WITH YOU FOR YOU

GENESIS ENERGY

annual report 2018

Dear Shareholder,

It has been an exhilarating and rewarding nine years as your Chairman and it has been my privilege to lead the Company during this period. There have been many highlights. Several that stand out for me include the acquisition in 2011 of the Tekapo hydro assets establishing Genesis as a major national operator.

In 2014, we listed on the New Zealand and Australian stock exchanges, taking Genesis to a new level. Today, Genesis pays a significantly higher dividend to the New Zealand Government, its majority shareholder, than it ever did under full State ownership. This is great for all shareholders, most of whom are New Zealanders.

Last year we became the first of the mixed ownership crown companies to successfully complete a merger and acquisition, achieving vertical integration of our LPG business with the acquisition of a new LPG distribution business and the expansion of Genesis' stake in the Kupe gas field.

These acquisitions successfully position the Company as the only energy retailer in New Zealand able to provide three fuels (electricity, natural gas and bottled gas) to customers on one invoice.

I believe Genesis' many achievements have been rewarding for its stakeholders. We focus on performing while innovating for the future. We care for people and the environment. We are committed to providing our customers with energy management services and tools that truly add value to their lives so they can understand, track and act on their energy use.

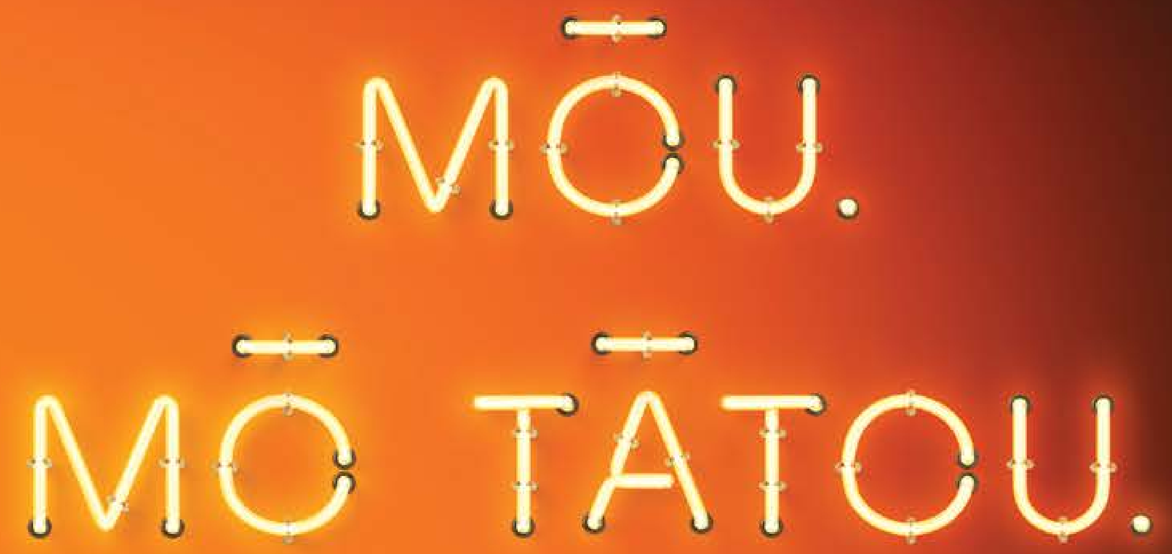
In conjunction with this, operating a diverse range of assets gives our fuel book flexibility and strength to benefit customers, shareholders and the environment.

I am proud to leave this Company as one that has achieved genuine diversity of skills and experience around the Board table. I'm also very proud of Genesis' new, agile approach to leadership. The Company is full of fresh, different ideas and is committed to working alongside its customers to deliver energy management and a brighter future for New Zealanders.

So now it is time for others to take the lead. I am delighted that Barbara Chapman will succeed me as Chairman and support Marc England and the executive team. It's an important transition. We have key relationships to maintain and commercial outcomes to deliver. Be assured that Barbara is exceptionally capable and has the support of a very talented Board, all of whom will ensure Genesis is ready to meet the opportunities and demands that are ahead.

Thank you for the chance to work with you and for you. I have every confidence in the future performance of Genesis.

Dame Jenny Shipley
DNZM



Chairman and Chief Executive's joint letter

CHAIRMAN
Dame Jenny Shipley
DNZM

CHIEF EXECUTIVE OFFICER
Marc England

Dear Shareholder,

Your Board and Executive team have spent the last year putting in place a customer-centric platform that will act as a spring board to where we want the Company to be in the early 2020s. In tandem, we have challenged ourselves on our environmental, community and sustainability goals as we determine our role in helping New Zealand build a brighter future.

We are actively transforming Genesis by putting the customer at the centre of what we do. Our vision is 'to be customers' first choice for energy management'. FY18 has seen us launch a number of New Zealand-first innovations that bring this to life for our customers.

This transformation has not been at the expense of performance. FY18 has seen Genesis deliver a strong and sustainable uplift in Earnings before Interest, Tax, Depreciation, Amortisation and Fair Value Adjustments (EBITDAF) from the prior year to $361 million. Our dividend remains world class. We have put the foundations in place that will see Genesis achieve over $400 million EBITDAF by the early 2020s.

Growing our customer platform

Through our refreshed branding, the integration of our new LPG operation, the migration of our Energy Online customers onto the Genesis billing system and the move to a state-of-the-art building in Hamilton, we are delivering on our plans to build a customer-centric business.

We are now the only energy retailer in New Zealand with three fuels (electricity, natural gas and bottled gas) on one technology platform. Energy retailing in New Zealand has never been more competitive than it is today. There are over 40 retailers in the market needing to find new ways to reward customer loyalty and service customers more holistically. That energises us to try harder, find points of differentiation and continually work to give our customers more reasons to stay with Genesis, such as our Energy IQ app, Power Shouts, Electricity Insights for business and Bottled Gas Monitoring.

Customers are increasingly recognising value in their relationship with Genesis, with customer churn two percentage points below the market average in the last three months of the year.

Brand builds reputation

Genesis' revitalised brand has supported this shift. Sharing our energy management story with New Zealanders in ways that engage, connect and delight them is essential in ensuring consideration in an industry characterised by heavy consumer switching.

> **"In Colmar Brunton's Corporate Reputation Index and Reptrak's New Zealand Corporate Reputation Index, Genesis was perceived as New Zealand's leading energy company."**

Our challenger brand, Energy Online, concentrates on no-frills service, simplicity and great value. It has experienced significant growth, with its total number of connections surpassing the 100,000 mark in January 2018.

Looking ahead, expect to see Genesis continuing to concentrate on product innovation, technology integration and loyalty initiatives as we seek new ways to retain and attract customers beyond price alone. Instead, we'll grow by reimagining the energy experience to put control in our customers' hands.

Reimagining the energy transition

This report also shares our new Sustainability Framework, which includes an outline of the investments and commitments Genesis is making to ensure a brighter, more sustainable and future-focused New Zealand.

Genesis supports New Zealand's transition to a low emissions economy. We have challenged ourselves to consider what our contribution can be. Having already reduced our coal use by 80 per cent in the past decade, in February we outlined our commitment to remove coal from the generation mix at Huntly by 2025 under normal market conditions. Our intent is to remove coal altogether by 2030.

New Zealand's electricity market is the third highest renewable market in the OECD. To date, coal and gas have been necessary generation options, ensuring security of supply when poor rainfall means the sector cannot meet national electricity demand via renewable sources. Today, Genesis is working closely with both the market and the wider energy industry to identify a path forward that does not compromise national electricity supply or consumer choice.

Sourcing and generating energy

Our highly flexible generation and fuel portfolio demonstrated resilience in all market conditions during FY18. Renewable generation was characterised by a game of four quarters, cycling between wet and dry conditions. Our mix of North and South Island hydro, coupled with North Island wind and thermal production, helps enable sustainable returns for shareholders across all market conditions. Kupe performed exceptionally well with record production and rising commodity prices.

Diversity continues to drive us

Our strong internal culture has concentrated on supporting more employees to connect with our direction and focus on innovation. We are harnessing the diversity of our workplace to help us move ahead. Important new flexibility and wellbeing initiatives have launched across the year to support Genesis people in meeting both work and personal commitments.

