanghai-listed parent Board for six years.

She runs her own consulting and advisory

company, Jenny Shipley New Zealand

Limited, and speaks around the world

on a wide range of topics. She is a Board

member of the BOAO forum for Asia and the

International Finance Forum (IFF), Beijing.

She is Co-Chair of New Zealand Champions

for Change and an executive Board member

of the New Zealand China Council. She is also

a trustee of the Heart Health Research Trust

and patron of a number of organisations.

Dame Jenny was Prime Minister

of New Zealand from 1997 to 1999.

In the preceding seven years, she held

a number of ministerial roles where

she drove a wide range of reforms.

These included New Zealand's

State-owned Enterprise (SOE), airport

and energy sector corporatisation and privatisation programmes.

Mark Cross joined the Genesis Board in 2014 and is a member of the Company's Audit and Risk Committee.

Mark, a professional Director, is currently Chairman of Milford Asset Management Limited, MFL Mutual Fund Limited/
Superannuation Investments Limited and a Director of listed companies Z Energy, Chorus and Argosy Property, as well as other private companies in which he is an investor.

In his nearly 20-year investment banking career, Mark provided corporate finance advice to companies and governments in Australia, United Kingdom and Europe. Mark held senior positions at Deutsche Bank in London, and prior to that in Australia, and at Lloyds Corporate Finance/Southpac Corporation in Australia and New Zealand.



John Leuchars ME, BCA, FIPENZ

John Leuchars joined the Genesis Board in 2012 and is a member of the Company's Audit and Risk Committee.

John is a professional Director whose Board appointments currently include KiwiRail Holdings Limited and Wellington Gateway General Partner companies (Transmission Gully Motorway).

John was a consulting engineer who held Director and Managing Director positions in international consulting engineering companies for 30 years. These included Managing Director of Connell Wagner (NZ) Limited (now Aurecon) and of Connell Mott MacDonald, London. He has experience in a broad range of industries, including the design of power generation projects in a hands-on design role and at a governance level.



Doug McKay ONZM, BA, AMP (Harvard)

Doug McKay joined the Genesis Board in 2014 and is Chairman of the Company's Human Resources and Remuneration Committee and the Nominations Committee.

Doug is Chairman of the Bank of New Zealand and Eden Park Trust Board and has directorships with National Australia Bank (NAB), IAG and Ryman Healthcare. He is a Director and shareholder of Tourism Transport Limited.

Doug began his career with Procter & Gamble, working in a number of roles both in New Zealand and overseas and subsequently worked in Managing Director and Chief Executive roles with Lion Nathan, Carter Holt Harvey, Goodman Fielder, Sealord and Independent Liquor where he was also Chairman. Doug was the inaugural Chief Executive of the amalgamated Auckland Council until the end of 2013.



Maury Leyland BE (Hons), FIPENZ, CMInstD

Maury Leyland joined the Genesis Board in 2016. She is also a member of the Company's Audit and Risk Committee.

Maury is the Chair of The Education Hub, a non-profit organisation focused on bridging the gap between research and practice in school-level education and on the steering committee of Te Hono Movement, a major primary sector leadership initiative. She has been a Director of Spark New Zealand and Transpower New Zealand. She is a Fellow of the Institution of Professional Engineers of New Zealand and a Chartered Member of the Institute of Directors.

Maury worked at Fonterra from 2005 until 2016, most recently as a member of the executive team in the role of Managing Director for People, Culture and Strategy. She has also held leadership roles in risk and crisis management, supply chain management and for the listing of the Fonterra Shareholders' Fund.

Earlier in her career, Maury worked as a consultant with the Boston Consulting Group, where she provided strategic and operational advice across many industries. She was with Team New Zealand as a member of the design team during the successful 1995 America's Cup campaign.



Paul Zealand MBA, BSc Mech. Eng (Hons)

Paul Zealand joined the Genesis Board in October 2016 and is a member of the Company's Human Resources and Remuneration Committee and the Nominations Committee.

Paul is currently a non-executive Director of New Zealand Refining Company Limited and Lochard Energy.

Paul has over 40 years' experience in the oil and gas sector where he started with Shell in the UK as a refinery engineer. He later became Chairman of Shell New Zealand and Chief Executive Officer of the upstream oil and gas business of Origin Energy. Through these roles Paul developed skills in strategic business management, health, safety and environmental management, operational risk, and commercial management of complex assets.



Tim Miles BA

Tim Miles joined the Genesis Board in November 2016 and is a member of the Company's Human Resources and Remuneration Committee and the Nominations Committee.

Tim also serves as Chair on the Advisory Boards of Revera Ltd and the CCL Group.

Tim began his career with IBM and later joined Data General Corporation, rising to Director of Marketing – Asia Pacific. He then joined Unisys Corporation in various senior executive roles before taking up roles as the Chief Executive Officer of Vodafone New Zealand, the Chief Executive Officer of Vodafone UK and the Vodafone Group Chief Technology Officer. Upon returning to New Zealand, Tim was Managing Director of listed agricultural group PGG Wrightson before taking up a role as Chief Executive Officer of Spark Digital, playing a key role in the transition of Spark to become New Zealand's leading digital services provider.

corporategovernancehighlights.

The Board

The Board plays an essential role in setting and overseeing the effective execution of Genesis' strategic direction, with a clear focus on organisational resilience and the creation of long-term value for shareholders. Through strong governance structures the Board is able to continually assess transformative opportunities and undertake proactive risk management to ensure the right programmes of activities are in place across the business. Acting in the best interests of the Company requires the Board to take regard of the employees and other key stakeholders, including lwi and the communities in the areas in which Genesis operates, to enable the effective implementation of the Company direction.

Board appointments and board skills matrix

To take advantage of the opportunities, and meet the challenges of a rapidly changing energy sector, the Board recognises the need to provide a mix of skills, diversity and experience that the Company will be able to draw on to support the implementation and delivery of opportunities now and in the years ahead. The Board appointed three new Directors this financial year (Maury Leyland on 1 August 2016, Paul Zealand on 19 October 2016 and Tim Miles on 21 November 2016). These appointments see the Board maintain a balance between experience and knowledge of the energy sector and new Directors who bring fresh

perspectives and insights from a range of sectors. The diversity of thought across the Board is demonstrated by the wide range of qualifications and experience of Directors as set out in the biographies on pages 28 and 29 and the current skills matrix of the Board as illustrated in Diagram 1.

Standing committees

The Board is assisted by three standing committees. These are the Audit and Risk Committee, the Nominations Committee and the Human Resources and Remuneration Committee. The Committees review matters on behalf of the Board and, subject to the terms of each Committee's charter, refer matters to the Board for decision.

Diagram 1 – Board skills matrix

Electricity sector Corporate finance Oil and gas sector Telco and digital Banking and financial Sales and marketing markets Crisis management lwi relationships Engineering Public sector leadership Compliance and Generation assets

regulatory
Accounting and audit
Generation assets
Consumer behaviours
and customer insights

Executive leadership and strategy

SKILLS

Financial acumen Risk management Health, safety and environmental management

Public policy
Governance

People and culture
Digital, technology and innovation
Management of complex infrastructure

BOARD TENURE

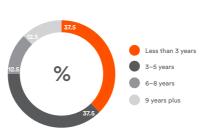


Diagram 2 - Committees



Details of the membership and composition of each are set out in Diagram 2 and the governing charters can be found in the Investor Centre on the Company's website. Directors who are non-Committee members may attend meetings of any Board Committee. The Board also receives Committee minutes and updates from the Chair of each Committee on an ongoing basis.

Special committees

The Board establishes other Committees from time to time to deal with and advise on projects relating to the execution of strategic business opportunities. In order to support the FY17 strategic direction of the Company, three special Committees were established this past financial year: the Kupe Board Oversight Committee, the Nova Due Diligence Committee and the Bond Oversight Committee. In total, 19 special Committee meetings were held during FY17.

Board and committee meetings and attendances

The Board schedules a minimum of 10 meetings of Directors each year. Additional meetings are called as required. For example, to appropriately support the execution of Company strategy across the year with the Nova, Kupe and bond transactions, five unscheduled Board meetings were held. The total number of Board and Committee meetings held during

the year and details of Directors' attendance at those meetings are set out in Diagram 4.

Directors' fees

Directors are remunerated in the form of Directors' fees, approved by shareholders. The Chair receives a higher level of fees to reflect the additional time and responsibilities that this position involves. From 1 November 2016, the Chair did not receive any fees for committee attendances.

A separate pool of fees, approved by shareholders for standing committee work, is allocated in respect of membership of the various Board Committees. In FY17, an additional pool of \$20,000 was also allocated to Directors for additional work and attendances. This pool was exhausted by the extensive work of the special committees. No Director is entitled to any remuneration from the Company other than by way of Directors' fees and the reasonable reimbursement of travelling, accommodation and other expenses incurred in the course of performing duties or exercising their role as a Director. Diagram 3 sets out the remuneration paid to people who held office as Directors during the year to 30 June 2017.

More information about the Company's corporate governance policies, practice and processes is set out on page 74.

Diagram 3 - Directors' fees

DIRECTOR'	BOARD FEES \$	STANDING COMMITTEE FEES \$	SPECIAL COMMITTEE FEES \$
Dame Jenny Shipley (Chair) ²	162,333.36	3,666.64	Nil
Mark Cross	86,666.67	9,333.33	4,560.80
John Leuchars	86,666.67	9,333.33	Nil
Maury Leyland (appointed 1 August 2016)	79,999.96	6,666.66	3,508.16
Joanna Perry ³	93,333.35	18,666.65	7,368.48
Doug McKay	86,666.65	12,999.99	Nil
Tim Miles (appointed 21 November 2016)	54,965.96	6,412.44	Nil
Paul Zealand (appointed 19 October 2016)	62,353.58	7,274.42	4,560.80

- 1 Directors' fees exclude GST and reimbursed costs directly associated with carrying out their duties e.g. travel. In accordance with resolution 4 passed at the annual shareholder meeting held on 19 October 2016, the annual total pool for Directors' fees increased by \$102,000 with effect from 1 November 2016. Graeme Milne who retired on 19 October 2016 received \$28,000.00 in total, John Dell who retired on 29 July 2016 received \$7,666.67 in total and Rukumoana Schaafhausen who retired on 19 October 2016 received \$29,333.36 in total.
- 2 From 1 November 2016, the Chair did not receive any fees for committee attendances
- 3 From 1 July 2016 to 31 October 2016, Joanna Perry received fees for her role as Deputy Chairman. This role was disestablished from 1 November 2016.

Diagram 4 - Board and committee meetings and attendances

DIRECTOR ¹	APPOINTED	BOARD MEETINGS ²	AUDIT AND RISK COMMITTEE	HUMAN RESOURCES AND REM COMMITTEE	NOMINATIONS COMMITTEE	NOVA DUE DILIGENCE COMMITTEE	BOND OVERSIGHT COMMITTEE	KUPE BOARD OVERSIGHT COMMITTEE
Total Meetings held		19	5	4	2	9	7	3
Dame Jenny Shipley	01 Nov 2009	19	2	4	2			3
Mark Cross	24 Jun 2014	18	5			9	7	3
John Leuchars	16 Jul 2012	19	5					
Maury Leyland	1 Aug 2016	17	3			9	7	
Joanna Perry	01 May 2007	18	5		1	9	7	3
Doug McKay	24 Jun 2014	18		3	1			
Tim Miles	21 Nov 2016	12		2	1			
Paul Zealand	19 Oct 2016	14		3	1	9	7	3
John Dell*	01 May 2010	2	1					
Graeme Milne*	01 May 2009	6			1			
Rukumoana Schaafhausen*	01 May 2010	6	2					

- 1 All Directors listed are independent Directors.
- 2 In addition, Directors participated in a number of stakeholder and investor meetings throughout FY17.
- * John Dell ceased to be a Director on 29 July 2016. Graeme Milne ceased to be a Director on 19 October 2016. Rukumoana Schaafhausen ceased to be a Director on 19 October 2016.

consolidated financial statements

for the year ended 30 June 2017

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Consolidated comprehensive income statement

For the year ended 30 June 2017

For the year ended 30 June 2017	Note	2017 \$ million	2016 \$ million
Operating revenue			
Electricity revenue		1,615.8	1,676.7
Gas revenue		232.8	242.4
Petroleum revenue		68.4	53.8
Other revenue	4	34.1	38.4
		1,951.1	2,011.3
Operating expenses			
Electricity purchases, transmission and distribution		(895.6)	(910.9)
Gas purchases, transmission and distribution		(246.4)	(252.0)
Petroleum production, marketing and distribution		(36.7)	(23.0)
Fuels consumed		(139.8)	(196.3)
Employee benefits	4	(77.6)	(81.8)
Other operating expenses	4	(222.5)	(212.0)
		(1,618.6)	(1,676.0)
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses (EBITDAF)		332.5	335.3
Depreciation, depletion and amortisation	5	(174.6)	(127.5)
Impairment of non-current assets	15	(2.4)	_
Revaluation of generation assets	15	51.5	138.0
Change in fair value of financial instruments	6	22.6	(26.6)
Other gains (losses)		(1.6)	(3.0)
		(104.5)	(19.1)
Profit before net finance expense and income tax		228.0	316.2
Finance revenue		1.6	2.0
Finance expense	7	(62.1)	(65.2)
Profit before income tax		167.5	253.0
Income tax expense	8	(48.8)	(68.8)
Net profit for the year		118.7	184.2
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in cash flow hedge reserve	25	29.4	(33.6)
Income tax credit (expense) relating to items that may be reclassified	8	(8.2)	9.4
Total items that may be reclassified subsequently to profit or loss		21.2	(24.2)
Items that will not be reclassified subsequently to profit or loss:			
Change in asset revaluation reserve	15	19.8	232.6
Income tax credit (expense) relating to items that will not be reclassified	8	(5.5)	(65.1)
Total items that will not be reclassified subsequently to profit or loss		14.3	167.5
Total other comprehensive income (expense) for the year		35.5	143.3
Total comprehensive income for the year		154.2	327.5
Earnings per share from operations attributable to shareholders of the Parent			
Basic and diluted earnings per share (cents)	9	11.88	18.43

The above statements should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2017

,	Note	Share capital \$ million	Share-based payments reserve \$ million	Asset revaluation reserve \$ million	Cash flow hedge reserve \$ million	Retained earnings \$ million	Total \$ million
Balance as at 1 July 2015		539.7	0.3	805.8	(19.6)	499.2	1,825.4
Net profit for the year		_	-	-	-	184.2	184.2
Other comprehensive income							
Change in cash flow hedge reserve	25	_	_	_	(33.6)	_	(33.6)
Change in asset revaluation reserve	15	_	_	232.6	-	_	232.6
Income tax (expense)/credit relating to other comprehensive income	8	_	-	(65.1)	9.4	-	(55.7)
Total comprehensive income (expense) for the	year	_	-	167.5	(24.2)	184.2	327.5
Revaluation reserve reclassified to retained earnings on disposal of assets		_	-	(0.4)	-	0.4	-
Share-based payments	12	_	0.2	-	-	_	0.2
Dividends	10	_	-	-	-	(161.9)	(161.9)
Balance as at 30 June 2016		539.7	0.5	972.9	(43.8)	521.9	1,991.2
Net profit for the year		_	_	-	-	118.7	118.7
Other comprehensive income							
Change in cash flow hedge reserve	25	_	_	-	29.4	_	29.4
Change in asset revaluation reserve	15	_	_	19.8	-	_	19.8
Income tax expense relating to other comprehensive income	8	_	-	(5.5)	(8.2)	-	(13.7)
Total comprehensive income for the year		_	_	14.3	21.2	118.7	154.2
Share-based payments	12	_	0.5	-	-	_	0.5
Dividends	10	_	_	_	-	(164.0)	(164.0)
Balance as at 30 June 2017		539.7	1.0	987.2	(22.6)	476.6	1,981.9

Consolidated balance sheet

As at 30 June 2017

As at 30 June 2017		2017	2016
	Note	\$ million	\$ million
Current assets			
Cash and cash equivalents		27.8	34.9
Receivables and prepayments	13	224.9	188.8
Inventories	14	79.8	79.3
Intangible assets	17	6.7	4.8
Tax receivable		6.4	4.1
Derivatives	25	26.4	19.9
Total current assets		372.0	331.8
Non-current assets			
Receivables and prepayments	13	3.5	4.2
Property, plant and equipment	15	2,996.7	2,988.0
Oil and gas assets	16	434.8	267.5
Intangible assets	17	371.9	133.7
Derivatives	25	39.9	53.0
Total non-current assets		3,846.8	3,446.4
Total assets		4,218.8	3,778.2
Current liabilities			
Payables and accruals	22	180.2	166.8
Borrowings	23	11.0	136.2
Provisions	24	13.7	15.3
Derivatives	25	23.2	27.6
Total current liabilities		228.1	345.9
Non-current liabilities			
Payables and accruals	22	0.7	0.8
Borrowings	23	1,248.8	776.0
Provisions	24	158.9	123.2
Deferred tax liability	8	574.7	484.3
Derivatives	25	25.7	56.8
Total non-current liabilities		2,008.8	1,441.1
Total liabilities		2,236.9	1,787.0
Shareholders' equity			
Share capital	11	539.7	539.7
Reserves		1,442.2	1,451.5
Total equity		1,981.9	1,991.2
Total equity and liabilities		4,218.8	3,778.2

The Directors of Genesis Energy Limited authorise these financial statements for issue on behalf of the Board.

Rt Hon Dame Jenny Shipley, DNZM

Chairman of the Board Date: 21 August 2017 Joanna Perry, MNZM

Chairman of the Audit and Risk Committee

Date: 21 August 2017

Consolidated cash flow statement

For the year ended 30 June 2017

To the year chaca so danc 2017	Note	2017 \$ million	2016 \$ million
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		1,909.9	2,009.2
Interest received		1.6	2.0
Tax received		-	20.9
		1,911.5	2,032.1
Cash was applied to:			
Payments to suppliers and related parties		1,534.3	1,578.7
Payments to employees		77.7	82.6
Tax paid		51.0	46.0
		1,663.0	1,707.3
Net cash inflows from operating activities		248.5	324.8
Cash flows from investing activities			
Cash was provided from:			
Proceeds from disposal of property, plant and equipment		0.2	6.4
		0.2	6.4
Cash was applied to:			
Purchase of property, plant and equipment		26.3	19.1
Purchase of oil and gas assets		5.9	8.8
Purchase of intangibles (excluding emission units and deferred customer acquisition costs)		22.6	10.6
Purchase of business acquisitions	18	355.0	_
		409.8	38.5
Net cash (outflows) from investing activities		(409.6)	(32.1)
Cash flows from financing activities			
Cash was provided from:			
Proceeds from borrowings		501.0	100.0
		501.0	100.0
Cash was applied to:			
Repayment of borrowings		125.0	155.0
Interest paid and other finance charges		58.0	61.9
Dividends	10	164.0	161.9
		347.0	378.8
Net cash inflows (outflows) from financing activities		154.0	(278.8)
Net increase (decrease) in cash and cash equivalents		(7.1)	13.9
Cash and cash equivalents at 1 July		34.9	21.0
Cash and cash equivalents at 30 June		27.8	34.9

Consolidated cash flow statement (continued)

For the year ended 30 June 2017

For the year ended 30 June 2017 Reconciliation of net profit to net cash inflow from operating activities	Note	2017 \$ million	2016 \$ million
Net profit for the year		118.7	184.2
Items classified as investing/financing activities			
Net gain on disposal of property, plant and equipment		(0.2)	(0.3)
Working capital items acquired through business acquisitions		(35.6)	_
Interest and other finance charges paid		56.7	59.1
		20.9	58.8
Non-cash items			
Depreciation, depletion and amortisation expense	5	174.6	127.5
Revaluation of generation assets	15	(51.5)	(138.0)
Impairment of non-current assets	15	2.4	-
Change in fair value of financial instruments	6	(22.6)	26.6
Deferred tax expense	8	0.8	31.4
Change in capital expenditure accruals		5.4	(4.6)
Change in rehabilitation and contractual arrangement provisions		(2.1)	1.7
Other non-cash items		(3.2)	(0.8)
		103.8	43.8
Movements in working capital			
Change in receivables and prepayments		(35.4)	(4.4)
Change in inventories		(0.5)	25.1
Change in emission units on hand		(2.8)	(2.0)
Change in deferred customer acquisition costs		(1.3)	(3.9)
Change in payables and accruals		13.3	8.6
Change in tax receivable/payable		(2.3)	12.1
Change in provisions		34.1	2.5
		5.1	38.0
Net cash inflow from operating activities		248.5	324.8

Notes to the consolidated financial statements

For the year ended 30 June 2017

1. General information

Genesis Energy Limited (the 'Parent') is a company registered under the Companies Act 1993. The Parent is majority owned by Her Majesty the Queen in Right of New Zealand (the 'Crown') and is listed on the NZSX, NZDX and ASX. The Parent, as a mixed ownership model company, is bound by the requirements of the Public Finance Act 1989. The liabilities of the Parent are not guaranteed in any way by the Crown. The Parent is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The consolidated financial statements comprise the Parent, its subsidiaries and the Group's interests in joint operations (together, the 'Group'). The Group is designated as a profit-oriented entity for financial reporting purposes.