Keeping people safe a priority

Safety and wellbeing is part of the Genesis DNA. Our own workforce achieved a total recordable injury frequency rate (TRIFR) of 1.25. Zero harm remains our constant goal and commitment toward our people, contractors and the public.

Performing while transforming

Performing well and transforming well are equal priorities. Genesis continues to offer a stable dividend yield plus growth opportunity. In the past year, the benefits of the Company's portfolio of three different businesses have shone through. Genesis has achieved strong vertical integration, through its Kupe joint venture, all the way to a customer's home.

All three segments of our business (Customer, Wholesale and Kupe) operate different commercial models that play into a stable but growing business. We're increasingly giving customers the knowledge and advice they need to take control of their energy in ways that have not been possible before. In doing so Genesis is delivering for customers, its community partners, for its people and its shareholders.

The Board and Executive thank you for your support and interest in the Company across the financial year ended 30 June 2018.

Dame Jenny Shipley, DNZM
Chairman

Marc England
Chief Executive

Wesley Intermediate students carrying out School-gen experiments

Community matters

Our School-gen programme was refreshed and relaunched in FY18 to help engage young New Zealanders in science, engineering, technology and maths (STEM). In particular, learning is focused on energy – how it's made, how it works and how it can be managed.

This year, more than 20 per cent of New Zealand's schools connected with School-gen and we gave a total of $50,000 to three schools to support their students' STEM learning journeys.

This is an important building block in fostering both the engagement and curious young minds needed to help New Zealand develop a strong innovation pipeline.

Results at a glance

EBITDAF

$361m

FY17 $333m

$20m

net profit after tax (NPAT)
FY17 $119m

total dividend relating to FY18 result

16.9cps

FY17 16.6cps

$2.3b

revenue
FY17 $2.0b

Record Kupe gas production

5%↑

FY18
25.5 PJ

Total generation

11%↑

FY18
7,105 GWh

FlyBuys

41%

residential customers now have FlyBuys linked to their accounts

Residential electricity churn relative to market (excludes Energy Online)

2.6%

below market using rolling three month average

$82m	$29m	$240m	$19m
Increase in operating cash flow FY18 total operating cash flow - $331m	Decrease in Total Net Debt[1] FY18 $1,183m / FY17 $1,212m	successful issue of hybrid bonds to investors on 16 July 2018	new share capital via dividend reinvestment plan

[1]USPP translated using CCIRS fixed rate

CHIEF FINANCIAL OFFICER

Chris Jewell
BE (Hons), MEM, CIMA

"EBITDAF growth was at the upper end of our expectations, which is primarily the result of our integrated Kupe asset and Generation portfolio working together in volatile market conditions. We have continued to invest in the Customer segment to build a strong single operational platform in our customer operational centre and LPG distribution platform and enhance our capabilities in business sales teams.

Following a year of acquisitions we have focused on re-building our balance sheet in FY18. Total Net Debt is down $29 million, supported by strong operational cash flow and the launch of the dividend reinvestment plan. NPAT is down, largely driven by non-cash fair value adjustments on our Huntly Rankine units."

Kenehi on Bryce highlights

EXECUTIVE GENERAL MANAGER CUSTOMER OPERATIONS

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

“Kenehi on Bryce is our newest building and the nerve centre of Genesis' Hamilton operations. Using leading workplace design, our new building is open plan and flexible. The dedicated collaboration and social spaces have increased our innovation agility and enhanced internal information flows and decision making. Less than a year into having six functional areas co-located under one roof, we're seeing outstanding performance gains. We've literally and figuratively brought the walls down to increase productivity and support Genesis employees to work in a whole new way. Engagement has lifted and our digital transformation has real momentum. The new environment is helping us better meet customer needs and it's supporting our people in being more creative, innovative and collaborative. Kenehi's helping maximise value creation for Genesis.”

100 kW solar array installed

Winner Interior Architecture, 2018 Waikato / Bay of Plenty Architecture Awards

1.3m digital self-service transactions in FY18, up 46% on FY17

1.3m calls handled p.a down 15% on FY17

500+ employees under one roof

10 point lift in employee engagement for Customer Operations

1st ‘fibre to desk’ enabled building in NZ

Best in class disaster recovery capability via self-healing fibre feed

100,000 Energy Online customers successfully migrated to Genesis billing system. Both brands on one billing platform from July 2018

Live Chat Customer online help via Genesis website launched July 2018

Building residential customer loyalty

Our challenge in FY18: making energy management real for customers.

Our solution: putting customers first by rewarding their loyalty and giving them the power to manage, monitor and control their energy at the touch of a button.

The past 12 months have seen Genesis give its customers specific electricity insights that let them understand and act on their home's energy use. This, together with our revitalised brand and commitment to rewarding loyalty, has seen Genesis reset the relationship our residential customers have with us.

Genesis brand powers ahead

In October 2017, we relaunched our brand. Its new 'With You. For You.' positioning focuses on putting customers first.

We're doing this by rewarding the loyalty of our existing customers through Power Shouts and FlyBuys and engaging these customers around their home's energy use through Energy IQ, our energy management app.

This commitment has seen us build trust, credibility and loyalty in a notoriously fickle and price focused consumer electricity market.

Control in customers' hands

Using best-of-breed technology, unique algorithms and data to deliver customers a truly tailored experience, Genesis has created Energy IQ. It's an unprecedented web and mobile insights tool that unlocks customers' personal energy use, giving them the ability to understand and act on it.

Since launching in early May 2018, more than

100,000 users have accessed Energy IQ.

Power Shouts

Loyalty matters. At Genesis we understand that rewards must be simple to access, relevant and appealing to today's digital consumer. That's why we've introduced Power Shouts.

A Power Shout is a short period of free power we gift to long-term Genesis customers. They get to choose when and how they use it within a specified timeframe.

Since March 2018, more than

280,000

Power Shouts have been redeemed by Genesis electricity customers.

The response has exceeded expectations, as has positive customer feedback, and the number of customers engaging via our app to choose when they wanted to use their reward.

The reward is working, helping lift brand promoter scores and giving customers another reason to stay with Genesis.

Through the advanced unique insights available via Energy IQ, Genesis is providing customers with energy management capability that no other energy retailer in New Zealand offers.

Our Energy IQ app shows customers how they are using energy at their place

The app's features give customers daily electricity forecasts, showing the cost of electricity they are likely to use that day, usage break-downs showing their home's heating, hot water and 'always on' costs. Home comparison shows their home's energy consumption compared with properties of a similar age and size. These insights help give our customers greater control over their energy use and costs.

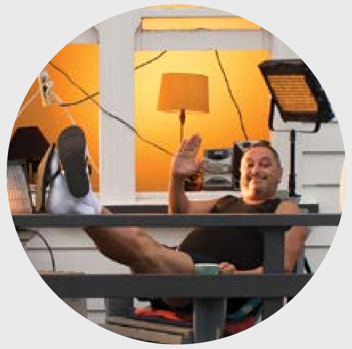
Local Energy Project

Our Local Energy Project marked its one-year anniversary during FY18. The project has seen solar panels, monitoring, batteries or electric vehicle chargers installed in over 100 homes and businesses across Greytown, Featherston and Martinborough. Genesis has partnered with customers to co-create new energy services by gathering data, insights and feedback to create tools like Energy IQ that truly add value to their lives so they can understand, track and act on their energy use.

The project has attracted international attention. During November, 60 delegates from the APEC EWG (Asia Pacific Economic Cooperation Energy Working Group) joined officials from the Ministry of Business, Innovation and Employment to tour the project.

Energy Online

Energy Online is our brand targeting price-sensitive customers wanting simplified, no frills services. Net connections for Energy Online grew strongly across the first half of FY18 across all three fuel categories (electricity, gas and bottled gas) and have surpassed the 100,000 mark in January this year. It has been an impressive full-year performance, driven primarily by investment in new brand positioning for Energy Online.



Energy Online's winter 2018 campaign

EXECUTIVE GENERAL MANAGER PRODUCT MARKETING

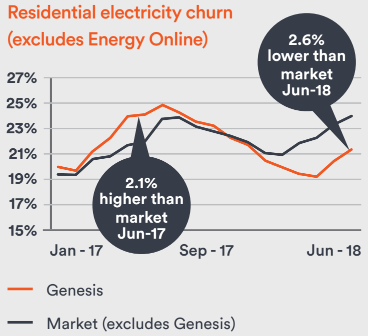
James Magill
BSc (Hons), Dip Corp Finance, MBA (Madrid/Melbourne)

"With the launch of Energy IQ, Genesis customers have gained energy management insights unmatched by other players in the market. The launch of Power Shouts has also proven to be popular with our customers, with more than 280,000 Power Shouts redeemed in 2018. This commitment to rewarding existing customers together with our revitalised brand has driven a ten per cent increase in our brand promoter score and a below market churn result."

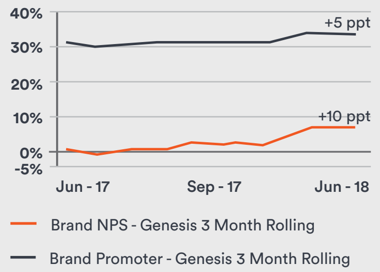
Customer churn stabilising

We have fostered loyalty and deepened customer engagement around their home energy use. The approach is working. Genesis' residential customer electrical churn is now below that of the market, and our Net Promoter Score (NPS) is growing. Our customers are staying with us, promoting us, enabling profitable relationships over the long term.

Residential electricity churn (excludes Energy Online)



Genesis brand Net Promoter Score (NPS) and brand promoter score



"We start work at 4:45am and the first thing we do is turn on the vacuum pumps and all the lights. With Genesis, we get everything broken down on the one account. We can differentiate between what the house uses, what the cowshed uses and what's private."

Mike, dairy farmer and Genesis customer, Helensville

Transforming business

Our challenge in FY18: resetting the conversation we have with our business customers to show energy management gives them the convenience and control they need.

Our solution: expanding our sales channels, sharing the benefits of Electricity Insights and refreshing the Genesis Customer Value Proposition for business customers.

Brooke Sadler, Genesis Trade Connections team member

Increasingly, businesses are expecting more from Genesis than just energy. Across FY18 we have shifted conversations 'beyond the electron and joule' to show we partner with our business customers to deliver energy savings, energy resilience and build greater efficiency into their business' energy use.

Our energy, your business

Being with Genesis means much more than a reliable supply of energy. We don't just put electricity or gas into our customers' businesses. We put all of our energy into it. We have defined our business customer value proposition following a collaborative interview and workshop process with our business customers.

'We put our energy into your business' is Genesis' business customer value proposition. Three proof points bring our business customer value proposition to life:

Simplicity –
- We promise to make energy simple by providing multiple fuels at multiple sites on one bill.

Service –
- We promise to health check your business plan at least once a year. If we can move you to a better one, or apply our latest offers, we will.

Energy Management –
- We promise to give you the best tools to help you monitor, control and be more efficient with energy.

We launched the Genesis business customer value proposition in June 2018 and are promoting it via traditional and digital media channels from the beginning of FY19.

Electricity Insights

Having real-time visibility of energy assets creates benefits beyond the standard customer / energy supplier relationship. That's why we've actively encouraged our Commercial and Industrial customers to experience Electricity Insights, an energy management solution exclusive to Genesis, for themselves this year.

Electricity Insights gives Genesis customers their very own energy dashboard. This charts real-time energy consumption levels and delivers sophisticated reports, statistical analysis and alerts that capture potential energy savings. It can also immediately notify customers of electrical equipment failure and identify energy consumption by site. Uptake of Electricity Insights has grown strongly across FY18. We expect this product to become a key differentiator for Genesis' business segment, with a significant number of our largest customers using the solution.

Expanding our sales footprint

Business owners are busy, so we're making sure we're available in ways that work for them. We can offer three fuels invoiced on one bill and energy management options to help businesses gain greater value from their energy spend. We complemented our hardworking business field sales team with the establishment of our small and medium enterprise (SME) telesales team during January 2018. Both teams are focused on growing the SME portfolio through customer acquisition and managing retention and cross-selling to current business customers. The results have been impressive. The SME portfolio churn rate sat at 19.7 per cent during H1 FY18. By comparison, the H2 FY18 churn rate was 15.2 per cent, a drop of four and a half percentage points.

EXECUTIVE GENERAL MANAGER TECHNOLOGY AND DIGITAL

Jennifer (Jen) Cherrington-Mowat
BCom, MBA

"Our insights and data have been designed to be both accessible and actionable for our customers – they shouldn't need a PhD in mathematics to work out their energy bill. With Energy IQ, we wanted to deliver a product that truly adds value to our customers' lives and makes others say, "I want that". That's why Energy IQ is leaps and bounds ahead of the standard 'one size fits all' digital approach our competitors take."

LPG and Kupe deliver scale and strength

27

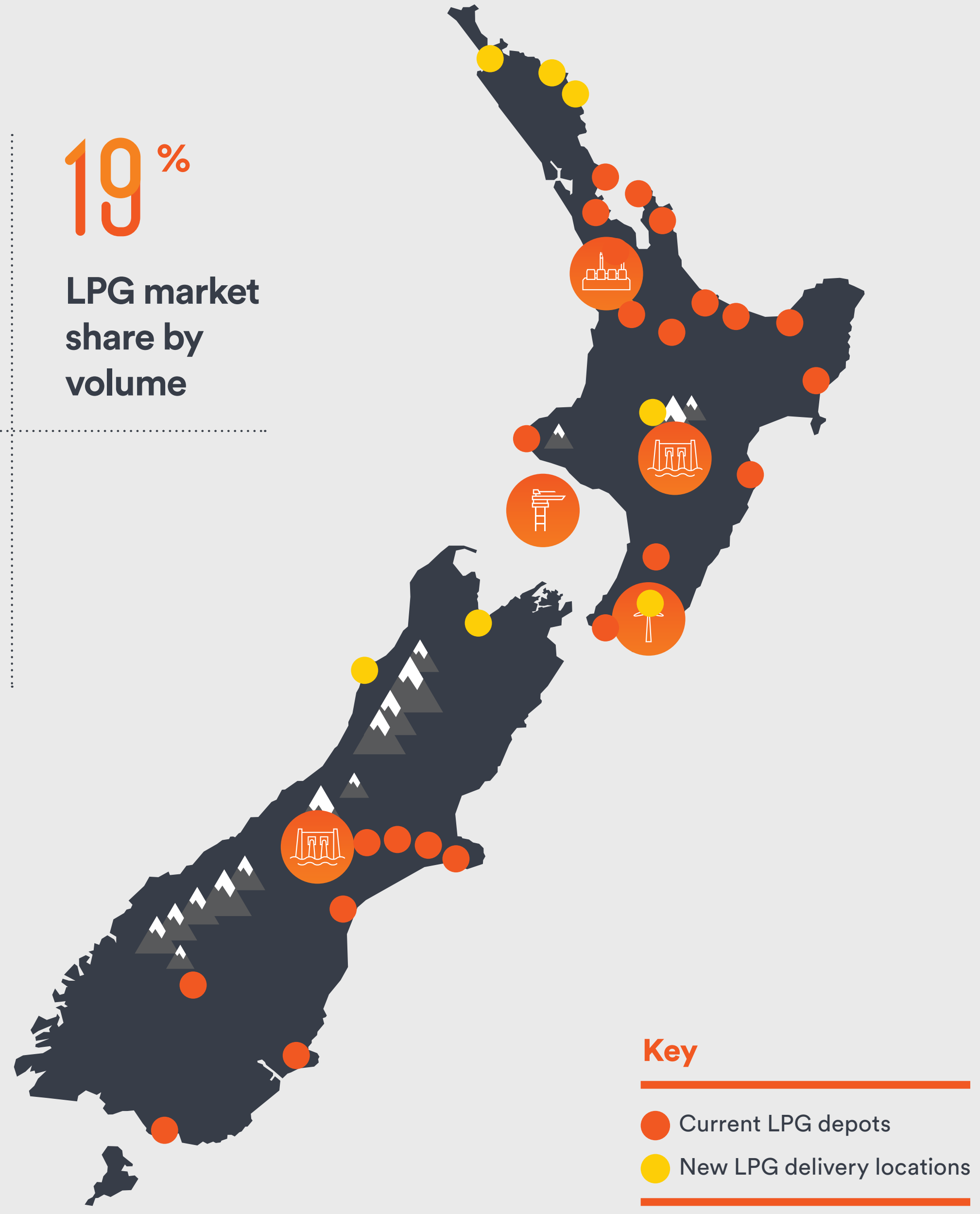
LPG depots nationwide

19%

LPG market share by volume

59,169

LPG customers



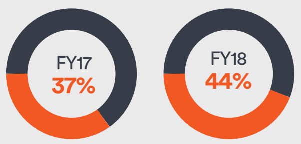
KUPE KEY METRICS

Genesis share of Kupe Revenue (46%)

FY17 $121.8m

FY18 $158.6m

Kupe Revenue ($)/Genesis EBITDAF ($)



Total Gas field production

FY16 23,965 TJ

FY17 24,282 TJ

FY18 25,549 TJ

Our challenge in FY18: complete the integration of our new LPG distribution operation and confirm our leadership position within New Zealand's LPG market.