The Group's core business is located in New Zealand and involves the supply of energy (electricity, gas and LPG) to wholesale and retail markets, and the exploration, development and production of petroleum products.

2. Basis of accounting

Basis of preparation

The financial statements have been prepared in accordance with, and comply with, New Zealand Generally Accepted Accounting Practice ('NZ GAAP'), New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable New Zealand Financial Reporting Standards. These financial statements comply with International Financial Reporting Standards ('IFRS').

The financial statements have been prepared in accordance with the Financial Markets Conduct Act 2013, the Financial Reporting Act 2013 and the Companies Act 1993, and are presented in New Zealand dollars rounded to the nearest 100,000. The accounting policies adopted in the preparation of these financial statements are set out below and in the relevant notes to the financial statements. These policies have been applied consistently to all years presented, unless otherwise stated.

The financial statements have been prepared under the historical-cost convention, modified by the revaluation of derivatives, emission units held for trading and generation assets.

The financial statements are prepared on a Goods and Services Tax ('GST') exclusive basis with the exception of receivables and payables, which include GST where GST has been invoiced.

Basis of consolidation

Subsidiaries

Subsidiaries are all those entities (including structured entities) controlled by the Group. Control is achieved when the Parent has exposure or rights to variable returns and has the power to affect those returns. Subsidiaries are consolidated from the date control is acquired. They are de-consolidated from the date control ceases. The acquisition method of accounting is used to account for the acquisition of subsidiaries.

Joint operations

Where the Group invests in joint operations, the Group's share of revenue, expenditure, assets and liabilities is included in the appropriate categories within the Group financial statements on a proportionate line-by-line basis.

Transactions and balances eliminated on consolidation

Intercompany transactions, balances, revenue and expenditure between Group companies are eliminated on consolidation.

Critical accounting estimates and judgements

The preparation of financial statements requires Management to make estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, revenues and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant areas of estimation in these

financial statements are as follows: Valuation of generation assets

The Group's generation assets are carried at fair value. The fair value is based on the present value of the estimated future cash flows of the assets. The key assumptions used in the valuation and the carrying value of generation assets are disclosed in note 15.

Depletion of oil and gas producing assets

Depletion of oil and gas producing assets is based on the proved reserves to which the assets relate. Proved reserve estimates can change over time. The proved reserve estimates used to deplete oil and gas producing assets and the carrying value of the assets are disclosed in note 16.

Valuation of rehabilitation and restoration provision

The financial statements include an estimate of the liability in relation to the abandonment and restoration of generation and oil and gas production sites. Such estimates are measured at the present value of the cash flows estimated to settle the obligation. The key assumptions used in the calculation and the carrying value of the rehabilitation and restoration provision are disclosed in note 24.

Valuation of electricity derivatives

The valuation of electricity derivatives classified as level three financial instruments is based on an average of the internally and externally generated electricity price paths, which incorporate a number of assumptions. The key assumptions used in the valuation and the carrying value of electricity derivatives classified as level three financial instruments are disclosed in note 27.

2. Basis of accounting (continued)

Valuation of oil and gas assets and intangible assets acquired through business acquisitions

The fair value of oil and gas assets and customer contracts and relationships acquired in business acquisitions are based on discounted cash flow models which incorporate a number of assumptions. The key assumptions used in the valuations are disclosed in note 18.

Impairment of assets

Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets that are subject to depletion, depreciation or amortisation are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an asset's carrying value exceeds its recoverable amount, the difference is recognised as an impairment loss in profit or loss, except where the asset is carried at a revalued amount then it is treated as a revaluation decrease.

The recoverable amount is the higher of an asset's fair value less costs to sell, and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at a rate that reflects current market assessments of the time value of money. This discount rate is adjusted for the risks specific to the asset where the estimated cash flows have not been adjusted.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but only to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the carrying amount would have been had the impairment not been recognised. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value in which case the reversal of the impairment loss is treated as a revaluation increase. Impairment of goodwill is not reversed.

Foreign currency transactions

Transactions denominated in a foreign currency are converted at the exchange rate in effect at the date of the transaction. At balance date monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Exchange gains and losses arising from these translations and the

settlement of these items are recognised in profit or loss, except when deferred in equity where cash flow hedging is applied (refer to the derivatives accounting policy disclosed in note 25).

Statement of cash flows

The following definitions are used in the statement of cash flows:

Operating activities

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, oil and gas assets, intangible assets (excluding emission units and deferred customer acquisition costs) and investments.

Financing activities

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

Payments to suppliers and related parties disclosed in operating activities include the net amount of GST paid/received during the year. GST is disclosed on a net basis as the gross amounts do not provide meaningful information for financial statement purposes.

Capital and reserves

Asset revaluation reserve

The asset revaluation reserve is used to record movements in the fair value of generation assets in accordance with the property, plant and equipment accounting policy disclosed in note 15.

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 hedge transactions that have not yet occurred.

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.

Adoption of new and revised accounting standards, interpretations and amendments

There have been no new and revised accounting standards, interpretations or amendments effective during the year that have a material impact on the Group's accounting policies or disclosures.

Accounting standards, interpretations and amendments in issue not yet effective

IFRS 9 Financial Instruments is effective for annual reporting periods beginning on or after 1 January 2018. The standard comprises three phases: phase one, Classification and Measurement; phase two, Impairment Methodology; and phase three, Hedge Accounting.

- Phases one and two are not expected to have a material impact on the Group's financial statements.
- Phase three is not expected to have a material impact on the balances recorded in the Group financial statements but it is expected to increase the level of information disclosed.

NZ IFRS 15 Revenue from Contracts with Customers is effective for annual reporting periods beginning on or after 1 January 2018. Preliminary analysis indicates this standard is unlikely to have a material impact on the Group's financial statements.

NZ IFRS 16 *Leases* is effective for annual reporting periods beginning on or after 1 January 2019. The new standard eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most operating leases onto their balance sheets. The impact this standard will have on the Group's financial statements has not yet been determined.

All other standards, interpretations and amendments approved but not yet effective in the current year are not applicable to the Group and, therefore, have not been discussed.

3. Segment reporting

The Group is currently organised into four segments as follows:

Segment	Activity
Customer (previously Customer experience)	Supply of energy (electricity, gas and LPG) and related services to end-users.
Wholesale (previously Energy management)	Supply of electricity to the wholesale electricity market, and supply of gas, LPG and coal to wholesale customers and the Customer segment and the sale and purchase of derivatives to fix the price of electricity.
Kupe (previously Oil and gas)	Exploration, development and production of gas and petroleum products. Supply of gas and LPG to the Wholesale segment and supply of light oil.
Corporate	Head-office functions, including new generation investigation and development, fuel management, information systems, human resources, finance, corporate relations, property management, legal and corporate governance. Corporate revenue is made up of property rental and miscellaneous income.

The segments are based on the different products and services offered by the Group. No operating segments have been aggregated.

Year ended 30 June 2017	Customor	\M/balasala	Vuna		nter-segment	Total
	Customer \$ million	Wholesale \$ million	Kupe \$ million	Corporate \$ million	items \$ million	Total \$ million
Operating revenue						
Electricity revenue	1,207.1	895.3	-	-	(486.6)	1,615.8
Gas revenue	147.6	129.8	68.7	-	(113.3)	232.8
Petroleum revenue	16.0	12.1	52.9	-	(12.6)	68.4
Other revenue	11.2	21.7	0.2	1.0	-	34.1
	1,381.9	1,058.9	121.8	1.0	(612.5)	1,951.1
Operating expenses						
Electricity purchase, transmission and distribution	(996.9)	(385.3)	-	-	486.6	(895.6
Gas purchase, transmission and distribution	(115.7)	(175.3)	-	-	44.6	(246.4
Petroleum production, marketing and distribution	(9.8)	(10.1)	(29.4)	-	12.6	(36.7
Fuel consumed	-	(208.5)	-	-	68.7	(139.8
Employee benefits	(28.6)	(28.4)	(0.2)	(20.4)	-	(77.6
Other operating expenses	(121.3)	(75.2)	(7.8)	(18.2)	-	(222.5
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses	109.6	176.1	84.4	(37.6)	-	332.5
Depreciation, depletion and amortisation	(5.7)	(110.5)	(47.6)	(10.8)	-	(174.6
Impairment of non-current assets	(2.1)	(0.2)	_	(0.1)	-	(2.4
Revaluation of generation assets	-	51.5	-	-	-	51.5
Change in fair value of financial instruments	-	18.4	0.6	3.6	-	22.6
Other gains (losses)	-	(0.7)	(0.6)	(0.3)	-	(1.6
Profit (loss) before net finance expense and income tax	101.8	134.6	36.8	(45.2)	-	228.0
Finance revenue	0.2	-	0.1	1.3	-	1.6
Finance expense	(0.2)	(2.5)	(2.9)	(56.5)	-	(62.1
Profit (loss) before income tax	101.8	132.1	34.0	(100.4)	-	167.5
Other segment information						
Capital expenditure	16.6	16.6	5.4	8.2	_	46.8

3. Segment reporting (continued)

Year ended 30 June 2016	Customer \$ million	Wholesale \$ million	Kupe \$ million	Corporate \$ million	Inter-segment items \$ million	Total \$ million
Operating revenue						
Electricity revenue	1,199.2	975.3	_	_	(497.8)	1,676.7
Gas revenue	153.0	136.4	53.9	_	(100.9)	242.4
Petroleum revenue	_	_	53.8	_	_	53.8
Other revenue	10.2	26.9	_	1.3	_	38.4
	1,362.4	1,138.6	107.7	1.3	(598.7)	2,011.3
Operating expenses						
Electricity purchase, transmission and distribution	(996.1)	(412.6)	_	_	497.8	(910.9)
Gas purchase, transmission and distribution	(123.5)	(177.5)	_	_	49.0	(252.0)
Petroleum production, marketing and distribution	_	_	(23.0)	_	_	(23.0)
Fuel consumed	_	(248.2)	_	_	51.9	(196.3)
Employee benefits	(29.1)	(31.7)	(0.1)	(20.9)	_	(81.8)
Other operating expenses	(111.0)	(74.5)	(4.2)	(22.3)	_	(212.0)
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses	102.7	194.1	80.4	(41.9)	_	335.3
Depreciation, depletion and amortisation	(3.1)	(81.8)	(30.7)	(11.9)	_	(127.5)
Revaluation of generation assets	_	138.0	_	_	_	138.0
Change in fair value of financial instruments	_	(18.0)	(3.3)	(5.3)	_	(26.6)
Other gains (losses)	(0.2)	(0.4)	(0.4)	(2.0)	_	(3.0)
Profit (loss) before net finance expense and income tax	99.4	231.9	46.0	(61.1)	_	316.2
Finance revenue	0.1	_	0.2	1.7	_	2.0
Finance expense	(0.3)	(3.1)	(3.0)	(58.8)	_	(65.2)
Profit (loss) before income tax	99.2	228.8	43.2	(118.2)	_	253.0
Other segment information						
Capital expenditure	5.3	14.4	8.9	11.2	_	39.8

Inter-segment revenue

Sales between segments is based on transfer prices developed in the context of long-term contracts. The electricity transfer price per MWh charged between Wholesale and Customer was \$81.76 (2016: \$83.30). Inter-segment gas and petroleum revenue includes the Group's share of Kupe gas and LPG sales to Wholesale and gas and LPG on-sold from Wholesale to Customer.

Geographic information

All business segments operate within New Zealand.

Major customer information

The Group has no individual customers that account for 10.0 per cent or more of the Group's external revenue (2016: none).

4. Other revenue and operating expenses

	Note	2017 \$ million	2016 \$ million
Other revenue includes:			
Emission unit revenue from trading		16.9	21.0
Other revenue		17.2	17.4
		34.1	38.4
Operating expenses include:			
Auditor's remuneration:			
Audit of financial statements			
Review fees for interim financial statements (Deloitte)		0.1	0.1
Audit fees for annual financial statements (Deloitte)		0.5	0.5
Directors' fees		0.9	0.8
Bad debts		8.4	8.2
Employee benefits expense – defined contributions		2.7	2.8
Rental expenses on operating leases		7.8	8.3
Onerous contracts		1.3	2.0
Reversal of inventory spares write down	14	-	(6.9)
Emission unit expenses from trading		16.3	15.5
Employee termination expense		2.4	0.6
Business acquisition costs	18	6.9	-
Other employee benefits and operating expenses		252.8	261.9
		300.1	293.8
Employee benefits		77.6	81.8
Other operating expenses		222.5	212.0
		300.1	293.8

In addition to the services disclosed above, Deloitte completed the following work during the year: provision of secretarial services for the Corporate Taxpayer Group (of which Genesis Energy is a member), integration support, scrutineers notice and trustee reporting (2016: a fraud review, scrutineers notice and trustee reporting). Total fees relating to other services was \$0.090 million (2016: \$0.016 million).

5. Depreciation, depletion and amortisation

	Note	2017 \$ million	2016 \$ million
Depreciation of property, plant and equipment	15	114.3	85.4
Depreciation and depletion of oil and gas assets	16	45.1	30.7
Amortisation of intangibles (excluding amortisation of deferred customer acquisition costs)	17	15.2	11.4
		174.6	127.5

Depreciation of property, plant and equipment has increased by \$28.9 million in comparison to 2016. The increase is primarily driven by the increase in the fair value of the generation assets as a result of the 2016 revaluation and review of their useful lives. Depreciation and depletion of oil and gas assets and amortisation of intangibles has increased by \$18.2 million in comparison to 2016 mainly due to the two business acquisitions during the year (\$15.9 million) (refer note 18).

6. Change in fair value of financial instruments

	Note	\$ million	\$ million
Change in fair value of derivatives – gain (loss)	25	3.5	(3.9)
Fair value interest rate risk adjustment on borrowings – gain (loss)		19.1	(22.7)
		22.6	(26.6)

The change in the fair value of derivatives for the year mainly relates to the movement in the fair value of cross-currency interest rate swaps ('CCIRS') (\$16.6 million loss) and the movement in the fair value of electricity swaps and options (\$18.2 million gain). The movement in the fair value of the CCIRS relates to movements in interest and foreign exchange rates between 30 June 2016 and balance date. The movement in the fair value of the CCIRS was offset by the change in the fair value interest rate risk adjustment on the United States Private Placement ('USPP') (\$18.5 million gain). The net impact on net profit of the CCIRS and USPP was \$1.9 million gain. The movement in the fair value of electricity swaps and options primarily reflects movements in the electricity price path between either the date the contract was entered into, if it is a new contract in the current year, or 30 June 2016 and balance date.

7. Finance expense

	Note	2017 \$ million	2016 \$ million
Interest on borrowings (excluding capital bonds)		43.2	46.0
Interest on capital bonds		13.4	12.4
Total interest on borrowings		56.6	58.4
Other interest and finance charges		0.4	0.7
Time value of money adjustments on provisions	24	5.4	6.1
		62.4	65.2
Capitalised finance expenses	15	(0.3)	_
		62.1	65.2
Weighted average capitalisation rate		5.7%	6.2%

Interest on borrowings, bank and facility fees and transaction costs are recognised in profit or loss over the period of the borrowings using the effective interest rate method, unless such costs relate to funding capital work in progress. Time value of money adjustments on provisions are recognised in profit or loss up to the point the provision is used or released.

Finance expense on capital work in progress (qualifying assets) is capitalised during the construction period. The capitalisation rate used to determine the amount of finance expense to be capitalised is based on the weighted average finance expenses incurred by the Group.

8. Income tax

	2017 \$ million	2016 \$ million
Current tax		
Current year	48.3	41.8
Under (over) provided in prior periods	(0.3)	(2.1)
Powerhouse depreciation determinations – Thermal	-	(2.3)
Total current tax	48.0	37.4
Deferred tax		
Current year	0.6	28.6
Under (over) provided in prior periods	0.2	5.4
Powerhouse depreciation determinations – Thermal	_	(2.6)
Total deferred tax	0.8	31.4
Income tax expense	48.8	68.8
Reconciliation of income tax expense on pre-tax accounting profit to income t	ax expense	
Profit before income tax	167.5	253.0
Income tax at 28%	46.9	70.8
Tax effect of adjustments:		
Under (over) provided in prior periods	(0.1)	3.3
Powerhouse depreciation determinations – Thermal	_	(4.9)
Non-deductible expenditure and other adjustments	2.0	(0.4)
	48.8	68.8

Income tax is recognised in profit or loss unless it relates to other comprehensive income.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, together with any unpaid tax or adjustment to tax payable in respect of previous years.

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8. Income tax (continued)

Deferred tax liability	Note	Property, plant and equipment \$ million	Oil and gas assets \$ million	Provisions \$ million	Intangibles \$ million	Other \$ million	Total \$ million
Balance as at 1 July 2015		374.0	70.4	(35.8)	0.6	(12.0)	397.2
Amount recognised in profit or loss		39.9	(4.1)	(0.2)	0.5	(4.7)	31.4
Amount recognised in other comprehensive income		65.1	_	-	_	(9.4)	55.7
Balance as at 30 June 2016		479.0	66.3	(36.0)	1.1	(26.1)	484.3
Amount recognised in profit or loss		4.9	(9.1)	(1.6)	(1.0)	7.6	0.8
Amount recognised in other comprehensive income		5.5	_	-	_	8.2	13.7
Amount recognised through business acquisitions	18	3.5	52.4	(8.5)	28.5	-	75.9
Balance as at 30 June 2017		492.9	109.6	(46.1)	28.6	(10.3)	574.7

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

Powerhouse depreciation determinations

Tax depreciation deductions were disallowed for buildings with estimated useful lives of 50 years or more from 1 July 2011. As a result, adjustments to deferred tax liabilities totalling \$12.4 million were made in the 2010 and 2011 financial years relating to generation powerhouse assets, offices and leasehold improvements.

On 25 March 2015 the Inland Revenue Department ('IRD') issued a Depreciation Determination for Hydroelectric Powerhouses, which allows the Group to claim an annual depreciation deduction of two per cent on hydroelectric powerhouses; this applied retrospectively from the 2012 income year. As a result, a \$3.8 million adjustment was made to tax expense in the 2015 financial year, the majority of which related to reversing the 2010 and 2011 adjustments made when the change in tax depreciation on buildings was substantively enacted.

On 23 February 2016 the IRD issued a Depreciation Determination for Geothermal and Thermal Powerhouses, which applied retrospectively from the 2012 income year. During 2016, agreement was reached with the IRD on the apportionment of thermal powerhouses as depreciable plant foundations. As a result, a \$4.9 million adjustment was made to tax expense in the year ended 30 June 2016, the majority of which related to reversing the 2010 and 2011 adjustments made when the change in tax depreciation on buildings was substantively enacted.

9. Earnings per share

2017	2016
118.7	184.2
1,000.0	1,000.0
(0.5)	(0.5)
999.5	999.5
11.88	18.43
	1,000.0 (0.5) 999.5

10. Dividends

	2017			2016		
	Imputation	\$ million	Cents per share	Imputation	\$ million	Cents per share
Dividends paid during the year						
Previous year's final dividend	80%	82.0	8.20	Fully imputed	80.0	8.00
Current year's interim dividend	80%	82.0	8.20	80%	81.9	8.19
		164.0	16.40		161.9	16.19
Dividends declared subsequent to balance date						
Final dividend	80%	84.0	8.40	80%	82.0	8.20

Imputation credit

There are no imputation credits available for use as at 30 June 2017 (2016: nil), as the imputation account has a debit balance as of that date. The Parent will fund the deficiency in its imputation credit account as is required by 31 March 2018.

11. Share capital

Share capital of \$539.7 million is made up of 1,000 million ordinary authorised, issued and fully paid shares (\$540.6 million) offset by 0.5 million (\$0.9 million) Treasury shares, giving a net share capital of 999.5 million shares (\$539.7 million). There has been no change in share capital during the year (2016: no change).

12. Share-based payments

Long-term incentive plan

During the 2014 financial year, the Group implemented a long-term incentive (LTI) plan for senior executives and a Trust was established to administer the plan (refer to note 19). The Trust acquired shares in the Parent; these shares were recorded as Treasury shares in the Group (refer to note 11). Under the plan, senior executives purchase shares at market value, funded by interest-free loans from the Parent. The shares are held on trust by the Trustee of the LTI plan until the end of the vesting period. If the shares vest, each executive is entitled to a cash amount which, after deduction for tax, is equal to the outstanding loan balance on day one for the shares that 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 executive.

Vesting of shares is dependent on continued employment through the vesting period and on the Group achieving a positive total shareholder return over the period and the Group's performance relative to the benchmark peer group. In the event the performance targets are not met or if the participant ceases to be employed by the Group other than for qualifying reasons, no shares will vest and the shares will be forfeited to the Trustee without compensation and the relevant executive will receive no benefits under the plan (unless the Board exercises its discretion to allow some or all of the shares to vest). The benchmark peer group comprises a selected number of companies listed on the NZX 50.

The plan represents the grant of in-substance nil-price options to executives. The cost of the LTI is measured by reference to the fair value at grant date. The fair value of the options granted under the plan are estimated as at the date each grant is approved by the Board, using an option pricing model that takes into account the terms and conditions upon which the options were granted. The estimated fair value of the in-substance nil-price options granted in the current year was \$0.6 million (2016: \$0.6 million). In accordance with the rules of the plan, the model simulates the Group's total shareholder return and compares it against the peer group over the vesting period.

The cost of the LTI 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 total amount to be expensed is based on the Group's best estimate of the number of equity instruments that will ultimately vest, taking into consideration the likelihood that service conditions will be met, multiplied by the initial fair value of each option.

During the year the Group granted 312,118 in-substance nil-price options to senior executives (2016: 311,025), and 129,937 were forfeited due to participants ceasing to be employed by the Group (2016: 322,790 due to performance targets not being met). The net expense for the year was \$0.242 million (2016: \$0.005 million net gain due to the forfeited shares being higher than the expense for the year).

Employee share scheme

During the 2015 financial year, the Group implemented an Employee share scheme ('ESS'). The ESS allows Genesis Energy employees to purchase Genesis Energy shares and, subject to certain conditions, receive award shares at no additional cost. Each year, each eligible employee can choose an annual amount (from a minimum of \$250 to a maximum of \$5,000) they wish to invest from their after-tax pay. If the eligible employee remains employed by Genesis Energy for the applicable qualification period (three years), they will receive one free share (award share) for every two purchased shares acquired in the first scheme year of the qualification period, which the eligible employee continues to hold at the end of the qualification period.

If an employee leaves Genesis Energy, they receive all the shares already purchased with their pay deductions; however, in most circumstances, if an employee leaves within the three-year qualification period, they will not be entitled to receive any award shares. The plan represents the grant of in-substance nil-price options to employees. The equity-settled, share-based payment expense is recognised over the three-year vesting period and is equivalent to the fair value of the award shares provided to the employee, calculated as at the 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. At each balance date, the Group revises its estimates of the employees who have left or are expected to leave during the three-year period; the expense is adjusted to reflect the actual number of employees not completing or expected to complete the service condition. A corresponding entry is recognised in equity as a share-based payment reserve. The estimated fair value of the in-substance nil-price options granted in the current year was \$0.8 million (2016: \$0.8 million). During the year the Group expensed \$0.320 million in relation to the scheme (2016: \$0.204 million).

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13. Receivables and prepayments

	2017 \$ million	2016 \$ million
Trade receivables	125.9	93.6
Accrued revenue	81.4	77.1
Allowance for doubtful receivables	(7.1)	(6.2)
Deferred customer account credits	8.4	7.0
	208.6	171.5
Emission units receivable	2.8	1.6
Other receivables	4.3	8.6
Prepayments	12.7	11.3
Total	228.4	193.0
Current	224.9	188.8
Non-current	3.5	4.2
Total	228.4	193.0

Revenue is measured at the fair value of the consideration received or receivable net of prompt-payment discounts. Revenue is recognised when the significant risks and rewards of ownership have passed or when the service has been rendered to the customer.

Trade receivables and accrued revenue are initially recognised at fair value and are subsequently measured at amortised cost less any allowance for doubtful receivables. Trade receivables and accrued revenue, which are known to be uncollectable, are written off. An allowance for doubtful receivables is established when there is objective evidence that the Group will not be able to collect amounts due. The allowance for doubtful receivables is the difference between the carrying value and the estimated recoverable amount.

Account credits given to customers as incentives are included in the measurement of revenue and are spread over the length of the average customer tenure where there is evidence that the return from the customer over the amortisation period is positive. Emission units receivable from the sale of gas, LPG and oil are accounted for in the period in which the sale is recognised.

14. Inventories

	\$ million	\$ million
Fuel	42.3	46.9
Petroleum products	1.1	0.5
Consumables and spare parts	27.1	27.0
Emission units held for trading	9.3	4.9
Total	79.8	79.3

Fuel, petroleum, consumables and spare parts are recognised at the lower of cost and net realisable value. Cost is determined using the weighted average cost basis, which includes expenditure incurred in bringing the inventories to their present location and condition, including shipping and handling. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Fuel inventories mainly consist of coal used in electricity production. The amount of fuel inventories (excluding natural gas) expensed during the year was \$15.5 million (2016: \$51.9 million).

Petroleum products consist of LPG and light crude oil held for resale, produced from the Kupe production facility. The amount of petroleum products expensed during the year was \$20.8 million (2016: \$17.5 million).

Consumables and spare parts are held to service or repair generating assets. Prior to 30 June 2016, consumables and spare parts relating to Huntly units 1 to 4 were written down when incurred as the fair value of these units was nil. The fair value of Huntly units 1 to 4 was positive at 30 June 2016 (refer to note 15). The net realisable value of Huntly units 1 to 4 spares at 30 June 2016 was more than cost; as a result the spares were written up to cost as at 30 June 2016. This resulted in a \$6.9 million increase in the carrying value of consumables and spare parts in the 2016 financial year. Consumables and spare parts relating to Huntly unit 6 continue to be written down as incurred, as the fair value of this unit is nil.

Emission units held for trading purposes are initially measured at cost and are subsequently remeasured to their fair value. Changes in the fair value are recognised immediately in profit or loss within other gains (losses).

15. Property, plant and equipment

	Note	Generation assets \$ million	Buildings and improvements \$ million	Other property, plant and equipment \$ million	Capital work in progress \$ million	Total \$ million
Carrying value at 1 July 2015		2,628.0	1.6	31.6	21.3	2,682.5
Additions		_	_	_	30.9	30.9
Revaluation gains		370.6	_	_	_	370.6
Change in rehabilitation and contractual arrangement assets		_	-	-	2.0	2.0
Transfer to (from) capital work in progress		5.1	0.1	3.7	(8.9)	_
Transfer between asset categories		_	_	0.6	(0.6)	_
Transfer to intangible assets	17	-	_	0.6	(10.1)	(9.5)
Disposals		(1.8)	_	(1.3)	_	(3.1)
Depreciation expense	5	(78.4)	(0.1)	(6.9)	_	(85.4)
Carrying value at 30 June 2016		2,923.5	1.6	28.3	34.6	2,988.0
Additions		_	_	_	41.1	41.1
Additions acquired through business acquisitions	18	-	_	27.6	4.3	31.9
Revaluation gains		71.3	_	_	_	71.3
Capitalised finance expenses	7	-	_	_	0.3	0.3
Change in rehabilitation and contractual arrangement assets		_	_	_	3.0	3.0
Transfer to (from) capital work in progress		16.4	(0.1)	4.7	(21.0)	-
Transfer to intangible assets	17	_	_	_	(22.2)	(22.2)
Impairment		_	_	_	(2.4)	(2.4)
Depreciation expense	5	(107.3)	(0.1)	(6.9)	_	(114.3)
Carrying value at 30 June 2017		2,903.9	1.4	53.7	37.7	2,996.7
Summary of cost and accumulated depreciation and impairment						
Cost		_	2.2	111.0	34.6	147.8
Fair value		2,923.5	_	_	_	2,923.5
Accumulated depreciation and impairment		_	(0.6)	(82.7)	_	(83.3)
Carrying value at 30 June 2016		2,923.5	1.6	28.3	34.6	2,988.0
Cost		_	2.1	143.1	40.1	185.3
Fair value		2,903.9	-	_	-	2,903.9
Accumulated depreciation and impairment		_	(0.7)	(89.4)	(2.4)	(92.5)
Carrying value at 30 June 2017		2,903.9	1.4	53.7	37.7	2,996.7

Generation assets

Generation assets include land, buildings and plant and equipment associated with generation assets. Generation assets are recognised in the balance sheet at their revalued amounts, being the fair value at the date of their revaluation, less any subsequent accumulated depreciation and impairment losses. The underlying assumptions used in the revaluation are reviewed annually and revaluations are performed with sufficient regularity, not exceeding five yearly, to ensure the carrying amount does not differ materially from that which would be determined using fair values at the balance date.

Any increase in the revaluation of individual generation assets is recognised in other comprehensive income, unless it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case it is recognised in profit or loss to the extent of the decrease previously recognised in profit or loss. A decrease in carrying amount arising on the revaluation of individual generation assets is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying value of the asset so that the gross carrying amount after revaluation equals the revalued amount.

Subsequent additions to generation assets are recognised at cost. Cost includes the consideration given to acquire the asset plus any other costs incurred in bringing the asset to the location and condition necessary for its intended use, including major inspection costs, resource consent and relationship agreement costs. The cost of assets constructed includes the cost of all materials and direct labour used in construction, resource consent costs, finance expenses and an appropriate proportion of applicable variable and fixed overheads.

15. Property, plant and equipment (continued)

Total generation assets were revalued at 30 June 2017 to \$2,903.9 million (2016: \$2,923.5 million) resulting in a net increase on revaluation of \$71.3 million (2016: \$370.6 million).

Of the \$71.3 million (2016: \$370.6 million), \$51.5 million (2016: \$138.0 million) was recognised in the profit and loss and the remainder of \$19.8 million (2016: \$232.6 million) was recognised in the revaluation reserve. The revaluation increase associated with Huntly units 1 to 4 was recognised in profit or loss as it reversed previous revaluation losses recognised in 2009. The revaluation increase recognised in profit or loss in the previous year related to the reversal of a revaluation loss for Huntly units 1 to 4 and a portion of the revaluation increase for the Tekapo power scheme.

The change in fair value was principally driven by changes in assumptions associated with new generation build and the impact this has on the wholesale electricity price path, changes in forecast generation volumes and the assumed positive cash flows from Huntly units 1 to 4. These positive cash flows are principally driven by lower assumed marginal gas costs and an extension to the operating life of Huntly units 1 to 4 beyond 31 December 2022.

Fair value of generation assets was determined using a discounted cash flow model. The valuation was based on the present value of the estimated future cash flows of the assets. The valuation was prepared by Management. The valuation was determined by generating scheme except for the Huntly site where it was calculated by type of unit (units 1 to 4, unit 5 and unit 6).

Valuation of generation assets requires significant judgement and therefore there is a range of reasonably possible assumptions that could be used in estimating the fair value of these assets.

The wholesale electricity price path is the key driver of changes in the valuation of generation assets. Changes in the wholesale electricity price path have a direct impact on generation volumes and operating costs. Prior revaluations have used an internally generated price path. The wholesale electricity price path used in the valuation model for this revaluation is an average of the internally and externally generated price paths. The move to take into account an independent view of future wholesale electricity prices is considered appropriate given the long-term nature of the assets and the uncertainty of future wholesale electricity prices. The price path is influenced by changes in electricity demand, hydrology and new generation build. A material change in any one of these factors could result in a material change to the price path and, therefore, the fair value of generation assets. The internally generated price path assumes national demand growth based on the latest available industry information and Genesis Energy's view of growth within various sectors of the economy. Forecast hydrology is based on 83 years of historical hydrological inflow data and new generation build assumptions are based on public announcements made by market participants and an assessment on the wholesale electricity prices required to support new generation build. The internally generated price path also assumes the ongoing operation of New Zealand Aluminium Smelters Limited at Tiwai Point. Other key assumptions in the valuation include: the current regulatory environment (including the New Zealand Emissions Trading Scheme) being maintained, projected operational and capital expenditure, generation capacity and estimates of the lives of the assets. These factors are reviewed for reasonableness by senior management personnel who are responsible for the price path used by the business.

The significant unobservable inputs in the valuation model were:

Significant unobservable inputs	Method of determination	Sensitivity range	Impact on fair value of generation assets	Interrelationships between unobservable inputs
Wholesale electricity price path	The wholesale electricity price path is an average of the internally generated price path and price paths published by independent third parties. The wholesale electricity price paths used to value generation assets range from \$75 per MWh to \$100 per MWh over the period from July 2017 to June 2027.	Plus/(minus) 10%	\$541 million to (\$542 million)	Hydrological inflows affect generation volumes, as well as wholesale electricity prices.
Generation volumes	In-house modelling of the wholesale electricity market. The generation volumes used in the valuation ranged between 6,930 GWh and 7,533 GWh per annum.	Plus/(minus) 10%	\$348 million to (\$358 million)	Wholesale electricity prices affect the amount of generation.
Discount rate	Pre-tax equivalent discount rate of 10.4%.	Plus/(minus) 1%	\$367 million to (\$294 million)	Discount rate is independent of wholesale electricity prices and generation volumes.

The table below presents the carrying value of generation assets as if they were recognised on the historical cost basis:

Generation assets carried at historical cost	2017 \$ million	2016 \$ million
Cost	2,692.2	2,676.6
Accumulated depreciation and impairment	(988.4)	(969.3)
Carrying value at 30 June	1,703.8	1,707.3

All other categories of property, plant and equipment

All other categories of property, plant and equipment, with the exception of land and capital work in progress, are recognised at cost less accumulated depreciation and any accumulated impairment losses. Land and capital work in progress are not depreciated.

Impairment of work in progress relates to a variety of projects, the most significant being a partial impairment of the Energy Online billing system. Refer to note 3 for disclosure of impairment by segment (2016: nil).

15. Property, plant and equipment (continued)

Depreciation

For generation assets carried at fair value, their fair value, less any estimated residual value, is charged to profit or loss on a straight-line basis over their estimated remaining useful lives. Where a generation asset's remaining useful life changes, the depreciation charge is adjusted prospectively. The estimated remaining useful lives of generation assets used in the depreciation calculation was up to 80 years. For all other property, plant and equipment carried at cost, their cost, less any estimated residual value, is charged to profit or loss on a straight-line basis over their estimated useful lives. The estimated useful lives of different classes of property, plant and equipment are as follows:

	Estimated useful lives
Buildings and improvements	10 to 50 years
Other plant and equipment	3 to 15 years

The estimated useful lives of assets are reviewed annually. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

The gain or loss on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset. The gain or loss is recognised in profit or loss. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

Evaluation Oil and and Other oil

16. Oil and gas assets

	Note	Exploration and evaluation expenditure \$ million	Oil and gas producing assets \$ million	Other oil and gas assets \$ million	Capital work in progress \$ million	Total \$ million
Carrying value at 1 July 2015		2.2	273.5	14.1	2.6	292.4
Additions		1.6	1.2	_	6.1	8.9
Transfer to (from) capital work in progress		_	4.8	0.2	(5.0)	_
Change in rehabilitation asset		_	(3.1)	-	-	(3.1)
Depreciation and depletion expense	5	_	(29.9)	(0.8)	_	(30.7)
Carrying value at 30 June 2016		3.8	246.5	13.5	3.7	267.5
Additions		0.7	1.5	_	3.2	5.4
Additions acquired through business acquisitions	18	7.7	188.2	6.4	2.8	205.1
Transfer to (from) capital work in progress		_	6.9	_	(6.9)	_
Change in rehabilitation asset			1.9	_	_	1.9
Depreciation and depletion expense	5		(44.2)	(0.9)	_	(45.1)
Carrying value at 30 June 2017		12.2	400.8	19.0	2.8	434.8
Summary of cost and accumulated depreciation, depletion and impairment						
Cost		22.3	556.6	18.7	3.7	601.3
Accumulated depreciation, depletion and impairment		(18.5)	(310.1)	(5.2)	_	(333.8)
Carrying value at 30 June 2016		3.8	246.5	13.5	3.7	267.5
Cost		30.7	755.1	25.1	2.8	813.7
Accumulated depreciation, depletion and impairment		(18.5)	(354.3)	(6.1)	_	(378.9)
Carrying value at 30 June 2017		12.2	400.8	19.0	2.8	434.8

Exploration and evaluation expenditure

All exploration and evaluation costs, including directly attributable overheads, general permit activity and geological and geophysical costs, are expensed as incurred except for the costs of drilling exploration wells and the costs of acquiring new interests. The costs of drilling exploration wells are initially capitalised pending the determination of the success of the well. Costs are expensed immediately where the well does not result in a successful discovery. Costs incurred before the Group has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditure assets are not amortised; instead, they are assessed annually for indicators of impairment. Any impairment is recognised in profit or loss. Once commercial approval has been obtained for the development of a project, the accumulated expenditure in relation to the project is transferred to oil and gas producing assets.

16. Oil and gas assets (continued)

Oil and gas producing assets

Oil and gas producing assets include costs associated with the production station, platform and pipeline transferred from development expenditure, mining licences and major inspection costs. Depletion of oil and gas producing assets, excluding major inspection costs, is calculated on a unit of production basis using proved remaining reserves (1P) estimated to be obtained from or processed by the specific asset.

Major inspection costs are charged to profit or loss on a straight-line basis over the period up to the next major inspection. Major inspections occur every two to 10 years depending on the nature of the work undertaken.

Proved reserves (1P) are the estimated quantities of oil and gas that geological and engineering data demonstrates with reasonable certainty to be recoverable in future years from known reservoirs, under existing economic and operating conditions. Proved reserves (1P) are defined as those that have a 90 per cent likelihood of being delivered. The proved reserves used to deplete the oil and gas producing assets are reviewed annually. Because the geology of the Kupe oil and gas field subsurface cannot be examined directly, an indirect technique known as volumetrics has been used to estimate the size and recoverability of the reserve. Reserve estimates contain uncertainty and these are reviewed annually. There are high levels of uncertainty in terms of accessibility of reserves through sealing faults and pressure support. A reduction of 10 per cent in these reserves would impact depletion charges going forward by approximately \$5.0 million per annum at current production rates.

During the 2015 financial year, the Joint Venture Operator initiated a detailed review of Kupe's field reserves. Gaffney Cline, who has appropriate qualifications and experience in calculating reserves, was engaged by the Group to calculate Kupe's remaining reserves using the information provided by the Joint Venture Operator. Total proved reserves (1P) of the Kupe oil and gas field increased by 136.2 petajoule equivalents ('PJe') in 2016 as a result of the review.

During the 2017 financial year, the Group reviewed the method used to deplete oil and gas producing assets (excluding major inspection costs). Based on the results of the review, the Group amended the method used to deplete the cost of producing wells to better reflect the way in which the assets are being used. The reserves estimate used to calculate depletion expense was also revised to align with those used by the Joint Venture Operator, as the Joint Venture Operator's reserve estimate was unavailable at the time the 30 June 2016 result was compiled. The change in method and reserves estimate was applied prospectively from 1 July 2016, which resulted in a \$0.4 million increase in depletion expense for the year.