Our solution: 35,000 new LPG sites on-boarded, more than doubling Genesis' LPG base. 27 depots are now operating nationwide. We have established a high-performing Commercial & Bulk LPG sales team and have signed 15 important new key accounts across multiple business sectors.

Building new capabilities

During March 2018 Genesis began servicing every one of its 59,169 LPG customers directly. Prior to acquiring its own distribution operation Genesis deliveries were managed by a third-party supplier. Exiting this relationship and taking ownership of the delivery process was an essential step in better meeting the needs of our LPG customers and ensuring an outstanding experience for them from the moment they order their gas right through to the Genesis-branded bottle delivered to their door.

Our LPG distribution capability now includes a fleet of 99 Genesis-branded delivery vehicles and experienced LPG delivery employees proudly wearing Genesis uniforms. We have worked hard across the year to implement a standardised delivery process that has improved operational responsiveness and increased customer service levels. Importantly, health and safety results for our new LPG operations team have improved significantly since integration into Genesis, with the total recordable injury frequency rate (TRIFR) for these teams falling by more than 50 per cent in the FY18 period.

These enhancements will provide a sound platform for future growth. Having control over the entire delivery network will allow Genesis to demonstrate its strength in innovation.

Transforming for the future

Across FY18 we have reimagined key moments of the customer LPG experience. In a New Zealand first, Genesis has launched its Bottled Gas Monitoring solution.

LPG Truck

The proposition for customers is simple. Working with our partner Sensys, Genesis has taken a key customer pain point – knowing when their 45-kilogram gas cylinder is out of gas – and leveraged energy management principles to shape what is a unique and valuable solution.

We've developed sensor devices that measure the gas in the bottle and alert the customer when it's time to reorder. The sensors have successfully completed rigorous in-field testing this year and will launch to residential and business customers across FY19.

Kupe underpins LPG strategy

Genesis' share in the Kupe Oil and Gas field is a significant enabler of our LPG strategy. FY18 was the first full year of Genesis' 46 per cent interest in the field. Total field gas production is up five per cent on FY17. This is a new record on the back of higher than expected thermal generation and growing consumer and business demand for gas. Plant availability continued to be high at 99 per cent, demonstrating the quality of the asset.

Kupe's operations fall outside the New Zealand Government's decision in April to halt new permits for offshore oil and gas exploration via the Block Offer programme. Kupe holds a protected permit so its position as a key player in supplying gas and LPG to New Zealand homes and businesses is unaffected. The field has several exploration prospects within its permitted area, providing potential future reserves that are also outside the Government's decision to freeze new permits.

Kupe maintains its position as a key contributor to Genesis' EBITDAF, delivering $115 million, or 32 per cent, of total EBITDAF in FY18. These strong earnings are enabling Genesis to invest in key strategic projects, including the expansion of our LPG delivery network, new monitoring technology for LPG customers and ongoing development of our energy management technology.

Kupe

Generation
- responsive in all conditions

Our challenge in FY18: respond to volatile hydrology and weather conditions to maximise value.

Our response: strategies around plant operations, trading and hedging have flexed rapidly to meet changing conditions, delivering positive outcomes for Genesis, regardless of market conditions.

Making volatility a virtue

Two sustained dry periods during FY18 resulted in the market calling on Genesis' thermal plant to support low inflows into Southern hydro catchments. Despite very challenging production conditions, and the unexpected Tekapo outage, overall generation production was up on FY17. Volatile market conditions, cycling wet and dry on a quarterly basis, saw Genesis respond by buying from the market at lower prices than thermal running costs during wet periods, then supporting the market via its thermal production during dry periods.

Concurrently, our carbon hedging strategy has saved us over $20 million this financial year and will provide an ongoing buffer against carbon price volatility in the coming years. Genesis has also entered into long-term forestry offtake agreements for the first time and is investigating further opportunities in this space.

Over the past decade Genesis has provided the greatest reduction in emissions from within the electricity sector. Genesis' share of electricity-related emissions has dropped from 59 per cent in 2008 to 44 per cent in 2017. We have reduced the coal stockpile by around 80 per cent within the last decade and have retired half of Huntly's 1,000 megawatt coal-fired capacity.

During FY18, 88 per cent of all Huntly's flexible on demand power generated by the Rankine units was bought by other electricity generators. We are proud of the important role Genesis has played in supporting New Zealand's energy generation but as our 2025 commitment around coal use indicates, we are making it clear that the way we fulfill that supporting role needs to change.

Strength in diverse portfolio

In December 2017 we notified the market of a fault on one of the Tekapo Power Scheme's generating units. The fault happened when the unit was being returned to service following a planned outage. During the repair process, we concurrently upgraded the generator's components, returning the unit to service in early June 2018 in an improved overall condition.

Tekapo

The outage at Tekapo was offset by the strength and flexibility of Genesis' generation assets. Generation from our hydro lakes in our North Island catchment balanced out electricity production, demonstrating the resilience of the portfolio and the benefits of having hydro assets in both the North and South Islands. The combination of Genesis' diverse generating portfolio, our wholesale position and insurance have mitigated effects of the outage.

The Generation & Wholesale Hackathon

Reimagining generation

In what we believe to be an industry first, our Generation and Wholesale team held its first Hackathon during FY18. Over 130 staff came together to meet a 48-hour challenge to find new, innovative ways of gaining even greater value from our generation and fuel assets. Digital technology was leveraged to produce solutions that included: machine learning to drive predictive maintenance, augmented reality, field mobility, thermal efficiency and internet of things instrumentation to enhance decision-making.

The outcomes of the Hackathon have formed a core part of the Digital Strategy and several of the concepts produced during the Hackathon are now being prototyped. To further leverage this thinking and combine it with our strong ongoing commitment to safety, we are continually reviewing where emerging technologies can help reduce risks across the generation sites. For instance, during the Huntly Unit 5 outage in November 2017, new drone technologies were used to inspect areas of the plant that previously required people to work from an elevated platform. Introducing the new tech-led approach has eliminated a significant working-at-heights risk for our people.

At the Tongariro Power Scheme, Genesis employees are piloting an innovative new communication device that operates in a range of remote locations where traditional technologies are inadequate. The Scheme covers a land area of 2,600 square kilometres. The new device allows team members working in remote locations to easily contact the control centre for assistance.

This is an important safety enhancement for team members working alone. Continually reviewing our safety risks and seeking innovative new ways to reduce these remains a key focus area for FY19.

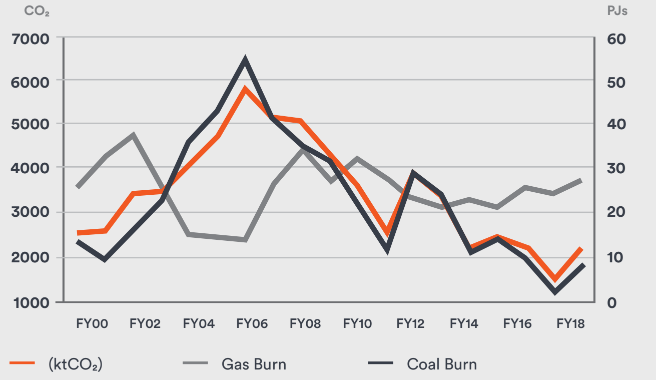
EXECUTIVE GENERAL MANAGER GENERATION AND WHOLESALE

Tracey Hickman
MA (Hons)

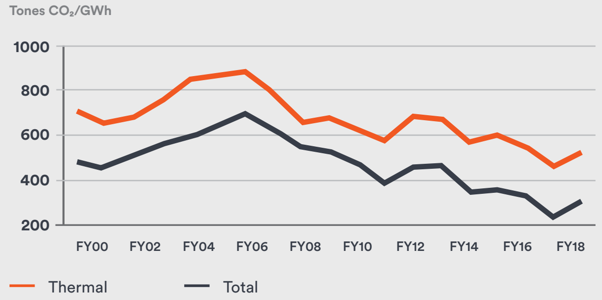
"The strength of Genesis' highly diverse generation portfolio of renewable and thermal assets in both islands, as well as its commercial contracts, shone through in FY18. We've delivered above market expectations. We are actively looking to the future around the use of our assets. We continue to work on shared workstreams with iwi, including on-marae energy management partnerships and Connected Flows. As part of Genesis' Sustainability Framework, we look forward to partnering with iwi on a project focused on improving the quality and mauri of water."