The table below presents the remaining Kupe oil and gas field reserves in PJe of which the Group has a 46.0 per cent interest (2016: 31.0 per cent).

Proved rese	rves (1P)	Proved and probable	eserves (2P)	
2017 PJe	2016 PJe	2017 PJe	2016 PJe	
288.5	188.2	387.9	302.4	
(2.9)	_	20.3	-	
(35.1)	(35.9)	(35.1)	(35.9)	
-	136.2	-	121.4	
250.5	288.5	373.1	387.9	
160.1	195.3	199.5	238.2	
90.4	93.2	173.6	149.7	
250.5	288.5	373.1	387.9	
175.6	202.9	269.6	279.0	
37.1	41.3	56.5	57.0	
37.8	44.3	47.0	51.9	
250.5	288.5	373.1	387.9	
	2017 PJe 288.5 (2.9) (35.1) - 250.5 160.1 90.4 250.5	PJe PJe 288.5 188.2 (2.9) - (35.1) (35.9) - 136.2 250.5 288.5 160.1 195.3 90.4 93.2 250.5 288.5 175.6 202.9 37.1 41.3 37.8 44.3	2017 PJe 2016 PJe 2017 PJe 288.5 188.2 387.9 (2.9) - 20.3 (35.1) (35.9) (35.1) - 136.2 - 250.5 288.5 373.1 160.1 195.3 199.5 90.4 93.2 173.6 250.5 288.5 373.1 175.6 202.9 269.6 37.1 41.3 56.5 37.8 44.3 47.0	

Further investment will be required to access the undeveloped field reserves disclosed above.

Other oil and gas assets

Other oil and gas assets include land, buildings, storage facilities, sales pipeline, motor vehicles and the ongoing costs of continuing to develop reserves for production. The cost of other oil and gas assets, less any estimated residual value, is charged to profit or loss on a straight-line basis over their estimated useful lives. The estimated useful lives of other oil and gas assets are as follows:

	Estimated useful lives
Buildings	50 years
Storage facilities	25 years
Sales pipeline	25 years
Motor vehicles	5 years

17. Intangible assets

	Note	Goodwill \$ million	Computer software \$ million	Emission units held for own use \$ million	Contractual arrangements \$ million	Deferred customer acquisition costs \$ million	Total \$ million
Carrying value at 1 July 2015		102.6	18.3	8.7	2.1	-	131.7
Additions		_	_	8.6	3.4	4.8	16.8
Transfer from property, plant and equipment	15	_	9.5	_	_	_	9.5
Disposed of or surrendered		_	(0.5)	(6.6)	(0.1)	_	(7.2)
Amortisation expense	5	_	(9.9)	_	(1.5)	_	(11.4)
Amortisation expense included in other operating expenditure		_	-	-	-	(0.9)	(0.9)
Carrying value at 30 June 2016		102.6	17.4	10.7	3.9	3.9	138.5
Additions		_	-	9.3	-	3.9	13.2
Transfer from property, plant and equipment	15	_	22.2	-	-	_	22.2
Disposed of or surrendered		_	-	(6.5)	(0.5)	_	(7.0)
Amortisation expense	5	-	(11.3)	-	(3.9)	-	(15.2)
Amortisation expense included in other operating expenditure		-	-	-	-	(2.6)	(2.6)
Additions acquired through business acquisitions	18	127.2	-	-	102.3	-	229.5
Carrying value at 30 June 2017		229.8	28.3	13.5	101.8	5.2	378.6
Summary of cost and accumulated amortisation and impairment							
Cost		102.6	141.3	10.7	14.4	4.8	273.8
Accumulated amortisation and impairment			(123.9)	_	(10.5)	(0.9)	(135.3)
Carrying value at 30 June 2016		102.6	17.4	10.7	3.9	3.9	138.5
Current		_	_	4.8	_	_	4.8
Non-current		102.6	17.4	5.9	3.9	3.9	133.7
Carrying value at 30 June 2016		102.6	17.4	10.7	3.9	3.9	138.5
Cost		229.8	163.2	13.5	116.2	8.7	531.4
Accumulated amortisation and impairment			(134.9)	_	(14.4)	(3.5)	(152.8)
Carrying value at 30 June 2017		229.8	28.3	13.5	101.8	5.2	378.6
Current		_	_	6.7	_	_	6.7
Non-current		229.8	28.3	6.8	101.8	5.2	371.9
Carrying value at 30 June 2017		229.8	28.3	13.5	101.8	5.2	378.6

Goodwi

Goodwill represents the excess of the cost of a business acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is assessed as having an indefinite useful life and is not amortised but is subject to impairment testing at each reporting date or whenever there are indications of impairment.

For the purpose of impairment testing, goodwill has been allocated to the following cash-generating units ('CGU'):

Note	\$ million	\$ million
	102.6	102.6
18	114.0	_
18	13.2	_
	229.8	102.6
	18	Note \$ million 102.6 18 114.0 18 13.2

Customer – electricity and gas

The goodwill associated with the electricity and gas business was recognised in 2002 and 2003. The impairment test is based on an estimated discounted cash flow analysis (value in use). Estimated future cash flow projections are based on the Group's five-year business plan for the CGU. Cash flows beyond the five-year business plan are extrapolated using a 1.0 per cent year-on-year growth rate (2016: 1.0 per cent). The estimated future cash flow projections are discounted using a pre-tax equivalent discount rate of 10.4 per cent (2016: 10.8 per cent). Any reasonably possible change in key assumptions on which the recoverable amount is based is not expected to cause the carrying value of the goodwill to exceed its recoverable amount.

17. Intangible assets (continued)

Customer - LPG

The goodwill associated with LPG relates to the acquisition of the LPG business from Nova Energy on 1 June 2017 (refer to note 18). The impairment test is based on an estimated discounted cash flow analysis (value in use). Estimated future cash flow projections assume a constant inflation rate of 2.0 per cent and take into consideration historical customer churn rates over a 10 year period for the CGU. The forecast takes into consideration both the acquired business and the existing LPG business as the assets of the acquired business will be used to service the existing LPG customers. Revenue and expenditure is inflated using a constant inflation rate of 2.0 per cent. Cash flows beyond the 10 year forecast are based on an EBITDAF multiple of 7.5x. The estimated future cash flow projections are discounted using a pre-tax equivalent discount rate of 10.6 per cent. Any reasonably possible change in key assumptions on which the recoverable amount is based is not expected to cause the carrying value of the goodwill to exceed its recoverable amount.

Key assumptions in the value-in-use calculation were:

Assumptions	Method of determination
Customer numbers and customer churn	Review of actual customer numbers and historical data regarding movements in customer numbers (the historical analysis is considered against expected market trends and competition for customers).
Gross margin (electricity and gas)	Review of actual gross margins and consideration of expected market movements and impacts.
EBITDAF (LPG)	Review of actual EBITDAF and consideration of expected market movements and impacts.
Cost to serve	Review of actual costs to serve and consideration of expected future costs.

Kupe

The goodwill associated with Kupe relates to the acquisition of the Kupe subsidiaries from New Zealand Oil and Gas Limited ('NZOG') on 1 January 2017 (refer to note 18). The impairment test is based on an estimated discounted cash flow analysis (value in use). The estimated future cash flow projections are based on the Joint Venture Operator's proved and probable reserve (2P) estimate. The estimated reserves are disclosed in note 16. The pre-tax equivalent discount rate was 10.4 per cent. Any reasonably possible change in key assumptions on which the recoverable amount is based is not expected to cause the carrying value of the goodwill to exceed its recoverable amount.

Computer software

Items of computer software are assets with finite lives. These assets are recognised at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful life of the asset from the date it is available for use. The estimated useful life is between one and four years.

Emission units held for own use

Emission units held for own use are initially recognised at fair value. Fair value is cost in the case of purchased units or the initial market value in the case of government-granted units. Emission units held for own use are used to settle the Group's emission obligation and are not revalued subsequent to initial recognition. They are assessed as having indefinite useful lives and are not amortised but are subject to annual impairment testing or whenever there are indicators of impairment.

Contractual arrangements

Contractual arrangements include customer contracts and relationships acquired through business acquisitions, naming rights and sponsorship contracts.

Customer contracts and relationships

Customer contracts and relationships are assets with finite lives. These assets are recognised at cost less accumulated amortisation and impairment losses.

Amortisation of customer contracts and relationships related to Kupe are charged to profit or loss on a units of use basis, using proved remaining reserves (1P) expected to be obtained over the contract period. Remaining reserves used in the calculations range from 220.1 to 250.5 PJe. Refer to note 16 for further information on the reserves estimate.

Amortisation of customer contracts and relationships related to the LPG business are charged to profit or loss on a diminishing value basis over the estimated life of the contract or relationship. The useful life ranges between five and 50 years.

Naming rights and sponsorship contracts

Naming rights and sponsorship contracts are assets with finite lives. These assets are recognised at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful life of the asset from the date it is available for use. The useful life is based on the contract period, which ranges between one and five years.

Deferred customer acquisition costs

Customer acquisition costs that are directly attributable to securing a particular customer contract, and meet the definition of an intangible asset, are capitalised and amortised over the average customer tenure (30 months). Amortisation of the customer acquisition costs is included within operating expenditure.

18. Business acquisitions

The acquisition of a business is accounted for using the acquisition method. The consideration transferred is measured at fair value. Acquisition related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except for deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements, which are recognised and measured in accordance with the respective accounting standards for these balances.

If the initial accounting for a business acquisition during the period is incomplete at the reporting date, the Group reports provisional amounts for the incomplete items. The provisional amounts are adjusted during the measurement period (no later than one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Kupe subsidiaries acquired

Genesis Power Investments Limited acquired 100.0 per cent of the shares of three subsidiaries from NZOG that in combination hold a 15.0 per cent stake in the Kupe Joint Venture and 100.0 per cent of a subsidiary that has rights to royalty payments associated with the Kupe field. The acquisition increased the Group's holdings in the Kupe Joint Venture from 31.0 per cent to 46.0 per cent, effective from 1 January 2017. The entities were acquired as a result of the Group's strategy to create value by linking upstream fuel supply with electricity generation and consumer energy needs. Refer to note 19 for a list of the entities acquired.

LPG business acquired

On 1 June 2017, the Parent acquired Nova Energy Limited's LPG business. The business was acquired as a result of the Group's strategy to grow its LPG capability.

The accounting for the acquisition of the LPG business has been prepared on a provisional basis at 30 June 2017. Due to the timing of the acquisition, the calculations of the fair value of property, plant and equipment, customer contracts and relationships and goodwill will be finalised in the 2018 financial year.

will be illialised in the 2010 illialicial year.				
Assets acquired and liabilities recognised at the date of acquisition	Note	Kupe subsidiaries \$ million	LPG business \$ million	Total \$ million
Current assets				
Cash and cash equivalents		6.3	_	6.3
Receivables		4.8	_	4.8
Inventories		2.2	0.3	2.5
Total current assets		13.3	0.3	13.6
Non-current assets				
Property, plant and equipment	15	_	31.9	31.9
Oil and gas assets	16	205.1	_	205.1
Intangible assets	17	34.4	67.9	102.3
Total non-current assets		239.5	99.8	339.3
Total assets		252.8	100.1	352.9
Current liabilities				
Payables and accruals		10.3	2.0	12.3
Tax payable		0.3	_	0.3
Total current liabilities		10.6	2.0	12.6
Non-current liabilities				
Provisions	24	30.3	_	30.3
Deferred tax liability	8	53.4	22.5	75.9
Total non-current liabilities		83.7	22.5	106.2
Total liabilities		94.3	24.5	118.8
Net assets acquired		158.5	75.6	234.1

The fair value of the receivables acquired as a result of the acquisition has been disclosed above. The gross contracted amounts receivable are the same as the fair values. All of the cash flows are expected to be collected.

Kupe subsidiarie

The fair value of the oil and gas assets associated with the Kupe subsidiaries was determined using a discounted cash flow model. The valuation requires significant judgement and therefore there is a range of reasonably possible assumptions that could be used in estimating the fair value of the asset.

The estimated field reserves and the gas price are the key inputs which have a material impact on the fair value. The estimated field reserves used in the model were based on the Joint Venture Operator's remaining proved and probable reserve (2P) estimate as at 1 January 2017. The gas price was based on the contracted gas price to 2024 and the estimated gas price from 2024 to the end of the field life. Other inputs are based on past experience and best estimates of future expectations. The pre-tax equivalent discount rate was 10.4 per cent.

18. Business acquisitions (continued)

LPG business

The fair value of the intangible assets associated with the LPG business was determined using a discounted cash flow model. The valuation requires significant judgement and therefore there is a range of reasonably possible assumptions that could be used in estimating the fair value of these assets.

Customer volume, customer churn and EBITDAF per tonne are the key factors that have a material impact on the fair value. Customer volume was based on estimated volumes at the acquisition date, reduced by historical churn rates over a 50 year period. EBITDAF per tonne was based on revenue and expenditure that was inflated using a constant inflation rate of 2.0 per cent. Key revenue and expenditure inputs were the estimated volume and price of LPG purchased and sold, cost to deliver and cost to serve. The model was based on a 50 year period using a pre-tax equivalent discount rate of 10.6 per cent.

Goodwill arising on acquisition	Note	Kupe subsidiaries \$ million	LPG business \$ million	Total \$ million
Purchase price		171.7	189.6	361.3
Less fair value of identifiable net assets acquired		(158.5)	(75.6)	(234.1)
	17	13.2	114.0	127.2

Kupe subsidiaries

Goodwill on the acquisition of the Kupe subsidiaries relates to strategic benefits that are unable to be separately recognised under the current accounting requirements. The purchase price of the Kupe subsidiaries includes amounts in relation to the benefits expected to be obtained from having greater influence within the Joint Venture. The benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

LPG business

Goodwill on the acquisition of the LPG business relates to strategic benefits that are unable to be separately recognised under the current accounting requirements. The purchase price of the LPG business includes amounts in relation to the benefits expected to be obtained from an integrated distribution network, which will result in a lower cost to serve, the ability to deliver LPG to a geographically spread customer base and the ability to improve customer experience. The benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on acquisition will be deductible for tax purposes.

Net cash outflow on acquisition			Kupe subs	sidiaries L s million	PG business \$ million	Total \$ million
Consideration paid in cash				171.7	189.6	361.3
Less cash and cash equivalents acquired				(6.3)	-	(6.3)
				165.4	189.6	355.0
		of the acquisiti			forma impact of th d it taken place on	
	Kupe subsidiaries \$ million	LPG business \$ million	Total \$ million	Kup subsidiarie \$ millio	s business	Total \$ million
Revenue	26.4	5.0	31.4	46.	2 50.2	96.4
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses (EBITDAF)	15.1	(2.2)	12.9	36.	3 14.7	51.0
Depreciation, depletion and amortisation	(15.4)	(0.5)	(15.9)	(30.4	4) (5.9)	(36.3)
Finance revenue	_	-	_	0.4	4 –	0.4
Finance expense	(4.2)	(0.9)	(5.1)	(9.	7) (11.6)	(21.3)
Profit before income tax for the year	(4.5)	(3.6)	(8.1)	(3.4	4) (2.8)	(6.2)
Acquisition-related costs included in EBITDAF above	2.7	4.2	6.9	2.	7 4.2	6.9

In determining the 'pro-forma' revenue, EBITDAF and profit before income tax had the businesses been acquired at the beginning of the current financial year, Management have:

- calculated depletion, depreciation and amortisation on the basis of the fair values arising in the initial accounting for the business acquisition:
- calculated borrowing costs based on the interest rate of the loan issued as a result of the acquisition;
- included inter-segment sales and costs associated with these sales; and
- included acquisition-related costs expensed in profit or loss.

19. Investments in subsidiaries

			Intere	st held
Name of entity	Principal activity	Place of incorporation	2017 %	2016 %
Genesis Power Investments Limited	Holding company	New Zealand	100	100
Kupe Holdings Limited	Joint venture holding company	New Zealand	100	100
GP No. 2 Limited	Joint venture holding company	New Zealand	100	100
GP No. 5 Limited	Joint venture holding company	New Zealand	100	100
National Petroleum Limited*	Joint venture holding company	New Zealand	100	_
Petroleum Equities Limited*	Joint venture holding company	New Zealand	100	_
Nephrite Enterprises Limited*	Joint venture holding company	New Zealand	100	_
Kupe Royalties Limited*	Royalty holding company	New Zealand	100	_
Genesis Energy Insurance Pte Limited	Captive insurance company	Singapore	100	100
Genesis Energy Limited Executive Long-term Incentive Plan Trust	Trust	New Zealand	-	-

All subsidiaries have 30 June balance dates.

20. Joint operations

The Group has a 46.0 per cent interest in the Kupe production facility and Petroleum Mining Permit 38146 held by the Kupe Joint Venture (2016: 31.0 per cent). The principal activity of the Kupe Joint Venture is petroleum production and sales. The Joint Venture is unincorporated and operates in New Zealand. The Group is considered to share joint control, based on the contractual arrangements between the Group and other joint operators that state unanimous decision-making is required for relevant activities that most significantly impact the returns of the joint operation.

The Joint Venture is classified as a joint operation under NZ IFRS 11 *Joint Arrangements*. The operating results of the Kupe Joint Venture are included in the Kupe segment in note 3 and the Group's share of capital expenditure commitments relating to joint operations is disclosed in note 28.

21. Related party transactions

Majority shareholder and entities controlled by, and related to, the majority shareholder

The majority shareholder of the Parent is the Crown. The Parent and Group transact with Crown-controlled and related entities independently and on an arm's-length basis for the purchase of coal and use of coal-handling facilities, emission activities including emission unit purchases and sales, royalties, scientific consultancy services, electricity transmission, postal services and energy-related products (including electricity derivatives). All transactions with Crown-controlled and related entities are based on commercial terms and conditions and relevant market drivers.

The Group has two significant transactions with Meridian Energy, a Crown-controlled entity, being: a 150MW contract to provide dry-year cover for four years from 1 January 2015, with a further four-year extension from 1 January 2019 and a 50MW contract to supply electricity to the Huntly node from 1 January 2017 to 31 December 2018.

Dividends paid to the Crown during the year were \$84.0 million (2016: \$83.0 million). There were no other individually significant transactions with the Crown and Crown-controlled and related entities during the year (2016: nil).

Other transactions with Crown-controlled and related entities, which are collectively but not individually significant, relate to the sale of electricity derivatives (2016: purchase of coal, sale of gas and electricity derivatives). Approximately 57.7 per cent of the value of electricity derivative assets and approximately 36.0 per cent of the value of electricity derivative liabilities held by the Group at year end are held with Crown-controlled and related entities (2016: 89.9 per cent and 63.2 per cent, respectively). The contracts expire at various times; the latest expiry date is June 2026. No gas sales were made to Crown-controlled and related entities under gas sales agreements (2016: 6.7 per cent). No coal purchases were made from Crown-controlled and related entities under coal supply agreements (2016: 100.0 per cent).

Key management personnel compensation

The key management personnel of the Group consists of the Directors and the Executive Management team. Key management personnel compensation is as follows:

	Note	2017 \$ million	2016 \$ million
Short-term benefits		6.7	6.6
Post-employment benefits		0.2	0.2
Termination benefits		0.6	_
Share-based payments	12	0.2	-
Total key management personnel compensation		7.7	6.8

Other transactions with key management personnel or entities related to them

Key management personnel and their families may purchase gas, electricity and LPG from the Group on an arm's-length basis and may purchase shares in the Company. Key management personnel also participate in the LTI plan discussed in note 12. The total number of shares held by key management personnel (excluding LTI shares) as at 30 June 2017 was 275,556 (2016: 326,093). During the year dividends paid to key management personnel and their families was \$44,298 (2016: \$102,101). No other transactions took place between key management personnel and the Group (2016: nil). As at 30 June 2017, the balance payable to key management personnel was nil (2016: nil).

^{*} Subsidiaries acquired 1 January 2017. Refer to note 18.

22. Payables and accruals

	2017 \$ million	2016 \$ million
Trade payables and accruals	171.2	159.3
Employee benefits	5.0	5.1
Emission obligations	4.7	3.2
Total	180.9	167.6
Current	180.2	166.8
Non-current	0.7	0.8
Total	180.9	167.6

Trade payables and accruals are recognised when the Group becomes obligated to make future payments resulting from the purchase of goods or services, and are subsequently carried at amortised cost.

A liability for employee benefits (wages and salaries, annual and long-service leave, and employee incentives) is recognised when it is probable that settlement will be required and the amount is capable of being measured reliably. Provisions made in respect of employee benefits are measured using the remuneration rate expected to apply at the time of settlement.

Emission obligations are recognised as a liability when the Group incurs the emission obligation. Emission units payable to third parties are recognised at the average cost of emission units on hand up to the amount of emission units on hand at the recognition date. Where the emission obligation exceeds the level of units on hand, the excess obligation over the units on hand is measured at the contract price where forward contracts exist or the market price for any obligation not covered by units on hand or forward contracts.

23. Borrowings

	2017 \$ million	2016 \$ million
Revolving credit and money market	196.7	50.1
Term loan facility	30.0	-
Wholesale term notes	292.8	319.7
Retail term notes	100.3	100.2
Capital bonds	424.4	202.6
USPP	215.6	239.6
Total	1,259.8	912.2
Current	11.0	136.2
Non-current	1,248.8	776.0
Total	1,259.8	912.2

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Borrowings designated in a hedge relationship are carried at amortised cost adjusted for the change in the fair value of the hedged risk. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

	2017 \$ million	2016 \$ million
Revolving credit and money market		
Revolving credit drawn down	196.0	50.0
Accrued interest	0.7	0.1
Total revolving credit and money market	196.7	50.1
Revolving credit		
Expiring 2018	1.0	175.0
Expiring 2019	65.0	-
Expiring 2020	155.0	100.0
Expiring 2021	110.0	150.0
Expiring 2022	50.0	-
Expiring 2023	75.0	75.0
Total available revolving credit facilities	456.0	500.0
Revolving credit drawn down (excluding accrued interest)	196.0	50.0
Total undrawn revolving credit facilities	260.0	450.0

23. Borrowings (continued)

	2017 \$ million	2016 \$ million
Term loan facility		
Expiring 2024	30.0	_
Total term loan facility	30.0	-
Wholesale term notes		
Expiring 2017	-	125.0
Expiring 2020	120.0	120.0
Expiring 2023	70.0	70.0
Expiring 2025	100.0	-
Fair value interest rate risk adjustment	_	0.5
Accrued interest	3.3	4.6
Capitalised issue costs	(0.5)	(0.4)
Total wholesale term notes	292.8	319.7
Retail term notes		
Expiring 2022	100.0	100.0
Accrued interest	1,2	1.2
Capitalised issue costs	(0.9)	(1.0)
Total retail term notes	100.3	100.2
Capital bonds		
Expiring 2042	200.0	200.0
Expiring 2047	225.0	_
Accrued interest	3.3	2.6
Capitalised issue costs	(3.9)	_
Total capital bonds	424.4	202.6

On 9 June 2017, the Parent issued fixed rate subordinated capital bonds totalling \$225.0 million. The capital bonds pay a quarterly coupon of 5.7 per cent per annum, which is reset every five years. The interest rate including amortisation of issue costs is currently 6.1 per cent per annum. The bonds were issued through a public offer and mature on 9 June 2047.

The Group may redeem all or some of the capital bonds on a reset date or on any quarterly interest payment date after the first reset date. The next reset date for the 2042 capital bonds is 16 July 2018 and the first reset date for the 2047 capital bonds is 9 June 2022. 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 2.4 per cent per annum for the 2042 capital bonds and 2.75 per cent per annum for the 2047 capital bonds. Redemptions on a reset date are at par; redemptions on a quarterly interest payment date must be at the greater of par or market value. Issue costs are amortised over five years to the first reset date.

	\$ million	\$ million
JSPP		
Expiring 2026	68.3	70.1
Expiring 2027	136.6	140.3
Fair value interest rate risk adjustment	8.7	27.2
Accrued interest	2.8	2.8
Capitalised issue costs	(0.8)	(0.8)
otal USPP	215.6	239.6

During the 2015 financial year, the Group issued \$150.0 million United States dollar-denominated unsecured notes to United States-based institutional investors. A Note Purchase Agreement ('NPA') was signed on 25 November 2014. CCIRS have been used to manage foreign exchange and interest rate risks on the notes (refer to note 25 for further information on CCIRS). The USPP is measured at amortised cost adjusted for the change in fair value associated with the hedged risks, in accordance with the Group's accounting policy. While the New Zealand dollar amount required to repay the USPP in 2026 and 2027 is fixed as a result of the CCIRS, the USPP is required to be translated to New Zealand dollars at the spot rate at the reporting date, in accordance with NZ IFRS. Any increase/decrease in the carrying value of the USPP as a result of this translation is offset by the movement in the fair value of the CCIRS disclosed in note 25.

Security

All of the Group's borrowings are unsecured. The Group borrows under a negative pledge arrangement, which does not permit the Group to grant any security interest over its assets, unless it is an exception permitted within the negative pledge.

24. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as the provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Rehabilitation and restoration

The rehabilitation and restoration provision relates to a number of provisions for the rehabilitation of generation sites and Kupe. The key provisions are the Huntly ash ponds and the Kupe production facility. These sites require remediation as a result of past and present operations. Different methods and techniques can be used to remediate the sites. The provision represents the present value of the Group's best estimate of future expenditure to be incurred based on the Group's assessment of the most appropriate methods to remediate the sites at balance date. Key assumptions include: an estimate of when the rehabilitation and restoration is likely to take place, the possible remediation alternatives available, the expected expenditures attached to each alternative and the foreign currency exchange rate at balance date.

There is no financial provision for the remediation of the Huntly generation site because the Group has the right to lease the site in perpetuity. There is no fixed or planned termination date for the Huntly lease and the site remains a key electricity generation site for the Group. The lease of the site is independent to decisions around the retirement of Huntly units 1 to 4, which are planned to be available to the electricity market until at least the end of 2022. There may be costs and recoveries associated with retiring Huntly units 1 to 4 but these cannot be reliably estimated at this time.

The key assumption that could have a material impact on the Huntly ash ponds rehabilitation estimate relates to the extent of rehabilitation work required. The current assumption is that all the ash would be removed from the ponds but if some of the ash were capped in situ, the provision could decrease by \$6.6 million. The rehabilitation work on the ash ponds is estimated to be completed within the next seven years.

The key assumptions that could have a material impact on the Kupe production facility rehabilitation estimate relates to foreign exchange rates, scrap steel prices, labour rates, concrete removal costs, offshore supply vessel and jack-up rig rates and associated mobilisation and demobilisation costs. The majority of costs are based in United States dollars and, therefore, are sensitive to fluctuations in foreign exchange rates. Given the equipment required to complete the rehabilitation comes from overseas, the mobilisation and demobilisation costs can fluctuate significantly depending on the volume of other work the contractor has at the time the rehabilitation is required to be completed. If the foreign exchange rate were to decrease by 10 per cent and if the transportation costs for the mobilisation and demobilisation were unable to be shared with other entities, the provision would increase by \$29.3 million. Also affecting the provision are regulations around the removal of the subsea pipeline. Currently, there are no regulations around this and, as such, the provision assumes the subsea pipeline will be flushed and left in situ. The rehabilitation is estimated to be completed in approximately 12 years.

Contractual arrangements

The contractual arrangement provisions relate to relationship and sponsorship agreements with various parties. The provision represents the present value of the best estimate of cash flows required to settle the Group's obligations under the agreements. The timing of the outflows is expected to occur over the next 22 years.

Other provisions

Other provisions represent the onerous contract provision associated with changes to contractual arrangements and other minor provisions. The onerous contracts provision relates to onerous lease agreements associated with coal importation. The provision is based on the cash flows associated with the contracts. The timing of the outflows is expected to occur over the next three years.

	Note	Rehabilitation and restoration \$ million	Contractual arrangements \$ million	Other provisions \$ million	Total \$ million
Balance at 1 July 2015		76.7	52.8	6.5	136.0
Provisions made during the year		0.8	5.7	2.0	8.5
Provisions reversed during the year		(3.2)	(0.3)	(O.1)	(3.6)
Provisions used during the year		(2.3)	(4.4)	(1.8)	(8.5)
Time value of money adjustment	7	3.7	2.2	0.2	6.1
Balance at 30 June 2016		75.7	56.0	6.8	138.5
Provisions made during the year		5.5	2.0	1.2	8.7
Provisions reversed during the year		(2.2)	_	-	(2.2)
Provisions used during the year		(2.3)	(3.5)	(2.3)	(8.1)
Time value of money adjustment	7	3.3	1.9	0.2	5.4
Additional amounts acquired through business acquisitions	18	30.3	_	-	30.3
Balance at 30 June 2017		110.3	56.4	5.9	172.6
Current		5.0	8.1	2.2	15.3
Non-current		70.7	47.9	4.6	123.2
As at 30 June 2016		75.7	56.0	6.8	138.5
Current		3.8	8.2	1.7	13.7
Non-current		106.5	48.2	4.2	158.9
As at 30 June 2017		110.3	56.4	5.9	172.6

25. Derivatives

The Group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Group uses the following derivatives to hedge its financial risk exposures:

- Interest rate swaps
- Foreign exchange swaps
- Electricity swaps and options
- Oil swaps
- CCIRS
- Forward sale-and-purchase agreements of emission units held for trading
- LPG swaps

The Group also enters into electricity derivatives with wholesale electricity market participants, which allows them to hedge wholesale electricity market exposures.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as:

- cash flow hedges where the Group hedges the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a highly probable forecast transaction; or
- fair value hedges where the Group hedges the exposure to changes in fair value of a recognised asset or liability.

The Group documents, at the inception of the transaction, the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

Forward sale-and-purchase agreements in relation to emission units held for trading do not meet the 'own use' exemption and, therefore, meet the definition of a derivative. These contracts are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured to their fair value. Changes in the fair value are recognised immediately in profit or loss.

Derivatives designated in a cash flow hedge relationship

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 accumulate in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in other comprehensive income are reclassified to profit or loss in the period when the hedged item will affect the profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or liability, the gains and losses previously deferred in the cash flow hedge reserve are reclassified from the cash flow hedge reserve and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss at that time remains in the cash flow hedge reserve and is reclassified to profit or loss when the transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gain or loss recognised in the cash flow hedge reserve is reclassified immediately to profit or loss.

The margin and basis component of the CCIRS is designated as a cash flow hedge of the margin and basis component of the USPP notes. The interest rate risk associated with interest on New Zealand dollar borrowings is hedged using interest rate swaps. Foreign currency risk associated with future foreign currency cash flows is hedged using forward exchange derivatives. Electricity and oil derivatives are used to manage price risk associated with spot market exposures.

Derivatives designated in a fair value hedge relationship

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

The USPP is designated in a fair value hedge relationship (2016: USPP and \$25.0 million of the wholesale term notes). CCIRS are used to swap the United States-dollar principal and fixed coupon obligations related to the notes to New Zealand dollar floating rate exposure (2016: Interest rate swaps were used to convert the fixed coupons on wholesale term notes to floating rates).

Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss.

25. Derivatives (continued)

Net carrying value of derivatives	2017 \$ million	2016 \$ million
Derivatives designated in a cash flow hedge relationship		
Foreign exchange swaps	3.6	3.3
Interest rate swaps	(22.0)	(32.0)
Electricity swaps	(9.4)	(28.3)
Oil swaps	5.3	3.9
CCIRS	7.9	12.1
Derivatives designated in a fair value hedge relationship		
Interest rate swaps	-	0.5
CCIRS	5.6	23.3
Derivatives not designated as hedges		
Interest rate swaps	(2.9)	(4.6)
Electricity swaps and options	29.2	10.4
Forward sale-and-purchase agreements of emission units held for trading (Forward 'S&P' agreements)	0.1	_
LPG swaps	_	(0.1)
Total	17.4	(11.5)
Carrying value of derivatives by balance sheet classification		
Current assets	26.4	19.9
Non-current assets	39.9	53.0
Current liabilities	(23.2)	(27.6)
Non-current liabilities	(25.7)	(56.8)
Total	17.4	(11.5)

Derivatives that are settled within 12 months are treated as current.

Change in carrying value of derivatives	Note	Other* \$ million	CCIRS \$ million	Oil swaps \$ million	Interest rate swaps \$ million	Electricity swaps and options \$ million	Total \$ million
Balance as at 1 July 2015		(10.1)	25.7	10.6	(15.7)	25.4	35.9
Total change recognised in revenue		_	-	-	-	23.3	23.3
Net change in derivatives not designated as hedges		(0.3)	_	-	(0.1)	(17.9)	(18.3)
Net change in fair value hedges		_	21.9	-	(0.5)	-	21.4
Ineffective gain (loss) on cash flow hedges		(0.1)	0.1	(3.1)	(4.1)	0.2	(7.0)
Total change recognised in the change in fair value of financial instruments	6	(0.4)	22.0	(3.1)	(4.7)	(17.7)	(3.9)
Gain (loss) recognised in other comprehensive income		6.9	(3.7)	18.0	(27.9)	(10.9)	(17.6)
Settlements		6.8	(8.6)	(21.6)	12.2	(15.0)	(26.2)
Sales (option fees)		_	_	-	-	(23.0)	(23.0)
Balance as at 30 June 2016		3.2	35.4	3.9	(36.1)	(17.9)	(11.5)
Total change recognised in revenue		_	-	(0.2)	-	21.2	21.0
Net change in derivatives not designated as hedges		0.1	_	-	1.6	18.0	19.7
Net change in fair value hedges		_	(17.7)	-	(0.5)	-	(18.2)
Ineffective gain (loss) on cash flow hedges		0.2	1.1	0.5	-	0.2	2.0
Total change recognised in the change in fair value of financial instruments	6	0.3	(16.6)	0.5	1.1	18.2	3.5
Gain (loss) recognised in other comprehensive income		0.8	2.5	4.9	(2.8)	9.1	14.5
Settlements		(0.6)	(7.8)	(4.0)	12.9	9.5	10.0
Sales (option fees)		_	-	_	_	(20.3)	(20.3)
Purchases (option fees)		_	_	0.2	-	_	0.2
Balance as at 30 June 2017		3.7	13.5	5.3	(24.9)	19.8	17.4

^{*}Other includes Forward 'S&P' agreements, foreign exchange swaps and LPG swaps.

25. Derivatives (continued)

Reconciliation of movements in the cash flow hedge reserve	Foreign exchange swaps \$ million	CCIRS \$ million	Oil swaps \$ million	Interest rate swaps \$ million	Electricity swaps \$ million	Total \$ million
Balance as at 1 July 2015	(6.8)	(4.4)	5.2	(11.8)	(1.8)	(19.6)
Total reclassified from the cash flow hedge reserve to profit or loss	5.9	2.4	(21.6)	12.3	(15.0)	(16.0)
Effective gain (loss) on cash flow hedges recognised directly in the cash flow hedge reserve	6.9	(3.7)	18.0	(27.9)	(10.9)	(17.6)
Total change in cash flow hedge reserve	12.8	(1.3)	(3.6)	(15.6)	(25.9)	(33.6)
Income tax on change in cash flow hedge reserve	(3.6)	0.4	1.0	4.4	7.2	9.4
Balance as at 30 June 2016	2.4	(5.3)	2.6	(23.0)	(20.5)	(43.8)
Total reclassified from the cash flow hedge reserve to profit or loss	(1.2)	(2.3)	(4.0)	12.9	9.5	14.9
Effective gain (loss) on cash flow hedges recognised directly in the cash flow hedge reserve	0.8	2.5	4.9	(2.8)	9.1	14.5
Total change in cash flow hedge reserve	(0.4)	0.2	0.9	10.1	18.6	29.4
Income tax on change in cash flow hedge reserve	0.1	(0.1)	(0.3)	(2.7)	(5.2)	(8.2)
Balance as at 30 June 2017	2.1	(5.2)	3.2	(15.6)	(7.1)	(22.6)

The gain (loss) on interest rate swaps and CCIRS is recognised in finance expenses, the gain (loss) on foreign exchange swaps is recognised in other operating expenses and gas revenue, the gain (loss) on electricity swaps and options is recognised in electricity revenue and the gain (loss) on oil swaps is recognised in petroleum revenue in the profit or loss.

26. Financial instruments and financial risk management

Financial instruments

For financial reporting purposes, the Group designates its financial instruments into the following categories:

Loans and receivables

- Cash and cash equivalents
- Receivables

Financial instruments in a hedge relationship

- Foreign exchange swaps
- Interest rate swaps
- Electricity swaps
- Oil swaps
- CCIRS

Financial instruments held for trading (derivatives not in a hedge relationship)

- Interest rate swaps
- Electricity swaps and options
- Forward sale-and-purchase agreements of emission units held for trading
- LPG swaps

Financial liabilities measured at amortised cost

- Payables
- Borrowings

Risk management

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise financial risk to the Group. The Board of Directors (the 'Board') has established policies that provide an overall risk management framework, as well as policies covering specific areas, such as electricity and oil price risk, foreign exchange risk, interest rate risk, credit risk, use of derivatives and the investment of excess liquidity. Interest rate, foreign exchange and oil price exposures are managed by the central Treasury function ('Treasury') and electricity exposures are managed by the portfolio management function, with oversight by the risk management function ('Risk'). Treasury and Risk identify, evaluate and hedge financial risks in close cooperation with the Group's operating units. Compliance with policies and exposure limits is monitored by Risk and independently reviewed by the Group's internal auditor.

Price ris

The Group is exposed to movements in the spot price of electricity arising through the sale and purchase of electricity to and from the market. The Group is also exposed to movements in the spot price of light crude oil arising from sales of its share of oil from the Kupe production facility. The Group has limited exposure to changes in the sale price for gas and LPG as most of the volume is forward sold.

Electricity sales and purchases

The Group manages price risk in relation to electricity sales and purchases by entering into electricity swaps and options. Electricity swaps and options are either traded on the ASX or negotiated bilaterally with other energy companies and major customers. Electricity options are entered into as needs are identified and as counterparties seek to hedge their electricity purchase exposure. At balance date the Group had electricity option contracts giving counterparties the right to exercise call options and electricity cap contracts.

The aggregate notional face value of the outstanding electricity swaps and options at balance date was \$1,213.2 million (2016: \$1,419.4 million).

26. Financial instruments and financial risk management (continued)

Light crude oil sales

The Group manages price risk in respect of oil sales by entering into price swap contracts that provide a fixed price for future oil sales. The Group's Treasury policy sets minimum and maximum control limits ranging from between 50 per cent and 90 per cent for the first 12 months to between 25 per cent and 75 per cent for months 13 to 24.

The aggregate notional value of the outstanding oil swaps at balance date was 39.5 million United States dollars (2016: 29.0 million United States dollars).

The value of electricity and oil swaps are sensitive to changes in forward prices, and oil swaps are also sensitive to movements in foreign exchange rates. The following table summarises the impact an increase/decrease in these forward pricing assumptions would have on the Group's post-tax profit or loss for the year and on the Group's cash flow hedge reserve using year end exposures. The sensitivity analysis is based on the assumption that the relevant market prices (future electricity and oil price paths) had increased/decreased by 10 per cent with all other variables held constant. A positive number represents an increase in profit or the cash flow hedge reserve.

There have been no changes in the methods and assumptions used in the sensitivity calculations from the previous year.

	\$ million	\$ million
Electricity swaps and options		
Post-tax impact on profit or loss		
+10%	(8.8)	(16.8)
-10%	3.6	11.9
Post-tax impact on cash flow hedge reserve (equity)		
+10%	(0.7)	(6.8)
-10%	0.6	6.9
Oil swaps		
Post-tax impact on profit or loss		
+10%	(0.9)	(0.1)
-10%	0.9	0.1
Post-tax impact on cash flow hedge reserve (equity)		
+10%	(2.5)	(2.2)
-10%	2.5	2.2

Foreign currency risk

The Group is exposed to foreign currency risk as a result of capital and operational transactions and borrowings denominated in a currency other than the Group's functional currency (including the purchase of capital equipment and maintenance and the sale of gas and petroleum). The currencies giving rise to this risk are primarily the United States dollar and Japanese yen.