AT A GLANCE

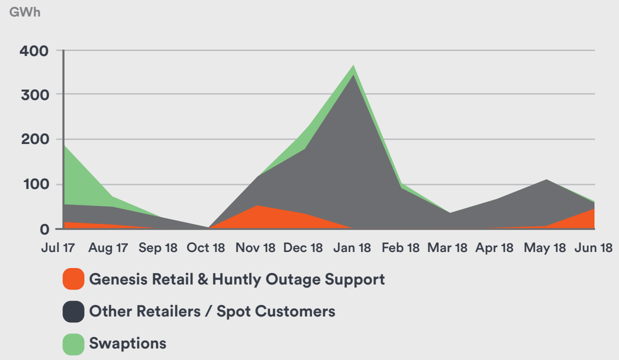
Carbon Dioxide Emissions (kt CO_2) and Gas/Coal Use (PJs) at Huntly



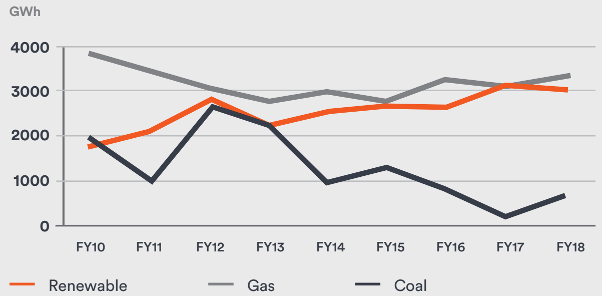
Carbon Intensity Profile of Genesis Energy's Generation Portfolio



FY18 Rankine Unit Load



Generation trend (GWh) by Fuel Type



Investing in a brighter future
- With you. For you.

Sustainability at Genesis means caring for the environment, supporting our people to succeed and building strong communities while powering New Zealand towards a positive, sustainable future. We're proud to be launching a new Sustainability Statement, explaining what sustainability means to us. Underpinning that is our new Sustainability Framework (see pages 18-19), which is designed to be an iterative document we develop year-on-year.

Tongariro Power Scheme

Our environment

Caring for the environment isn't new for Genesis. We have made significant progress over the past decade with very solid results. We have reduced coal use by around 80 per cent and have halved carbon emissions in the past ten years. We are very aware of the part the energy sector plays in New Zealand's transition to a low-carbon economy, and we are committed to doing more. To that end, we have set goals around no coal use after 2025, under normal market conditions. Our intent is to remove coal from our generation production by 2030.

Supporting this, we are also putting in place new goals around our non-generation emissions, our electric vehicle fleet and how we help customers understand the carbon impacts of their energy decisions.

Our people, our communities

We also know our people are fundamental to our success as a business. We're proud of what we have done around diversity and equal pay – such as our 'Mind the Gap' pay equity policy, our work with Global Women and our partnership with the TupuToa internship programme which seeks to provide pathways for Māori and Pasifika students into professional careers. But again, we can and should go further – which is why we're focused on improving gender and ethnic diversity, to ensure our workforce better reflects our customers and communities. We are also working towards becoming an accredited Living Wage employer.

Genesis continually strives to achieve positive, enduring and meaningful relationships with the communities in which it operates. In particular, we develop and maintain robust, long-term relationships with tangata whenua, recognising their role as kaitiaki of the natural resources and taonga within their rohe.

Milford School

Our children

Helping young New Zealanders learn about energy was the driving principle behind the transformation of Genesis' flagship community investment activity in FY18. We expanded our School-gen programme to reach teachers, children and families nationwide, moving from a focus on printed material to video, gamification and hands-on activities to make learning about science, technology, engineering and maths (STEM) exciting and fun.

This new direction aligns with Genesis' strategic focus on reimagining energy. We want to encourage tomorrow's energy innovators by helping them build the skills and knowledge they need for the jobs of the future, whatever they will be.

In the months following the launch of the new School-gen website, over 20 per cent of all schools nationwide have connected with the School-gen programme. School-gen's website has had an 800 per cent increase in traffic compared to the same time last year, with more than 247,000 visits since February. Our Energising Young Minds competition, delivering $50,000 worth of STEM investment to schools, has featured on kids' TV show 'What Now' and attracted nationwide media attention.

Our whio

Our Whio Forever Programme has doubled the population of whio (blue duck) breeding pairs in protected sites since its beginnings in 2011. The whio population is an important indicator of the health of our high country river systems, and the programme aims to secure endangered whio in their natural habitat. We've placed huge focus on predator control activity. Genesis began its support for whio in 2011. Since then the number of whio in trapline protected zones has doubled to 652 breeding pairs. During the last year, 763 ducklings hatched, with 492 birds successfully fledging. We're very proud of the success of our partnership with Department of Conservation, local communities and iwi in restoring whio populations.

Our commitment

Genesis is entering an important new phase of its sustainability journey. We're looking forward to meeting the targets we've set ourselves, engaging with employees, customers and other stakeholders, then reporting back regularly on progress – while setting new more ambitious targets for the years ahead. We also look forward to continuing – and enhancing – our already successful community investment programmes, which make our people proud to work here and our customers more engaged.

For more on our sustainability strategy: www.genesisenergy.co.nz/about/sustainability

Whio

AT A GLANCE

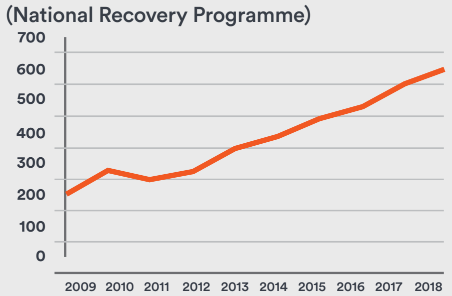
Genesis is committed to caring for the environment and building strong communities, while powering New Zealand towards a positive, sustainable future.

School-gen

685

schools entered into the Energising Young Minds competition

Number of Whio Pairs Protected
(National Recovery Programme)



Curtain Banks

1,369

families received curtains from curtain banks in Auckland, Wellington and Christchurch

Genesis Sustainability Framework FY19

With you. For you.

Caring for our environment

Focus areas	Why it matters to us	Where we're at	Our ambitions for the future	Sustainable Development Goals
Emissions	Reducing emissions is good for the environment and good for business. Actively participating in the creation of a pathway to a low-carbon future is positive for all New Zealanders.	- Mapping a pathway to exit coal (we've reduced coal use by 80% in the last decade) - Carbon emissions are down 50% in last decade - Transitioning our fleet to electric and hybrid vehicles (and announcing free EV charging for employees) - Generating energy from primarily renewable resources (60% of our generation is from hydro and wind) - Educating kids about energy efficiency through School-gen.	- Committed to not use any coal after 2025 in normal market conditions. Intention to phase out coal use completely by 2030 - Reduce and offset non-generation carbon emissions - Supported by: transition 100% of light vehicles to EV/hybrid by 2020 and 50% of trucks by 2025 - Provide transparency of emissions information for our customers through energy monitoring tools, so they can see the impact of their energy choices on their carbon footprint.	13, 7, 12, 17
Water and wildlife	Water is essential to our country, our business and the communities we operate in. We believe that every drop counts and we support multiple uses of water while ensuring cultural and ecological requirements are met.	- Partnering with the Department of Conservation in the Whio Forever programme, which has doubled the number of breeding Whio (blue duck) pairs in protected sites since 2011 - Managing Tuna (eel) population in collaboration with local hapu at Lake Otamangakau - Focusing on the efficiency of our hydro schemes - Investing in our catchment communities (e.g., Taupo for Tomorrow) - Ensuring environmental compliance.	- Work in partnership with iwi on at least one project each year, with a focus on improving the quality and mauri of water - Increase our focus on predator control using digital innovation to deliver improved outcomes for New Zealand's native bird population.	7, 14, 12, 17