The Group uses foreign exchange swaps to manage foreign exchange risk on capital and operational transactions. All significant capital project commitments and all capital purchase orders where exposure and currency levels are confirmed are hedged. All sales, operational commitments and purchase orders denominated in foreign currency over the equivalent of \$500,000 New Zealand dollars are also hedged in accordance with the Group's Treasury policy. For ongoing operating commitments, the equivalent of at least the next 12 months' exposure must be hedged. For the currency exposure arising from the sale of oil and gas, the policy sets minimum and maximum control limits ranging between 50 per cent and 90 per cent for the first 12 months to between 25 per cent and 75 per cent for months 13 to 24 and zero per cent to 50 per cent for months 25 to 36.

The Group uses CCIRS to manage foreign exchange risk on overseas borrowings. All interest and principal repayments are hedged. The combination of the foreign-denominated debt and the CCIRS results in a net exposure to New Zealand floating interest rates and a fixed New Zealand-denominated principal repayment. The New Zealand floating interest rate risk is managed using the process described in the interest rate risk section below.

The following table details the foreign exchange swaps outstanding at balance date. A positive number represents a buy contract and a negative number represents a sell contract.

	Foreign	Foreign amount		Face value		Fair value	
Currency of contract	2017 million	2016 million	2017 \$ million	2016 \$ million	2017 \$ million	2016 \$ million	
Foreign exchange swaps							
United States dollar	(40.0)	(38.3)	(59.2)	(57.2)	4.1	2.7	
Japanese yen	530.0	895.1	7.0	11.7	(0.5)	0.6	
CCIRS							
United States dollar	150.0	150.0	193.2	193.2	13.5	35.4	
			141.0	147.7	17.1	38.7	

26. Financial instruments and financial risk management (continued)

The values of foreign exchange swaps and CCIRS are sensitive to changes in the forward prices of currencies. Foreign currency borrowings are fully hedged against movements in foreign currencies. Any movements in the value of borrowings, or in the interest payable due to a movement in the exchange rate, are offset by equal and opposite movements in the value and cash flows applicable to the hedge.

The table below summarises the impact an increase/decrease in foreign exchange rates would have on the Group's post-tax profit or loss for the year and on the Group's cash flow hedge reserve based on year end exposures. The sensitivity analysis is based on the assumption that the New Zealand dollar had weakened/strengthened by 10 per cent against the currencies with which the Group has foreign currency risk, with all other variables held constant. A positive number represents an increase in profit or the cash flow hedge reserve.

There have been no changes in the methods and assumptions used in the sensitivity calculations from the previous year.

Currency of contract	% change in rate		2016 \$ million
Post-tax impact on cash flow hedge reserve (equity)			
United States dollar	+10%	3.5	3.5
	-10%	(4.3)	(4.3)
Japanese yen	+10%	(0.4)	(0.8)
	-10%	0.5	1.0
Total foreign exchange swaps	+10%	3.1	2.7
Total foreign exchange swaps		(3.8)	(3.3)

Interest rate risk

The Group is exposed to interest rate risk because the Parent borrows funds at both fixed and floating interest rates. The Group uses interest rate swaps to manage interest rate risk. The Group's policy sets maximum and minimum control limits for fixed interest rate exposure. These range from between 50 per cent and 100 per cent of projected debt with an age profile of less than one year to a maximum of 50 per cent for projected debt with an age profile of greater than five years and a maximum of 20 per cent for projected debt with an age profile of greater than 10 years. The Group's exposures to interest rates on financial liabilities is disclosed in the liquidity risk section of this note.

The following table details the notional principal amounts and the remaining terms of interest rate swaps outstanding at balance date:

	Average contracted fixed interest rates		Notional principal amount		Fair value	
	2017 %	2016 %	2017 \$ million	2016 \$ million	2017 \$ million	2016 \$ million
Not later than one year	-	5.08	-	100.0	-	0.2
Later than one year and not later than two years	4.00	-	20.0	-	(0.4)	_
Later than two years and not later than five years	5.49	5.14	135.0	110.0	(11.5)	(10.0)
Later than five years	4.68	4.89	175.0	220.0	(13.0)	(26.3)
	4.97	5.00	330.0	430.0	(24.9)	(36.1)

The values of interest rate swaps are sensitive to changes in forward interest rates. The table below summarises the impact an increase/ decrease in interest rates would have on the Group's post-tax profit or loss for the year and on the Group's cash flow hedge reserve. The sensitivity analysis is based on the assumption that interest rates had been 100 basis points higher/lower with all other variables held constant, based on year end exposures. A positive number represents an increase in profit or the cash flow hedge reserve.

There have been no changes in the methods and assumptions used in the sensitivity calculations from the previous year.

2017 \$ million	2016 \$ million
0.3	0.5
(0.3)	(0.5)
9.0	10.5
(9.7)	(11.3)
_	0.3 (0.3)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group is exposed to credit risk in the normal course of business arising from trade receivables and with banks and financial institutions where short-term deposits are held. The Group is also exposed to credit risk arising from derivative counterparties defaulting on their contractual obligations.

The Group is a producer and seller of electricity, gas, LPG and oil. In terms of wholesale sales to the national grid, credit risk is significantly reduced as the Group purchases from the grid for its retail customer base with credit risk being limited to the net position on settlement. In addition, market security requirements in place ensure there is no significant credit risk for any one participant. Market participants are required to provide letters of credit to the market clearing agent (NZX Limited), which would be called upon should any market participant default.

26. Financial instruments and financial risk management (continued)

Credit risk exposure arising from the supply of electricity, gas, LPG and oil to the market is mitigated due to the Group's large customer base and, in respect of its larger customers, the diverse range of industries they represent throughout New Zealand. The Group has adopted a policy of only dealing with creditworthy trade counterparties and obtaining collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group also minimises its exposure to credit risk in this area through the adoption of counterparty credit limits and active credit-management practices, such as monitoring the size and nature of exposures and mitigating the risk deemed to be above acceptable levels.

A bond is held as collateral from any post-paid electricity customer whose credit profile does not meet the standard set by the Group. The bond is managed in accordance with the terms and conditions outlined in the supply agreement with individual customers. The bond is returned to the customer at cessation of supply. The value of collateral held at balance date was \$0.2 million (2016: \$1.0 million). The carrying value of the bond is considered to approximate its fair value.

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and other organisations. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. The Group has no significant concentration of credit risk with any one financial institution.

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.

Liquidity risk

The Group's ability to attract cost-effective funding is largely driven by its credit standing (Standard & Poor's = BBB+). Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the spreading of debt maturities.

Liquidity risk is monitored by continuously forecasting cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's liquidity analysis for its financial liabilities and derivatives. The table has been drawn up based on the undiscounted cash inflows (outflows) for all financial liabilities and derivatives. Where the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the internally generated forward price curves existing at balance date. As the amounts included in the tables are contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed in the balance sheet.

As at 30 June 2017	Weighted average effective interest rate %	Less than 1 year \$ million	1 to 2 years \$ million	2 to 5 years \$ million	More than 5 years \$ million	Total contractual cash flows \$ million
Non-derivative financial liabilities						
Trade and other payables	Non-bearing	(176.2)	-	-	-	(176.2)
Revolving credit and money market	5.7	(12.2)	(11.2)	(216.8)	-	(240.2)
Term loan facility	4.6	(1.4)	(1.4)	(4.1)	(31.7)	(38.6)
Wholesale term notes	6.1	(17.5)	(17.5)	(154.3)	(189.1)	(378.4)
Retail term notes	4.3	(4.1)	(4.1)	(112.4)	-	(120.6)
Capital bonds	6.1	(25.2)	(25.2)	(75.6)	(983.9)	(1,109.9)
USPP	3.8	(7.5)	(7.5)	(22.6)	(239.2)	(276.8)
		(244.1)	(66.9)	(585.8)	(1,443.9)	(2,340.7)
Derivative assets (liabilities)						
Net-settled derivatives						
Interest rate swaps (cash flow hedges)		(4.7)	(6.1)	(11.0)	(2.7)	(24.5)
Interest rate swaps (not designated as hedges)		(1.2)	(1.0)	(1.0)	-	(3.2)
Electricity swaps (cash flow hedges)		(5.6)	(4.4)	0.4	(0.1)	(9.7)
Electricity swaps and options (not designated as hedges)		8.9	9.6	18.4	1.8	38.7
Oil swaps (cash flow hedges)		3.4	1.5	0.4	-	5.3
Forward sale-and-purchase agreements of emission units held for trading		0.1	-	-	-	0.1
Gross-settled derivatives						
Foreign exchange swaps (cash flow hedges)						
Inflows		3.1	1.1	0.5	-	4.7
Outflows		(0.7)	(0.1)	-	-	(0.8)
CCIRS						
Inflows		7.5	7.5	22.6	239.1	276.7
Outflows		(7.3)	(8.1)	(28.5)	(240.0)	(283.9)
		3.5	-	1.8	(1.9)	3.4

The foreign exchange swaps cash flows above include no cash flows in the less-than-one-year category in relation to capital projects that would not be recognised in profit or loss.

26. Financial instruments and financial risk management (continued)

As at 30 June 2016	Weighted average effective interest rate %	Less than 1 year \$ million	1 to 2 years \$ million	2 to 5 years \$ million	More than 5 years \$ million	Total contractual cash flows \$ million
Non-derivative financial liabilities						
Trade and other payables	Non-bearing	(164.4)	_	-	_	(164.4)
Revolving credit and money market	5.2	(2.6)	(2.6)	(57.1)	_	(62.3)
Wholesale term notes	6.7	(143.1)	(12.5)	(147.7)	(78.1)	(381.4)
Retail term notes	4.3	(4.1)	(4.1)	(12.4)	(104.1)	(124.7)
Capital bonds	6.2	(12.4)	(12.4)	(37.1)	(450.7)	(512.6)
USPP	4.2	(7.7)	(7.7)	(23.2)	(253.3)	(291.9)
		(334.3)	(39.3)	(277.5)	(886.2)	(1,537.3)
Derivative assets (liabilities)						
Net-settled derivatives						
Interest rate swaps (cash flow hedges)		(3.7)	(4.5)	(18.3)	(9.4)	(35.9)
Interest rate swaps (not designated as hedges)		(1.4)	(1.2)	(2.4)	(0.1)	(5.1)
Interest rate swaps (fair value hedges)		1.1	_	_	_	1.1
Electricity swaps (cash flow hedges)		(17.4)	(7.9)	(4.8)	0.8	(29.3)
Electricity swaps and options (not designated as hedges)		10.0	9.4	6.3	(6.9)	18.8
Oil swaps (cash flow hedges)		2.4	1.6	(0.2)	_	3.8
LPG swaps		(0.1)	_	_	-	(0.1)
Gross-settled derivatives						
Foreign exchange swaps (cash flow hedges)						
Inflows		2.7	1.7	0.6	-	5.0
Outflows		(0.9)	(0.1)	_	_	(1.0)
CCIRS						
Inflows		7.7	7.7	23.2	253.3	291.9
Outflows		(7.7)	(7.5)	(23.6)	(242.3)	(281.1)
		(7.3)	(0.8)	(19.2)	(4.6)	(31.9)

The foreign exchange swaps cash flows above include \$0.2 million inflow in the less-than-one-year category in relation to capital projects that would not be recognised in profit or loss.

Capital risk management

The Group manages its capital in a prudent manner to ensure that each entity in the Group will be able to continue as a going concern while maximising the return to shareholders through the appropriate balance of debt and equity. This is achieved by ensuring that the level and timing of its capital investment programmes, equity raisings and dividend distributions are consistent with the Group's capital structure strategy. This strategy remains unchanged from previous years. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents and equity attributable to the shareholders of the Parent, comprising issued capital, reserves and retained earnings, as disclosed in the balance sheet.

Under the Group's debt funding facilities, the Group has given undertakings that the ratio of debt to equity will not exceed a prescribed level and the interest cover will not be below a prescribed level. For the purpose of these undertakings, the capital bonds and related interest costs are treated as 50 per cent equity. The covenants are monitored on a regular basis to ensure they are complied with. There were no breaches in covenants during the year (2016: nil).

27. Fair value

Fair value hierarchy

The Group's assets and liabilities measured at fair value are categorised into one of three levels as follows:

Level one – the fair value is determined using unadjusted quoted prices from an active market for identical assets and liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, a dealer, a broker, an industry group, a pricing service or a regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Level two – the fair value is derived from inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Financial instruments in this level include interest rate swaps, foreign exchange swaps, oil swaps and electricity derivatives which are valued using wholesale electricity price path.

Level three – the fair value is derived from inputs that are not based on observable market data. Financial instruments included in this level include electricity derivatives which are valued using the wholesale electricity price path.

27. Fair value (continued)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer. There were no transfers between levels one, two and three during the year (2016: nil).

Level two items carried at fair value

Recurring fair value measurements	2017 \$ million	2016 \$ million
Level two		
Derivatives		
Interest rate swaps	(24.9)	(36.1)
Foreign exchange swaps	3.6	3.3
Oil swaps	5.3	3.9
Electricity swaps (cash flow hedges)	0.3	(0.1)
Electricity swaps and options (not designated as hedges)	(1.7)	(1.8)
CCIRS	13.5	35.4
Forward sale-and-purchase agreements of emission units held for trading	0.1	-
LPG swaps	-	(0.1)
	(3.8)	4.5
Inventory		
Emission units held for trading	9.3	4.9

Valuation of level two items carried at fair value

The fair values of level two derivatives and emission units held for trading carried at fair value are determined using discounted cash flow models. The key inputs in the valuation models were:

Item	Valuation input
Interest rate swaps	Forward interest rate price curve
Foreign exchange swaps	Forward foreign exchange rate curves
Oil swaps	Forward oil price and foreign exchange rate curves
Electricity swaps and options	ASX forward price curve
CCIRS	Forward interest rate price curve and foreign exchange rate curves
Forward sale-and-purchase agreements of emission units held for trading	OM Financial forward curve
LPG swaps	Forward propane price and foreign exchange rate curves
Emission units held for trading	OM Financial forward curve

Level three items carried at fair value

Recurring fair value measurement	Note	2017 \$ million	2016 \$ million
Level three			
Derivatives			
Electricity swaps (cash flow hedges)		(9.7)	(28.2)
Electricity swaps and options (not designated as hedges)		30.9	12.2
		21.2	(16.0)
Property, plant and equipment			
Generation assets	15	2,903.9	2,923.5

Valuation of level three items carried at fair value

Valuation processes of the Group

The Group's finance department includes a team that perform the valuations of level three fair values for generation assets and derivatives. This team reports directly to the Chief Financial Officer. Discussions of valuation processes and results are held between the Chief Financial Officer and the valuation team at least six monthly for generation assets and monthly for derivatives. As part of these discussions, the team presents analysis to explain the reasons for changes in fair value measurements. The Chief Financial Officer reports key changes in fair value to the Board in the monthly finance report and any changes to the valuation methodology are reported to the Audit and Risk Committee through update papers when any changes are anticipated or have been made due to changes in the business.

27. Fair value (continued)

Valuation of electricity swaps and options

The valuation of electricity swaps and options in level three is based on a discounted cash flow model over the life of the agreement. The key assumptions in the model are: the callable volumes, strike price and option fees outlined in the agreement, the wholesale electricity price path ('price path'), 'day one' gains and losses, emission credits and the discount rate. The wholesale electricity price path used is an average of the internally and externally generated price paths. The options are deemed to be called when the price path is higher than the strike prices after taking into account obligations relating to the specific terms of each contract. No calling is required for the swaps and there are no option fees. The key assumptions are consistent with those used in 2016 with the exception of the wholesale electricity price path which was based on an internally generated price path in 2016.

The selection of variables used within the price path requires significant judgement and, therefore, there is a range of reasonable assumptions that could be used in estimating the price path. The key unobservable inputs driving potential changes to the price path are changes in electricity demand, hydrology and new generation build. A material change in any one of these factors could result in a material change to the price path and, therefore, the fair value of electricity swaps and options within level three. The internally generated price path assumes national demand growth, based on the latest available industry information and Genesis Energy's view of growth within various sectors of the economy. Forecast hydrology is based on 83 years of historical hydrological inflow data and new generation build assumptions are based on public announcements made by market participants and an assessment on the wholesale electricity prices required to support new generation build. The internally generated price path also assumes the ongoing operation of New Zealand Aluminium Smelters Limited at Tiwai Point. These factors are reviewed for reasonableness by senior management personnel who are responsible for the price path used by the business.

The key unobservable inputs, range of assumptions and third party inputs combine to determine the wholesale electricity price path. The wholesale electricity price paths used to value level three electricity swaps and options ranged from \$74 per MWh to \$101 per MWh over the period from 1 July 2017 to 31 December 2025 (2016: \$65 per MWh to \$109 per MWh over the period from 1 July 2016 to 31 December 2025). The discount rate used in the model ranged from 2.0 per cent to 2.8 per cent (2016: 1.6 per cent to 8.3 per cent) and the emission credit price used ranged between \$17.50 and \$23.50 (2016: \$18.00 and \$25.00).

If the price path increased by 10 per cent while holding the discount rate constant, this would result in the carrying value of the electricity derivatives decreasing to \$6.4 million asset (2016: \$50.7 million liability). If the price path decreased by 10 per cent while holding the discount rate constant, the carrying value would increase to \$28.8 million asset (2016: \$12.7 million asset).

Reconciliation of level three electricity swaps and options

	2017 \$ million	2016 \$ million
Balance as at 1 July	(16.0)	27.7
Total gain (loss)		
Electricity revenue	21.2	23.3
Change in fair value of financial instruments	17.8	(18.0)
Total gain (loss) in profit or loss	39.0	5.3
Total gain (loss) recognised in other comprehensive income	15.4	(16.7)
Settlements (gain) loss	3.1	(8.9)
Sales	(20.3)	(23.4)
Balance as at 30 June	21.2	(16.0)

The change in fair value of financial instruments disclosed above includes an unrealised gain of \$17.8 million (2016: \$18.1 million loss) on level three derivatives held at balance date.

Valuation of generation assets

Refer to note 15 for the valuation and reconciliation of movements in generation assets.

Deferred 'day one' gains (losses)

There is a presumption that when derivative contracts are entered into on an arm's length basis, and no payment is received or paid on day one, the fair value at inception would be nil. 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 for a variety of reasons. In these circumstances, an adjustment is made to bring the initial fair value of the contract to zero at inception. The adjustment is called a 'day one' gain (loss) and is deferred and amortised, based on expected call volumes over the term of the contract. The 'day one' adjustment below is included in the level three electricity swaps and options carrying value at balance date.

The following table details the movements and amounts of deferred 'day one' gains (losses) included in the fair value of level three electricity swaps and options held at balance date:

	2017 \$ million	2016 \$ million
Balance as at 1 July	72.7	17.1
Deferred 'day one' gains (losses) on new derivatives	1.7	63.6
Deferred 'day one' gains (losses) realised during the year	(2.8)	(8.0)
Balance as at 30 June	71.6	72.7

27. Fair value (continued)

Items disclosed at fair value

Carrying value		Fair value	
2017 \$ million	2016 \$ million	2017 \$ million	2016 \$ million
(100.3)	(100.2)	(102.2)	(103.2)
(424.4)	(202.6)	(436.2)	(206.2)
(292.8)	(319.7)	(320.3)	(344.3)
(215.6)	(239.6)	(215.3)	(235.0)
	2017 \$ million (100.3) (424.4)	2017 \$ 2016 \$ million \$ million \$ (100.2) (424.4) (202.6) (292.8) (319.7)	2017 \$ million \$ million \$ million \$ million \$ (100.3) (100.2) (102.2) (424.4) (202.6) (436.2) (292.8) (319.7) (320.3)

The carrying value of all other financial assets and liabilities in the balance sheet approximates their fair values.

Valuation of wholesale term notes

The valuation of wholesale term notes is based on estimated discounted cash flow analyses, using applicable market yield curves adjusted for the Group's credit rating. Market yield curves at balance date used in the valuation ranged from 3.2 per cent to 3.9 per cent (2016: 3.0 per cent to 3.9 per cent).

Valuation of USPP

The valuation of USPP is based on estimated discounted cash flow analyses, using applicable United States market yield curves adjusted for the Group's credit rating. The credit-adjusted market yield at balance date used in the valuation was 3.2 per cent (2016: 2.5 per cent).

28. Commitments

Capital commitments

	2017 \$ million	2016 \$ million
Not later than one year	1.7	1.3
Later than one year but not later than five years	20.9	-
Later than five years	2.0	_
Total capital commitments	24.6	1.3

The capital commitments disclosed above include no amounts relating to the Kupe Joint Venture (2016: nil).

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. When assets are leased under a finance lease, the present value of the minimum lease payments is recognised as either a payable or a receivable in the balance sheet. Repayments are allocated between the capital and interest over the term of the lease to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the lease term. Receipts from operating leases are recognised in profit or loss on a straight-line basis over the lease term.

Operating lease commitments

Where the Group is lessee

The Group leases building accommodation for its offices and land for its generation sites and LPG depots. The Group also leases vehicles and certain office equipment. These leases are of a rental nature and are on normal commercial terms and conditions. These leases have varying lease periods of up to 20 years. In some cases, renewal rights exist with market review clauses. The Group does not have any options to purchase the leased assets at the expiry of the lease period.

	2017 \$ million	2016 \$ million
Not later than one year	5.9	8.4
Later than one year but not later than five years	26.3	23.9
Later than five years	29.3	31.9
Total operating lease commitments	61.5	64.2

Lease commitments are disclosed exclusive of GST.

29. Contingent assets and liabilities

The Group had contingent assets and liabilities at 30 June 2017 in respect of:

Land claims, law suits and other claims

The Parent acquired interests in land and leases from Electricity Corporation of New Zealand Limited ('ECNZ') on 1 April 1999. These interests in land and leases may be subject to claims to the Waitangi Tribunal and may be resumed by the Crown. The Parent would expect to negotiate with the new Māori owners for occupancy and usage rights of any sites resumed by the Crown. Certain claims have been brought to, or are pending against, the Parent, ECNZ and the Crown under the Treaty of Waitangi Act 1975. Some of these claims may affect land and leases purchased by the Parent or its subsidiaries from ECNZ. In the event that land is resumed by the Crown, the resumption would be effected by the Crown under the Public Works Act 1981 and compensation would be payable to the Parent.

The Board cannot reasonably estimate the adverse effect (if any) on the Parent if any of the foregoing claims are ultimately resolved against it or if any contingent or currently unknown costs or liabilities crystallise. There can be no assurances that these claims will not have a material adverse effect on the Group's business, financial condition or results of operations.

There are no other known material contingent assets or liabilities (2016: nil).

30. Events occurring after balance date

Subsequent to balance date, the Parent declared a final dividend of \$84.0 million (8.4 cents per share).

There have been no other significant events subsequent to balance date.

Deloitte.

independent auditor's report

TO THE SHAREHOLDERS OF GENESIS ENERGY LIMITED REPORT ON THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

Auditor General

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

Opinion

We have audited the consolidated financial statements of the Group on pages 33 to 69, that comprise the consolidated balance sheet as at 30 June 2017, and the consolidated comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

In addition to the audit we have carried out assignments in the areas of trustee reporting, scrutineer's notice, secretarial services for the corporate tax payer group and review of the interim report which are compatible with those independence requirements. Technology integration services have also been provided by a business acquired by Deloitte Limited during the year ended 30 June 2017. Appropriate safeguards were put in place to mitigate any threats to audit independence following the acquisition. These services have not impaired our independence as auditor of the Group.

In addition to these assignments, principals and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the Group. Other than the audit and these assignments and trading activities, we have no relationship with, or interests in the Group.

Audit Materiality

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

Based on our professional judgement, we determined the quantitative materiality for the Group financial statements as a whole to be \$9 million.

Key Audit Matters

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

Key audit matters

How our audit addressed the key audit matters

Valuation of Generation Assets

Generation assets were revalued at 30 June 2017 as set out in note 15 of the consolidated financial statements to \$2,903.9 million.

The fair value of generation assets is estimated using an internally generated discounted cash flow model which is prepared by management. The significant inputs used to calculate the fair value of the generation assets are the wholesale electricity price path, generation volumes, and the discount rate. The wholesale electricity price path is estimated by Genesis Energy as described in note 15 of the consolidated financial statements.

The estimate of the wholesale electricity price path is the most significant input in estimating the fair values determined for the generation assets and affects the estimated generation volumes which are also used in the fair value calculation. Changes to the forecast of the wholesale electricity price path could significantly change the estimated fair value of the generation assets.

The treatment of the gains on revaluation estimated by Genesis Energy for specific assets are described in note 15 of the consolidated financial statements.

We included the valuation of generation assets as a key audit matter due to the level of judgement required in forecasting the wholesale electricity price path.

Our audit procedures included assessing the key inputs to the model used to estimate the fair value of the generation assets. Our procedures, which included the use of our internal valuation experts, were primarily focused on evaluating the process undertaken by Genesis Energy in forecasting the wholesale electricity price path and assessing whether the forecast was consistent with internal and external data.

We assessed the professional competence of the Genesis Energy valuers involved in the forecasting of the electricity price path and valuation of the generation assets.

We also compared budgeted performance information from prior periods to historical data to assess the accuracy of the forecasting process.

We assessed the forecast wholesale electricity price path which included externally derived data. We also evaluated the assumptions used in forecasting the electricity price path to determine whether they were consistent with assumptions used across the business, including management budgets and valuations of other assets including certain electricity derivatives.

We performed sensitivity analysis on the key assumptions applied in determining the fair value of the generation assets and considered the adequacy of the Group's disclosures.

We have found the assumptions and resulting valuation to be reasonable

Valuation of Electricity Derivatives and Cross Currency Interest Rate Swaps

The Group's activities expose it to electricity and gas market price, oil price, currency and interest rate risk which are managed using derivative financial instruments. At 30 June 2017 derivative assets totalled \$66.3 million and derivative liabilities were \$48.9 million as set out in notes 25 and 27 of the consolidated financial statements.

The valuations of the oil swaps, interest rate swaps, foreign exchange swaps, and some electricity derivatives which are prepared by Genesis Energy valuers are based primarily on observable inputs and are measured using standard valuation techniques.

Cross-currency interest rate swaps and certain electricity swaps and options are also valued using primarily observable inputs but require more complex valuation models. Additionally, some electricity swaps and options are valued using the wholesale electricity price path forecast which is estimated by Genesis Energy as described in note 15 of the consolidated financial statements. As explained in the 'Valuation of Generation Assets' section above, the wholesale electricity price path forecast requires significant judgement.

We have included the valuation of electricity derivatives and cross currency interest rate swaps as a key audit matter due to the complexity associated with their valuation and the judgement involved in evaluating the inputs to the electricity derivative valuation models.

We tested the design and operating effectiveness of key controls related to the recording and valuation of electricity derivative transactions.

We challenged key assumptions applied by management and agreed underlying data to the contract terms on a sample basis. We have independently recalculated the fair value of a sample of electricity derivatives.

Our internal valuation experts have evaluated the appropriateness of the methodology applied in valuation models for the electricity derivatives.

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

Our internal valuation experts have independently recalculated the value of a sample of cross-currency interest rate swaps using specialist treasury management software.

We have found the assumptions and resulting valuations to be reasonable.

Key audit matters (continued)

How our audit addressed the key audit matters (continued)

Acquisition Accounting

As disclosed in note 18 of the consolidated financial statements, the Group acquired three subsidiaries from New Zealand Oil and Gas Limited that together hold a 15.0 per cent stake in the Kupe Joint Venture and a subsidiary that has rights to royalty payments associated with the Kupe field.

The Group also acquired Nova Energy Limited's LPG retail business.

The accounting for the acquisition of the LPG retail business has been prepared on a provisional basis at 30 June 2017. Due to the timing of the acquisition, the calculations of the fair value of fixed assets, customer contracts and relationships and goodwill will be finalised in the 2018 financial year.

The purchase price for each business acquisition is allocated to the assets and liabilities acquired, including any identifiable intangible assets, with the balance recorded as goodwill (if any).

We identified this as a key audit matter due to the significance of the acquisitions to the Group's financial statements, the inherent complexities in accounting for business acquisitions, and the judgement applied by the Group in identifying and determining the fair value of the assets and liabilities acquired, including the separately identifiable intangible assets. We have evaluated the appropriateness of the acquisition accounting by:

- > Reviewing the sale and purchase agreements to determine the material terms of the acquisitions.
- > Evaluating the Group's determination of the fair values of the assets and liabilities acquired by:
- Assessing the professional competence of the Genesis Energy valuers;
- Assessing the appropriateness and completeness of the intangible assets identified by the Group;
- Evaluating the methodologies used to measure the fair values of the tangible and intangible assets acquired, including the appropriateness of the provisional measurements for the assets and liabilities relating to the LPG retail business:
- Evaluating the key inputs and assumptions used in the valuations, such as forecast field reserves and estimated market prices for the extracted products for the Kupe oil and gas assets and customer volumes, churn and costs to sell for the LPG contractual arrangement intangible assets: and
- Involving our internal specialists in evaluating the methodologies and key assumptions, including the discount rates, used in the valuation of the assets and liabilities acquired.

We have found the assumptions and resulting valuations used in the measurement of the acquired assets and liabilities from New Zealand Oil and Gas Limited to be reasonable.

We have found the assumptions and resulting valuations used in the provisional measurement of the acquired assets and liabilities from Nova Energy Limited's LPG retail business to be reasonable.

Other Information

The Directors are responsible on behalf of the Group for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Directors' responsibilities for the consolidated financial statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Andrew Dick

On behalf of the Auditor-General Auckland, New Zealand 21 August 2017

corporate governance.

This section of the Annual Report provides an overview of the corporate governance policies, practices and processes adopted and followed by the Board. It elaborates on, and should be read in conjunction with, the Corporate Governance Highlights section set out on pages 30 and 31.

Governance framework and compliance

Genesis Energy Limited is a company incorporated in New Zealand under the Companies Act 1993 (NZ) ('Companies Act'), whose fully paid ordinary shares ('Shares') are listed on the NZX Main Board and Australian stock exchange ('NZX' and 'ASX'). In New Zealand, the Company is listed with a 'non-standard' (NS) designation. The Company's corporate governance framework incorporates the NZX Corporate Governance Best Practice Code ('NZX Code') and the New Zealand Financial Markets Authority Corporate Governance in New Zealand Principles and Guidelines (2014) ('FMA Guidelines'). The Board considers that the corporate governance practices it adopted and followed in FY17 do not differ materially from those in the NZX Code or the FMA Guidelines. While the ASX Corporate Governance Council Principles and Recommendations (2014) ('ASX Principles') do not apply to the Company as it is a Foreign Exempt entity, the Board is still guided by the ASX Principles and they are relevant to the Company from a guidance perspective. The Board notes that a new version of the NZX Code will be in force from 1 October 2017 and future reporting will be against this updated version of the NZX code. Given the Company's compliance to date with the ASX Principles, the Board is not expecting to make any

material amendments to its corporate

governance processes in order to comply with the updated NZX Code.

Corporate governance information and Genesis' website

For more detailed information on Genesis' corporate governance practices, refer to the Investor Centre on the Company's website genesisenergy.co.nz/governance to view the Company's Corporate Governance Statement.

The following documents can also be viewed on this website:

- > Genesis' Constitution
- > Board Charter
- > Audit and Risk Committee Charter
- > Human Resources and Remuneration Committee Charter
- > Nominations Committee Charter
- > Code of Conduct and Ethics
- > Diversity and Inclusion Policy
- > Trading in Company Securities Policy
- > Market Disclosure Policy
- > Audit Independence Policy
- > Investor Communication Policy.

Board of Directors

The Board is responsible for the proper direction and control of the affairs and activities of the Company and its subsidiaries. The **Constitution** provides that the affairs of the Company are to be managed by and/or under the supervision of the Board. The Board operates under a formal **Board Charter**. This Charter records the Board's commitment to achieving best practice corporate governance and describes the specific responsibilities, values, principles and practices that underpin

the role of Directors. More information on the role and responsibilities of the Board is set out in the Company's Corporate Governance Statement.

Board composition and appointment

The Company's Constitution and the Board Charter set out the Board's composition, which is as follows:

- > A minimum of three Directors
- > A maximum of nine Directors
- A majority of independent non-executive Directors, with a minimum of two Directors who will ordinarily be resident in New Zealand.

The Chair of Genesis is appointed by the Board from the independent Directors. The appointment is also approved by the Minister of Finance (owing to the Company's status as a Mixed Ownership Company as defined by the Public Finance Act 19891). All Directors are elected by the Company's shareholders, with rotation and retirement determined by the Constitution. The Board may appoint Directors to fill casual vacancies. Directors appointed to fill casual vacancies are required to retire and stand for election at the first Annual Shareholder Meeting after their appointment.

e for the proper Director independence

All of the Directors are currently considered to be 'independent' Directors. The names of the current Directors, together with a short biography of each, are set out on pages 28 and 29.

Policies, practices and processes

Set out below are the key policies, practices and processes that underpin Genesis' strong governance framework.

Diversity and Inclusion Policy and gender composition

Genesis' Diversity and Inclusion Policy and Minding the Gap Policy records the Company's commitment to an inclusive workplace that embraces and promotes diversity through a number of initiatives, including a focus on equal opportunity.

Genesis has sought to establish measurable objectives for achieving diversity, including gender diversity, and its annual assessment of its diversity objectives for FY17 and the Company's progress towards achieving these objectives are set out in Diagram 1.

As at 30 June 2017, in relation to Genesis Energy's:

- > Board of Directors, three out of eight Directors were women (this is the same as FY16)
- > Officers², three out of eight positions were held by women (this was two out of eight positions in FY16).

Code of Conduct and Ethics

The Code of Conduct and Ethics
is supported by other Company
policy and standards that address
the following: Compliance, Protected
Disclosures, Privacy, Conflicts of
Interest, Harassment Prevention, Travel
and Business Expenditure and Gifts,
Trading in Company Securities, Health

and Safety, Remuneration, **Diversity** and Inclusion, and Fraud.

Trading in Company Securities Policy

The Board has adopted a **Trading in Company Securities Policy** detailing the Company's guidance and rules for trading in Genesis securities on the NZX and ASX and trading in New Zealand electricity futures listed on the ASX.

Conflicts of interest

The principles that govern the management of conflicts of interest are addressed in a number of governance documents, specifically, the Genesis Energy Constitution, the Board Charter, the Code of Conduct and Ethics and the Conflicts of Interest Policy.

Investor relations

The Investor Communication Policy details the steps that the Company will take to communicate with its investors. The aim of Genesis' communication strategy is to enable investors to engage with the Company in an informed manner and to make informed assessments of the Company's value and prospects.

Stakeholders

The Board has adopted and promoted a range of policies and practices, which reflect the respect it holds for its stakeholders and the value that good relationships with stakeholders delivers to the Company and its shareholders.

Market Disclosure Policy

Genesis also maintains a **Market Disclosure Policy**, internal continuous disclosure procedures and a Market
Disclosure Committee.

Audit independence

The Company maintains an Audit Independence Policy to ensure lead audit partner rotation in accordance with the NZX Listing Rules and to ensure that audit independence is maintained so that the Company's external financial reporting is reliable and credible.

Internal Audit

Genesis outsources its internal audit function, which assists in the monitoring of the Company's internal control systems and risk management. Ernst & Young is the Company's internal auditor for FY17 internal audits.

Approach to risk management

The identification and effective management of the Company's risks are priorities of the Board. The Board is responsible for overseeing and approving risk management strategy, appetite and policies, as well as ensuring that effective audit, risk management and compliance systems are in place. The Audit and Risk Committee assists the Board in its risk management function.

Diagram 1 – FY17 Measurable objectives for diversity

OBJECTIVE PROGRESS AS AT 30 JUNE 2017

Sustain focus on diversity metrics and use insights to steer diversity initiatives

- A comprehensive analysis of pay between genders has been completed, which led to the launch of the Minding the Gap policy designed to govern action and awareness of fairness of pay between gender.
- 70 per cent of the workforce has shared their ethnicity data.
- Inclusion of diversity measures within the Company-wide employee survey.

Build understanding of cultural diversity

- Continuation of the award-winning campaign to promote Māori Language Week.
- Genesis Schoolgen programme is now delivered in Te Reo.
- Ongoing promotion of Genesis' cultural calendar to recognise different cultural events that are important to Genesis' employees.

Develop diverse talent pools

- Participated in the annual 'Girls with Hi-Vis' initiative led by Connexis hosting 14 female students for an experience day at the Tongariro power scheme.
- A major partner to Global Women and active leader within the Champions of Change reporting and flexibility work programmes.
- Sponsored the Māori and Pasifika Tupu Toa Corporate Pathways programme, hosting five interns for 12 weeks across the business.
- Launched the Women's Connect social network to facilitate opportunities for women at Genesis to connect with each other, build support networks and to support a gender diversity workplace conversation.
- 1 The Public Finance Act 1989 and the Company's Constitution provide that Her Majesty the Queen in Right in New Zealand must hold at least 51 per cent of the shares of the Company.
- 2 The term 'Officer' is defined in the NZX Listing Rules and aligned to the interpretation given under the Financial Markets Conduct Act 2013 (relating to the definition of Senior Manager), i.e., a person, however designated, who is concerned or takes part in the management of the public issuer's business. Genesis deems this to be the Chief Executive and the Chief Executive's direct reports.

remuneration report.

Directors' fees

Detailed information about Directors' fees is set out in the Corporate Governance Highlights section set out on pages 30 and 31.

No additional remuneration for subsidiary Directors

No Director of a subsidiary company of the Genesis Energy Group (a list of subsidiary companies and Directors is set out in the Statutory Disclosures on page 77) received any additional remuneration or other benefits during the period in relation to their duties as Directors of a subsidiary company, other than the benefit of an indemnity from Genesis and the benefit of insurance cover in respect of all liabilities to persons (other than the Company and the subsidiaries or related body corporate), to the extent permitted by law, which arise out of the performance of their normal duties as Directors, unless the liability relates to conduct involving a lack of good faith. Remuneration of Company employees, including those acting as Directors of subsidiary companies, is disclosed in the relevant banding in Diagram 2.

Chief Executive remuneration

The Chief Executive remuneration detail provided relates to payments made to Marc England during FY17 (but not any short-term incentive payments earned in FY17 and to be paid in FY18):

MARC ENGLAND

Total remuneration FY17	\$1,099,639.10 ¹
Fixed remuneration	\$905,178.33
Short Term Incentive	\$52,167.00
Executive Long Term Incentive	\$252,697.93 (relates to 123,460 ordinary shares acquired under the Executive LTI plan on 29 September 2016)

KiwiSaver	\$42,293.77
Other	\$100,000.00 ²

- 1 Excludes Executive Long Term Incentive Plan entitlements.
- 2 This payment was made in recognition of Mr England extinguishing rights to certain share entitlements in his previous employment.

Remuneration of employees earning over \$100,000 in the year ending 30 June 2017

There were 276 Genesis and subsidiary employees (or former employees) who received remuneration and benefits in excess of \$100,000 (not including Directors) in their capacity as employees during the year ended 30 June 2017, as set out in Diagram 2 (below).