Building strong communities

Focus areas	Why it matters to us	Where we're at	Our ambitions for the future	Sustainable Development Goals
Our Communities	Strong communities and relationships are essential to our success as a business and the success of New Zealand.	- Fostering robust, long-term relationships with tangata whenua, communities and key stakeholders where we operate - Expanding the School-gen programme (currently available to schools nationwide) - Investing in a range of community initiatives, including: Duffy Books in Homes, curtain banks, Graeme Dingle Foundation.	- School-gen website used in more than half of New Zealand schools by 2020 Supported by: increase in employee volunteering.	7, 11, 10, 17
Our People	We are committed to energising and keeping safe our people and communities. It is important that our workforce reflects the diversity of the communities we serve.	- Encouraging gender diversity (50/50 gender split on Board, 3/8 members of executive team female, Global Women partner, supporter of Girls with Hi-Vis) - Committing to addressing pay inequity where it exists (introduced the 'Minding the Gap' policy) - Prioritising mentorship (e.g., TupuToa internships) - Focusing on health and wellbeing for staff and public (e.g., R U Okay initiative).	- To become an Accredited Living Wage employer by 2020 - Ambition to have 40:40:20 gender split at leadership level (40% male, 40% female, 20% either) and improve ethnic diversity at all levels to better reflect our communities and customers.	7, 3, 5, 17

Powering New Zealand

Focus areas	Why it matters to us	Where we're at	Our ambitions for the future	Sustainable Development Goals
Putting control in our customers' hands	We enable customers to make informed energy choices by providing meaningful advice and knowledge that results in tangible action.	- Working with local communities to test renewable energy options and energy monitoring (Local Energy Project) - Rolling out energy monitoring tools and apps to customers, making it easier for them to control their energy impacts - Innovating in new ways to give customers greater transparency (e.g., Bottled Gas Monitoring to show customers when they need to reorder).	- 40% of customers using information and insight via our digital tools to make active choices about their day-to-day energy use by 2025 - 200,000 customers actively providing more information about their homes to access advanced energy services by 2021.	7, 8, 12, 17
Delivering New Zealand's energy future	To support a more sustainable New Zealand, we need to inspire the energy innovators of tomorrow and constantly test and innovate.	- Working on solutions to the energy challenge around balancing security of supply, affordability and environmental impact - Leading the conversation around how our sector can help New Zealand move to a more sustainable energy future - Developing the energy innovators of tomorrow through our School-gen programme.	- Create at least two new products that help customers make sustainable choices by 2020 - Ensuring those material suppliers that help us to innovate are also committed to operating in a sustainable way.	7, 8, 9, 12, 17

Our people
– enabling an innovation culture

Our performance culture

During FY18 Genesis employees have been supported in discovering, defining, activating and embedding refreshed ways of working at Genesis. This has involved engaging every team member in understanding how Genesis' culture directly impacts business performance.

Through participation in highly interactive sessions, teams have concentrated on understanding where culture comes from and how it forms and have connected their actions strongly with our strategy.

We now have a comprehensive understanding of the strengths of our culture, what motivates our people and how to best connect with them to build our innovation goals. The success of the Company's reinvigorated culture has translated into a three per cent lift in engagement and a 10 per cent increase in employees recommending Genesis as a great place to work.

Members of Genesis' Customer Tribe

We are particularly proud of the engagement score of our new LPG Operations employees. This new team has achieved a 74 per cent engagement score less than 12 months into joining the Genesis family.

Going the extra mile for safety

Keeping Genesis people safe and well is an essential part of meeting our business goals. Commitment to health and safety continues as a core strength, with 76 per cent of employees believing Genesis is committed to wellbeing in the workplace and 81 per cent of employees agreeing that their direct leader genuinely cares about their wellbeing, an increase of three per cent from 2017.

Total recordable injury frequency rates (TRIFR), including contractors, are at 1.25 versus 0.78 for same period in FY17. All injuries were low severity. The addition of the new LPG Operations team members and a focus on capturing all contractor injuries has driven the increase.

Over the past year, a new post-incident (or significant near miss) investigation process has been trialled. We are achieving greater efficiencies around capturing and embedding incident learnings as a result. Our ongoing participation in key industry safety forums, such as Staylive, Metering Group and New Zealand's Zero Harm Business Leaders Forum Steering Group, are part of our commitment to strengthening safety performance across the energy industry.

Mental wellness

During FY18 Genesis extended its health, safety and wellbeing programme to include support structures for mental wellness in the workplace. We implemented our campaign 'RUOK?' to bring conversations about mental wellness to the fore, making this element of employee wellbeing something we can all talk about.

This was achieved through executive-sponsored communications, videos of employees sharing their stories, workshops and presentations. Over 600 employees have engaged with 'RUOK?' activities to date. We believe this focus is an important part of Genesis' ongoing commitment to inclusion and wellbeing in the workplace.

Partnering with TupuToa

Genesis' culture is one that fosters a strong sense of belonging and inclusion for all. During FY18 we were proud to again host four TupuToa interns. These interns are Māori and Pasifika youth identified as future leaders. Genesis first offered internships in FY17 through our relationship with Global Women, of which we are a major partner. We were pleased to offer a role to a TupuToa participant following her internship with us during FY18.

Vicky Law, People and Culture Business Partner and a TupuToa intern

Flexibility and parental leave

Genesis employees are supported to reach their potential. How this happens is different for everyone. What matters is having options that help our people reach their career and life goals. That's why Genesis now provides more choice around how our people choose to approach work, parenting and life outside of work. We're implementing enhanced flexibility options, including career breaks, phased retirement, activity-based working and buyable leave. New parents are being supported by ease-back-to-work options, salary top-ups and paid partner leave.

Growing capability

Unleashing the full potential of our people is essential as we transform to meet future opportunities. In FY18, Genesis people have been supported in developing a sense of ownership and responsibility for moving the business forward.

Emma Burrows and Junia Ang, members of Genesis' Customer Tribe

Our goal is to encourage diverse, customer-centric and healthy ways of thinking and working. We have achieved this via Business Forums for Leaders, capability development workshops, career conversations and online development planning tools for employees, operating at all levels across Genesis.

Minding the Gap

Genesis launched 'Minding the Gap' policy in FY17 to govern and improve fairness of gender pay equality. The initiatives provided good insights into how gender equity principles are embedded into Genesis' people systems of performance, rewards and development. Importantly, the policy has allowed Genesis to identify any inequities and enable choices on how to close them. In this financial year corrective actions were taken consistent with our commitment to the policy. These changes have positioned Genesis as a market leader in its commitment to gender pay parity.

Welcoming new starters

To enable a seamless start to working life at Genesis, we've introduced a new onboarding framework for all new starters.

Our Ngā Mihi, or Welcome Aboard, series has been designed specifically to help new team members understand the different parts of our business, using face-to-face presentations, including the option to Skype in.

The result is induction opportunities that are practical, informative and build team member awareness of our culture and operations fast.

EXECUTIVE GENERAL MANAGER PEOPLE AND CULTURE

Nicola Richardson
BA (Hons)

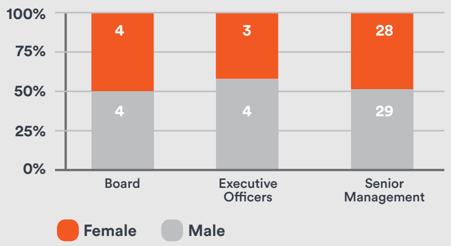
"This year, we've brought our people together with strong purpose. We've paid close attention to growing our culture and we're building great engagement. At Genesis, everyone is valued, everyone grows and everyone is passionate about what we do and the success we can achieve together."

AT A GLANCE

"Inclusion and flexibility are key at Genesis. We need the experience and insights of the best and brightest people to innovate and develop great customer solutions. Our ability to maximise the diversity and talents of all our people is key to our commercial success. Our intellectual capital needs to be as diverse as the communities where we live and work."