Diagram 2 - Remuneration of employees

REMUNERATION AMOUNT	EMPLOYEES	REMUNERATION AMOUNT	EMPLOYEES
\$1,090,000 - \$1,100,000	1	\$230,000 - \$240,000	2
\$630,000 - \$640,000	1	\$220,000 - \$230,000	2
\$580,000 - \$590,000	1	\$210,000 - \$220,000	6
\$550,000 - \$560,000	1	\$200,000 - \$210,000	2
\$510,000 - \$520,000	1	\$190,000 - \$200,000	3
\$500,000 - \$510,000	1	\$180,000 - \$190,000	9
\$470,000 - \$480,000	1	\$170,000 - \$180,000	7
\$310,000 - \$320,000	2	\$160,000 - \$170,000	9
\$300,000 - \$310,000	1	\$150,000 - \$160,000	15
\$290,000 - \$300,000	2	\$140,000 - \$150,000	24
\$270,000 - \$280,000	5	\$130,000 - \$140,000	37
\$260,000 - \$270,000	1	\$120,000 - \$130,000	38
\$250,000 - \$260,000	3	\$110,000 - \$120,000	47
		\$100,000 - \$110,000	54
Total employees earning \$100),000+		276
Employees who are included as at 30 June 2017	but who are no l	onger at Genesis Energy	41

This includes fixed remuneration, employer KiwiSaver contributions, short-term incentive payments, settlement payments and redundancy payments actually paid in FY17 for all permanent employees, but not any short-term incentive payments earned in FY17 and to be paid in FY18, or any Executive LTI payments.

statutory disclosures.

Disclosures of interest

The general disclosures of interest made by Directors of Genesis, pursuant to section 140(2) of the Companies Act that remained current at 30 June 2017, are shown below. In addition, in November 2016 Doug McKay disclosed (pursuant to section 139(1)(d) and section 140(1)(b) of the Companies

Act) that his son may become directly or indirectly a party to a consultancy contract with the Company. There were no other declarations of interest made pursuant to section 140(1) or 140(2) of the Companies Act, entered in the Interests Register of Genesis or its subsidiary companies.

Interests register entries

COMPANY

Chair and Shareholder

Chair and Shareholder

Chair and Shareholder

In accordance with section 211(1)(e) of the Companies Act, particulars of the entries in the Interests Register of Genesis that remained current as at 30 June 2017 are as set out in the table below:

MFL Mutual Fund Limited

Superannuation Investments Limited

Milford Asset Management Limited and

DIR.	POSITION	COMPANY	D	IR.	POSITION
	Chair	China Construction Bank			Chair and S
		(New Zealand) Limited			Chair and S
air)	Chair	Oravida Limited and subsidiaries ¹			Chair and S
S	ប្ <mark>រ</mark> Co Chair	Champion for Change ¹			Director and
oley	Director	BOAO Forum for Asia¹	ssc		Director and
Jenny Shipley (Chair)	Director and Shareholder	Jenny Shipley New Zealand Limited			Director and
nns		New Zealand China Council			Director and
٩	Trustee	Heart Health Research Trust		Mark Cross	Director
		Heart Health Research Trust		/Jark	Board Mem
	Trustee	Shipley Family Trust		_	Director
	Chair	IFRS Advisory Council			Trustee
	Director	Trade Me Group Limited			Trustee
rry	Director and Shareholder	JMGP Limited			Director
Joanna Perry	Director	Kiwi Property Group Limited			Director
ann	Director				Director
Š		Partners Life Holding Limited	_		Director
	Director	Partners Life Limited			Chair
	Deputy Chair	Regional Facilities Auckland		ау	Chair
	Director	KiwiRail Holdings Limited – trading as	Doug McKay		Director
	Director	KiwiRail		ng N	Director
	Director	Wellington Gateway General Partner		۵	Director Director
		No. 1 Limited			Director and
John Leuchars	Director	Wellington Gateway General Partner No. 2 Limited	_		Chair
enc.					Chair
hn L		Leuchars Holdings Limited			
ဝိ	Director and Shareholder	Nuf Investments Pty Limited		iles	Director and
	Director and Shareholder	Nuf Superannuation Pty Limited		rim Miles	Director and
	Director and Shareholder	Nuf Pty Limited		Ē	Director
	Member	Saint Kentigern Trust Board Subcommittee			Trustee
ъ	Director	Okuora Holdings Limited¹			Trustee Advisory Tr
Maury Leyland	Chair and Trustee	The Education Hub¹	-		Director
y Le				and	
laur	Trustee	Arapito Trust ¹		Zeal	Director
2	Trustee	Polperro No. 2 Trust ¹		Paul Zealand	Director
1 Entr	ries added by notices given by	Directors during the year ended 30 June 2017.			Trustee

		subsidiaries
	Director and Shareholder	Virsae Group Limited
	Director and Shareholder	Emcee Squared Limited
	Director and Shareholder	Aspect Productivity Technology Limited
oss	Director and Shareholder	Alpha Investment Partners Limited
Ö	Director	Argosy Property Limited
Mark Cross	Board Member	Triathlon New Zealand Incorporated
_	Director	Z Energy Limited and subsidiaries
	Trustee	Triathlon Youth Foundation New Zealand
	Trustee	The Cross Family Trust
	Director	Chorus Limited
	Director	Milford Capital Investments Limited
	Director	Milford Private Equity Limited
	Director	MPE II GP Limited
	Chair	Eden Park Trust Board
	Chair	Bank of New Zealand Group and subsidiaries
Doug McKay	Director	IAG New Zealand Limited and subsidiarie
Ĭ	Director	Wymac Consulting Limited
οno	Director	Ryman Healthcare Limited
	Director	National Australia Bank
	Director and Shareholder	Tourism Transport Limited
	Chair	Advisory Board of Revera Limited ¹
	Chair	Advisory Board of Computer Concepts Limited ¹
es	Director and Shareholder	Jeffries Miles Consultancy Limited ¹
Tim Miles	Director and Shareholder	Jeffries Miles Property Limited ¹
E.	Director	Khandallah Trust Limited¹
	Trustee	Marshall Miles Family Trust ¹
	Trustee	Barbara Nel Miles Trust ¹
	Advisory Trustee	Leadership New Zealand ¹
-	Director	Lochard Energy ¹
Paul Zealand	Director	The New Zealand Refining Company Limited ¹
anl	Director	Zoenergy Limited ¹
Д.	Trustee	Zealand Family Trust ¹

Directors of subsidiary companies

At 30 June 2017:

- > The Chair of Genesis, Dame
 Jenny Shipley, the Chief
 Executive of Genesis, Marc
 England, and Chief Financial
 Officer of Genesis, Chris Jewell¹,
 were Directors of the following
 wholly-owned subsidiaries:
 Genesis Power Investments
 Limited, Kupe Holdings Limited,
 GP No. 2 Limited, GP No. 5
 Limited, Kupe Royalties Limited,
 National Petroleum Limited,
 Nephrite Enterprises Limited
 and Petroleum Equities Limited²
- > Chris Jewell, the Chief Financial Officer (who was appointed on 1 July 2016³), Warwick Williams, the Group Risk and Analytics Manager and George McGhie⁴ (resident Singapore-based Director and employed by the Genesis Energy captive manager Willis Management (Singapore) Pte Limited) were Directors of Genesis Energy's captive insurance company incorporated in Singapore, Genesis Energy Insurance Pte Limited. Maureen Shaddick was retired as an Alternate Director to Chris Jewell and Warwick Williams on 15 December 2016.

Indemnity and insurance

In accordance with section 162 of the Companies Act and the Company's Constitution, and to the extent permitted by law, Genesis has indemnified and arranged insurance for all current and former Directors and executive officers of the Company and its subsidiary companies. Subject to the following provisos, the indemnity and insurance protects the Directors and executive officers against any liabilities that arise against any party, when they carry out their normal duties. The indemnity and insurance does not apply to liabilities that arise against the Company or a related body corporate, or if the liability relates to conduct involving a lack of good faith.

The Company holds:

- > Prospectus liability insurance in relation to its 2018 Retail Bonds, 2011 Capital Bonds, 2014 US Private Placement Long-Term Bonds, 2016 New Zealand Senior Retail and Institutional Bonds, and 2017 Capital Bonds
- > Prospectus liability and cost and expenses liability insurance in respect of the Prospectus registered on 13 March 2014 (as amended on 18 March 2014) for the Company's initial public offering of shares in the Company.

In authorising the insurances to be effected, each Director signed a certificate stating that, in their opinion, the cost of the insurance was fair to the Company.

Use of Company information

No notices have been received by the Board of Genesis under section 145 of the Companies Act with regard to the use of Company information received by Directors in their capacities as Directors of the Company or its subsidiary companies.

Disclosures of Directors' interests in share transactions

During FY17, in relation to the Company's Directors, the following disclosures were made in the Interests Register as to dealing in Company shares under section 148 of the Companies Act:

- Doug McKay made an ongoing disclosure in relation to the consolidation of 2,574 ordinary shares with 13,240 ordinary shares held by Custodial Services Limited as registered holder of the shares for the McKay family trust
- > Tim Miles made an initial disclosure in relation to the holding of 40,410 shares by FNZ Custodians Limited.

Directors' interests in shares

Directors disclosed the following relevant interests in shares as at 30 June 2017:

DIRECTOR	RELEVANT INTEREST HELD IN SHARES
Jenny Shipley	14,693
Joanna Perry	27,306
John Leuchars	131,600
Doug McKay	15,814
Maury Leyland	19,088
Tim Miles	40,410
Paul Zealand	N/A

1 Chris Jewell was appointed on 21 November 2016 to replace Maureen Shaddick, who ceased to be a Director on 28 October 2016.

Twenty largest registered shareholders as at 30 June 2017*

NAME	NUMBER OF SHARES	% OF SHARES
Her Majesty The Queen In Right Of New Zealand Acting By And Through Her Minister Of Finance And Minister For SOE	512,319,073	51.23
HSBC Nominees (New Zealand) Limited	51,728,748	5.17
HSBC Custody Nominees (Australia) Limited	33,003,132	3.30
Citibank Nominees (New Zealand) Limited	25,453,464	2.55
Custodial Services Limited	21,839,923	2.18
Accident Compensation Corporation	17,267,019	1.73
Forsyth Barr Custodians Limited	15,064,699	1.51
FNZ Custodians Limited	11,331,318	1.13
JBWere (NZ) Nominees Limited	11,156,477	1.12
JPMorgan Chase Bank NA	10,866,682	1.09
ANZ Wholesale Australasian Share Fund	10,429,965	1.04
BNP Paribas Nominees (NZ) Limited	8,675,478	0.87
Public Trust Class 10 Nominees Limited	5,852,636	0.59
Investment Custodial Services Limited	5,810,677	0.58
ANZ Custodial Services New Zealand	5,776,036	0.58
JP Morgan Nominees Australia Limited	5,598,621	0.56
Citicorp Nominees Pty Limited	5,511,095	0.55
National Nominees Limited	5,236,330	0.52
Guardian Nominees No 2 A/C Westpac W/S Enhanced Cash Trust	3,426,689	0.34
BNP Paribas Nominees Pty Limited	3,022,382	0.30
Total	769,370,444	76.94

^{*} In the above table, the shareholding of New Zealand Central Securities Depository Limited ('NZSCD') has been allocated to the applicable members of NZSCD.

Substantial security holders

The following information is given pursuant to sub-part 5 of part 5 of the Financial Markets Conduct Act 2013. According to notices given to the Company, the substantial security holder in the Company and its relevant interests are noted below:

	DATE OF SUBSTANTIAL SECURITY NOTICE	RELEVANT INTEREST IN THE NUMBER OF SHARES	
Her Majesty the Queen in Right of New Zealand	6 July 2015	519,723,781	51.97

Waivers from the NZX

NZX has granted a waiver in relation to NZX Rule 9.2.1 to permit the Company to enter into transmission agreements with Transpower, which constitute material transactions with a related party without obtaining shareholder approval, where those agreements are entered into in order to comply with the Electricity Industry Participation Code and the amounts payable under those agreements are determined in accordance with the

transmission pricing methodology and regulated under the Electricity Industry Participation Code and Part 4 of the Commerce Act 1986 (subject to certain conditions). As a condition of this waiver, the Company is required to disclose in its Annual Report the total amount of fees payable by the Company to Transpower under the transmission agreements for the relevant financial year. For the financial year under review, this amount is \$13,000,627.

Donations

In accordance with section 211(1)(h) of the Companies Act 1993, Genesis records that it made donations of \$34,382 during the year ended 30 June 2017. Genesis subsidiaries did not make any donations.

Credit rating

As at the date of this Annual Report, Standard & Poor's long-term credit rating for Genesis was BBB+ Stable.

Exercise of NZX disciplinary powers

The NZX did not exercise any of its powers under Listing Rule 5.4.2 in relation to Genesis during FY17.

Auditor's fees

Deloitte, on behalf of the Auditor General, has continued to act as auditor for the Company and the amounts payable by Genesis and its subsidiaries to Deloitte, for audit fees and non-audit fees in FY17, were \$568,785 and \$89.613 respectively.

Shareholder restrictions

For information about Genesis' ordinary shares, specifically certain information about the rights, privileges, conditions and limitations, including restrictions on transfer, that attach to fully paid ordinary shares in Genesis Energy Limited, please refer to the information at genesisenergy.co.nz/investors

² Genesis became 100 per cent shareholder in Kupe Royalties Limited, National Petroleum Limited, Nephrite Enterprises Limited and Petroleum Equities Limited on 1 January 2017 and from that date Jenny Shipley, Marc England and Chris Jewell replaced Rosalind Archer, Rodger Finlay, Roderick David Ritchie, Duncan Saville and Mark Tume as Directors.

³ Andrew Donaldson completed his tenure with the Company on 22 July 2016.

⁴ George McGhie replaced Matthew Hooker as Director on 15 December 2016.

CORPORATE GOVERNANCE AND DISCLOSURES 2017

Distribution of ordinary shares and shareholdings as at 30 June 2017

SIZE OF THE HOLDING	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF ORDINARY SHARES	% OF ORDINARY SHARES
1 to 1,000	4,581	9.63	3,064,114	0.31
1,001 – 5,000	36,211	76.13	81,952,248	8.20
5,001 – 10,000	3,299	6.94	24,021,251	2.40
10,001 – 50,000	3,091	6.50	61,190,872	6.12
50,001 – 100,000	233	0.49	16,481,524	1.65
101,000 and over	147	0.31	813,289,991	81.33
Totals	47,562	100.00	1,000,000,000	100.00

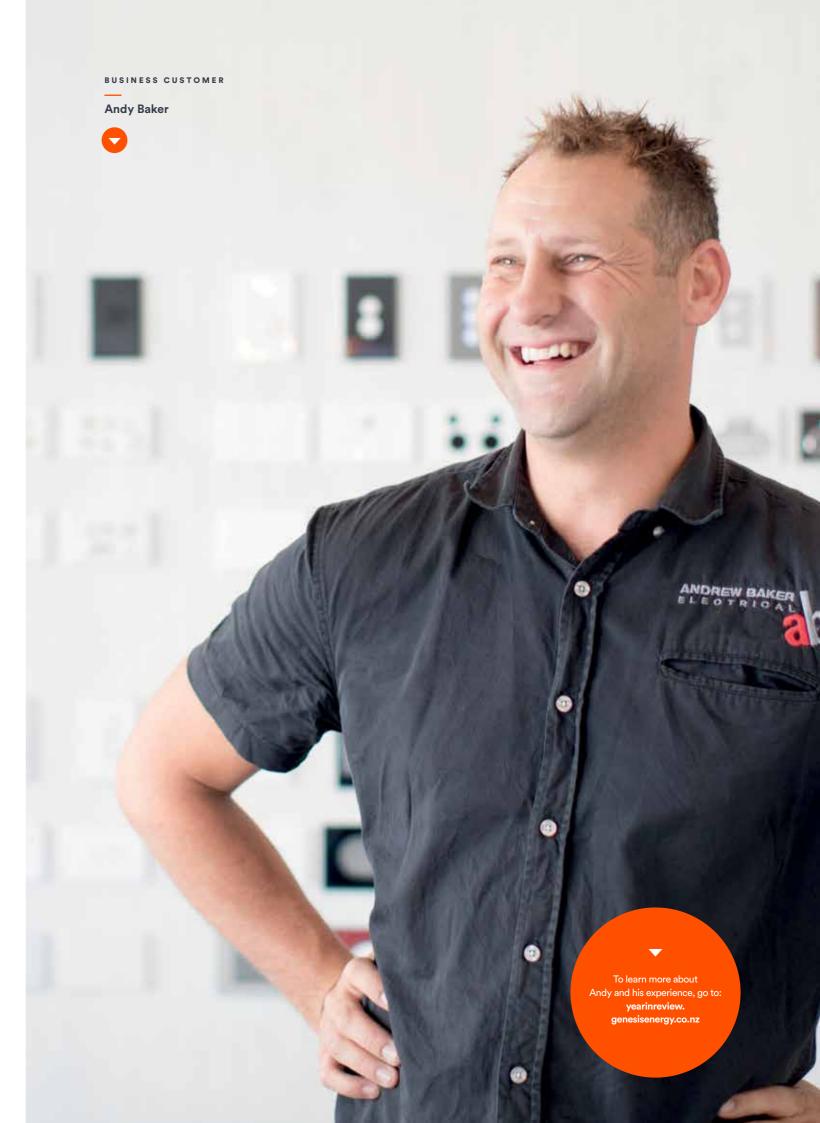
Debt listings

Genesis Energy's subordinated, unsecured capital bonds are listed on the New Zealand Debt Market Exchange.

Distribution of holders of quoted securities

INVESTOR RANGES: 30 JUNE 2017 SECURITY CODE: GNE030

RANGE	HOLDER	% OF HOLDERS	NUMBER OF BONDS	% OF BONDS
1 to 1,000	-	_	-	-
1,001 – 5,000	112	15.05	560,000	0.56
5,001 – 10,000	181	24.33	1,670,000	1.67
10,001 – 50,000	336	45.17	8,923,000	8.92
50,001 – 100,000	55	7.39	4,126,000	4.13
Greater than 100,001	60	8.06	84,721,000	84.72
Totals	744	100.00	100,000,000	100.00
INVESTOR RANGES: 30 JUNE 2017 SECURITY CODE: GNE040				
RANGE	HOLDER	% OF HOLDERS	NUMBER OF BONDS	% OF BONDS
1 to 1,000	-	-	_	_
1,001 – 5,000	105	6.74	525,000	0.23
5,001 – 10,000	268	17.2	2,534,000	1.13
10,001 – 50,000	925	59.37	26,305,000	11.69
50,001 – 100,000	142	9.11	11,774,000	5.23
Greater than 100,001	118	7.58	183,862,000	81.72
Totals	1,558	100.00	225,000,000	100.00
INVESTOR RANGES: 30 JUNE 2017 SECURITY CODE: GPLFA				
RANGE	HOLDER	% OF HOLDERS	NUMBER OF BONDS	% OF BONDS
1 to 1,000	_	-	_	-
1,001 – 5,000	140	5.63	700,000	0.35
5,001 – 10,000	489	19.67	4,666,000	2.33
10,001 – 50,000	1,506	60.58	41,681,000	20.84
50,001 – 100,000	214	8.61	17,565,000	8.78
Greater than 100,001	137	5.51	135,388,000	67.7
Totals	2,486	100.00	200,000,000	100.00





OFFICE LOCATIONS

Head/Registered Office

Genesis Energy Building 660 Great South Road, Greenlane, Auckland 1051

P: 64 9 580 2094 F: 64 9 580 4894

E: info@genesisenergy.co.nz investor.relations@genesisenergy.co.nz board@genesisenergy.co.nz

W: genesisenergy.co.nz energyonline.co.nz

Hamilton

500 Victoria Street, Hamilton 65 Bryce Street, Hamilton

Huntly Power Station

Cnr Te Ohaki and Hetherington Roads, Huntly

Tokaanu Power Station State Highway 47, Tokaanu

Waikaremoana Power Station 167 Tekapo Power House Road Tekapo 7999

Tekapo Power Station State Highway 47, Tokaanu

AUDITOR

Andrew Dick of Deloitte Limited has been appointed to perform the audit on behalf of the Auditor General.

SOLICITORS

Russell McVeagh

RANKERS

Westpac

2017 - YEAR IN REVIEW

yearinreview.genesisenergy.co.nz

PRINTED REPORT PAPER STOCK

Our Annual Report is printed on Knight paper stock, which is FSC certified, and sources pulp from managed plantations and responsible forests. The fibre used to produce Knight is elemental chlorine free (ECF).