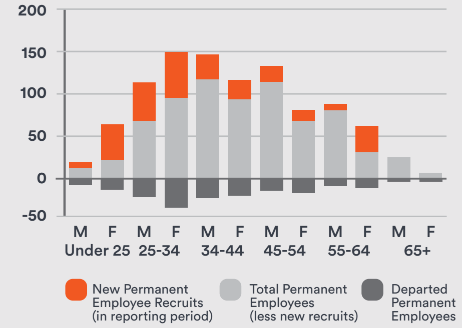
Marc England, Chief Executive, Genesis

Gender diversity



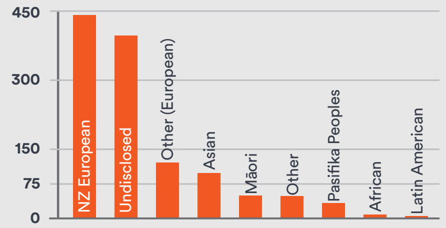
Gender diversity - Age, gender profiles of workforce

Number of employees



Ethnicities represented - Across Genesis

Number of employees



Grand Total: 1,198

Your
- Board of Directors

Your Directors have again made a very significant contribution to the success the Company has achieved this year and I am grateful for their efforts. You will note that in addition to their governance and leadership capability, they bring an impressive and diverse range of skills and experience to their roles in your Company.

We are particularly proud of gender balance on our Board. Genesis is one of a handful of NZX-listed companies that has achieved 50:50 gender diversity on its Board. This is well ahead of the NZX average, which currently sits at 20 per cent.

In the last 12 months, Board Directors have actively sought to interact directly with the Boards of iwi and will continue to progress these important governance relationships.

This year was one of change for your Board. We wish to acknowledge and thank John Leuchars for his six years of dedicated service, which he completed in May. The Board then welcomed Barbara Chapman, who brings valuable skills to the Genesis Board around disruptive innovation, marketing, digital transformation, consumer technologies and knowledge around building and driving leading brands.

I will retire at the Annual Shareholder Meeting after nine years leading the Company as your Chairman. I am delighted to again confirm that Barbara Chapman has the unanimous support of the Board to succeed me as Chairman, subject to securing shareholder support at the Annual Shareholder Meeting.

The Directors present the Annual Financial Statements of Genesis Energy Limited and its consolidated entities, being Genesis and its controlled entities, for the year ended 30 June 2018 and the Independent Auditor's Report following.

Dame Jenny Shipley, DNZM
Chairman

CHAIRMAN

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.

CONTACT THE BOARD

If you have a comment or question, please email the Board on:
board@genesisenergy.co.nz

Joanna Perry
MNZM, MA Econ (Cantab), FCA, CFInstD

Joanna Perry joined the Genesis Board in 2007 and is Chairman of the Company's Audit and Risk Committee. Joanna is a professional Director whose Board appointments include Oyster Group Limited (Chairman), Trade Me Group Limited, Partners Life 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, CMInstD

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, the United Kingdom (UK) and Europe. Mark held senior positions at Deutsche Bank in London and prior to that in Australia.

(Mark Cross resigned from the Genesis Board effective 27 August 2018)

Doug McKay
ONZM, BA, AMP (Harvard), CMInstD

Doug McKay joined the Genesis Board in 2014 and is Chairman of the Company's Human Resources and Remuneration Committee and is a member of the Company's Nominations Committee. Doug is Chairman of the Bank of New Zealand and Eden Park Trust Board and has directorships with National Australia Bank (NAB) and IAG. 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.

Barbara Chapman
BCom, CMInstD

Barbara joined the Genesis Board in May 2018 and is a member of the Company's Audit and Risk Committee. Barbara is Director of The New Zealand Initiative and a non-executive Director of New Zealand Media and Entertainment (NZME). She has a wealth of governance experience, and is a former member of the Board of Supervisors of Oxfam International. Barbara was also an inaugural Trustee of the New Zealand Equal Opportunities Trust and was its Chair for several years. Barbara brings extensive and diverse trans-Tasman executive experience to the Board having served as Chief Executive and Managing Director of ASB Bank for seven years and having held a number of senior executive roles responsible for marketing, communications, human resources, life insurance and retail banking in New Zealand and Australia. Barbara has an extensive list of professional achievements to her credit, including being named New Zealand Herald's 2017 Business Leader of the Year and was awarded New Zealand's inaugural Marketer of the Year in 1997. Barbara has also been named the inaugural INFINZ Diversity and Inclusion Leader.

Maury Leyland
BE (Hons), FIPENZ, CMInstD

Maury Leyland joined the Genesis Board in 2016 and is 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), CMInstD

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 governance, strategic business management, people leadership and the operational risk, health, safety and environmental 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 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. Tim has also served as Chair on the Advisory Boards of Revera Limited and the CCL Group.

Consolidated financial statements

for the year ended
30 June 2018

Contents

Notes to the consolidated financial statements

Consolidated comprehensive income statement

For the year ended 30 June 2018

	Note	2018 $ million	2017 $ million
Operating revenue	4	**2,304.5**	1,951.1
Operating expenses	4	**(1,944.0)**	(1,618.6)
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses (EBITDAF)		**360.5**	332.5
Depreciation, depletion and amortisation	6	**(205.7)**	(174.6)
Impairment of non-current assets	16	**(0.4)**	(2.4)
Revaluation of generation assets	16	**(48.8)**	51.5
Change in fair value of financial instruments	7	**(3.1)**	22.6
Other gains (losses)		**(0.7)**	(1.6)
Profit before net finance expense and income tax		**101.8**	228.0
Finance revenue		**1.0**	1.6
Finance expense	8	**(75.3)**	(62.1)
Profit before income tax		**27.5**	167.5
Income tax expense	9	**(7.7)**	(48.8)
Net profit for the year		**19.8**	118.7
Other comprehensive income			
Change in cash flow hedge reserve	26	**(28.8)**	29.4
Income tax credit (expense) relating to items that may be reclassified	9	**8.1**	(8.2)
Total items that may be reclassified subsequently to profit or loss		**(20.7)**	21.2
Change in asset revaluation reserve	16	**178.7**	19.8
Income tax credit (expense) relating to items that will not be reclassified	9	**(50.0)**	(5.5)
Total items that will not be reclassified subsequently to profit or loss		**128.7**	14.3
Total other comprehensive income for the year		**108.0**	35.5
Total comprehensive income for the year		**127.8**	154.2
Earnings per share from operations attributable to shareholders of the Parent			
Basic and diluted earnings per share (cents)	10	**1.98**	11.88

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

Consolidated statement of changes in equity

For the year ended 30 June 2018

	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 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	26	–	–	–	29.4	–	29.4
Change in asset revaluation reserve	16	–	–	19.8	–	–	19.8
Income tax expense relating to other comprehensive income	9	–	–	(5.5)	(8.2)	–	(13.7)
Total comprehensive income for the year		–	–	14.3	21.2	118.7	154.2
Share-based payments		–	0.5	–	–	–	0.5
Dividends	11	–	–	–	–	(164.0)	(164.0)
Balance as at 30 June 2017		539.7	1.0	987.2	(22.6)	476.6	1,981.9
Net profit for the year		–	–	–	–	19.8	19.8
Other comprehensive income							
Change in cash flow hedge reserve	26	–	–	–	(28.8)	–	(28.8)
Change in asset revaluation reserve	16	–	–	178.7	–	–	178.7
Income tax (expense)/credit relating to other comprehensive income	9	–	–	(50.0)	8.1	–	(41.9)
Total comprehensive income (expense) for the year		–	–	128.7	(20.7)	19.8	127.8
Revaluation reserve reclassified to retained earnings on disposal of assets		–	–	(0.6)	–	0.6	–
Share-based payments		–	0.6	–	–	–	0.6
Shares issued under dividend reinvestment plan	12	19.1	–	–	–	–	19.1
Acquisition of treasury shares	12	(1.1)	–	–	–	–	(1.1)
Dividends	11	–	–	–	–	(166.8)	(166.8)
Balance as at 30 June 2018		**557.7**	**1.6**	**1,115.3**	**(43.3)**	**330.2**	**1,961.5**

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

Consolidated balance sheet

As at 30 June 2018

	Note	**2018 $ million**	Restated* 2017 $ million
Cash and cash equivalents		**49.3**	27.8
Receivables and prepayments	14	**229.1**	225.2
Inventories	15	**70.3**	79.8
Intangible assets	18	**14.7**	6.7
Tax receivable		**4.9**	6.4
Derivatives	26	**24.8**	26.4
Total current assets		**393.1**	372.3
Receivables and prepayments	14	**4.8**	3.5
Inventories	15	**5.3**	–
Property, plant and equipment	16	**3,051.6**	3,004.0
Oil and gas assets	17	**378.4**	434.8
Intangible assets	18	**364.3**	364.8
Derivatives	26	**37.5**	39.9
Total non-current assets		**3,841.9**	3,847.0
Total assets		**4,235.0**	4,219.3
Payables and accruals	23	**205.7**	180.3
Borrowings	24	**210.0**	11.0
Provisions	25	**10.1**	13.7
Derivatives	26	**36.8**	23.2
Total current liabilities		**462.6**	228.2
Payables and accruals	23	**0.8**	0.7
Borrowings	24	**1,045.4**	1,248.8
Provisions	25	**156.0**	158.9
Deferred tax liability	9	**571.8**	575.1
Derivatives	26	**36.9**	25.7
Total non-current liabilities		**1,810.9**	2,009.2
Total liabilities		**2,273.5**	2,237.4
Share capital	12	**557.7**	539.7
Reserves		**1,403.8**	1,442.2
Total equity		**1,961.5**	1,981.9
Total equity and liabilities		**4,235.0**	4,219.3

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
28 August 2018

Joanna Perry, MNZM
Chairman of the Audit and Risk Committee
28 August 2018

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

* The 2017 numbers have been restated to reflect the final fair values for the LPG business assets acquired on 1 June 2017. Refer to note 19 for more information.

Consolidated cash flow statement

For the year ended 30 June 2018

	Note	2018 $ million	2017 $ million
Receipts from customers		**2,301.0**	1,909.9
Interest received		**1.0**	1.6
Payments to suppliers and related parties		**(1,831.0)**	(1,534.3)
Payments to employees		**(88.7)**	(77.7)
Tax paid		**(51.7)**	(51.0)
Operating cash flows		**330.6**	248.5
Proceeds from disposal of property, plant and equipment		**0.3**	0.2
Purchase of property, plant and equipment		**(43.7)**	(26.3)
Purchase of oil and gas assets		**(6.4)**	(5.9)
Purchase of intangibles (excluding emission units and deferred customer acquisition costs)		**(32.4)**	(22.6)
Purchase of business acquisitions	19	**–**	(355.0)
Investing cash flows		**(82.2)**	(409.6)
Proceeds from borrowings		**–**	501.0
Repayment of borrowings		**(9.0)**	(125.0)
Interest paid and other finance charges		**(69.1)**	(58.0)
Dividends		**(147.7)**	(164.0)
Acquisition of treasury shares	12	**(1.1)**	–
Financing cash flows		**(226.9)**	154.0
Net increase (decrease) in cash and cash equivalents		**21.5**	(7.1)
Cash and cash equivalents at 1 July		**27.8**	34.9
Cash and cash equivalents at 30 June		**49.3**	27.8

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

Consolidated cash flow statement (continued)

For the year ended 30 June 2018

Reconciliation of net profit to net cash inflow from operating activities	Note	2018 $ million	2017 $ million
Net profit for the year		**19.8**	118.7
Net (gain)/loss on disposal of property, plant and equipment		**1.0**	(0.2)
Working capital items acquired through business acquisitions		**–**	(35.6)
Interest and other finance charges paid		**69.4**	56.7
Items classified as investing/financing activities		**70.4**	20.9
Depreciation, depletion and amortisation expense	6	**205.7**	174.6
Revaluation of generation assets	16	**48.8**	(51.5)
Impairment of non-current assets	16	**0.4**	2.4
Change in fair value of financial instruments	7	**3.1**	(22.6)
Deferred tax expense	9	**(45.2)**	0.8
Change in capital expenditure accruals		**(1.7)**	5.4
Change in rehabilitation and contractual arrangement provisions		**10.3**	(2.1)
Other non-cash items		**1.1**	(3.2)
Non-cash items		**222.5**	103.8
Change in receivables and prepayments		**(5.2)**	(35.4)
Change in inventories		**4.2**	(0.5)
Change in emission units on hand		**(1.2)**	(2.8)
Change in deferred customer acquisition costs		**(0.4)**	(1.3)
Change in payables and accruals		**25.5**	13.3
Change in tax receivable/payable		**1.5**	(2.3)
Change in provisions		**(6.5)**	34.1
Movements in working capital		**17.9**	5.1
Net cash inflow from operating activities		**330.6**	248.5

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

Notes to the consolidated financial statements

For the year ended 30 June 2018

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 generation of electricity, retailing and trading of energy (electricity, gas and LPG), and the development and procurement of fuel sources. To support these functions, the Group's scope of business includes retailing and trading of related complementary products designed to support its key energy business.

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 16.

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 17.

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 25.

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 28.

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). Non-financial 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 26).

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 16.

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.

Restatement of comparatives

The 2017 numbers have been restated to reflect the final fair values for the LPG business assets acquired on 1 June 2017. Refer to note 19 for more information.

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

NZ IFRS 9 *Financial Instruments*

NZ IFRS 9 introduces new requirements for the classification and measurement of financial instruments, including a new expected credit loss methodology for calculating impairment of financial assets and changes to general hedge accounting requirements. The standard is mandatory for reporting periods beginning on or after 1 January 2018. This standard will be adopted by the Group for the financial year ending 30 June 2019.

A project team has been established to determine the impact the new requirements have on the Group's reported results and accounting and reporting systems. Based on an analysis of the Group's financial assets and liabilities as at 30 June 2017 and 30 June 2018 and based on the facts and circumstances that exist at those dates, Management has assessed the impact of NZ IFRS 9 as follows:

- All financial assets and financial liabilities will continue to be measured on the same basis as currently reported.
- The Group will adopt the simplified approach to provide for impairment of receivables. Under the simplified approach an impairment provision is recognised when the receivable is recognised. The provision is based on the lifetime credit loss expected to be incurred, whereas the current model is based on incurred losses. This change will result in earlier recognition of credit losses. A preliminary assessment has been completed, which has indicated that the provision will increase by $2.0 million on transition to the new standard, owing to an impairment provision being recognised on unbilled receivables. The $2.0 million adjustment will be recognised in the comprehensive income statement for the year ended 30 June 2018 on transition. While the standard is to be applied retrospectively, it is not to be applied to any receivable that has been derecognised prior to the initial application date, which is 1 July 2018 for the Group. No adjustment is expected to be made to opening equity at 1 July 2017 on transition as unbilled receivables at 30 June 2017 are expected to be either collected or derecognised prior to 1 July 2018.
- The Group has determined that all existing effective hedging relationships will continue to qualify for hedge accounting under NZ IFRS 9. Hedging documentation has been updated to comply with the new requirements. The change is not expected to have a material impact on previous reported results, however, it will enable the Group to use a combination of instruments in a hedge relationship to manage risk going forward.
- A number of disclosure changes are also required under the new standard, the impact of which is still being determined.

2. Basis of accounting (continued)

NZ IFRS 15 *Revenue from Contracts with Customers*

NZ IFRS 15 replaces all existing revenue requirements and applies to all revenue from contracts with customers. The core principle of NZ IFRS 15 is that an entity recognises revenue when a customer obtains control of promised goods or services. The amount recognised is based on an amount that the entity expects to be entitled to in exchange for the goods or services. The standard introduces a five-step model to determine when and how much revenue should be recognised. The standard is mandatory for reporting periods beginning on or after 1 January 2018. This standard will be adopted by the Group for the financial year ending 30 June 2019.

A project team has been established to determine the impact the new requirements will have on the Group's reported results and accounting and reporting systems. The project team has focused on the Group's material revenue streams outlined in note 4. The majority of revenue from contracts with retail customers are based on standard terms and conditions. The standard retail terms and conditions were reviewed as part of the transition work. In addition to this all individual retail customer contracts with estimated revenue over $1.0 million, and a representative sample of smaller retail customer contracts, were reviewed. The majority of revenue for the wholesale segment is based on revenue generated from the grid, which is governed by one contract. The generation revenue contract and all wholesale and Kupe gas and petroleum contracts were reviewed as part of the transition work, as well as a representative sample of emission unit revenue contracts from trading.

The transition work is largely complete. The only adjustments identified from the work performed to date were as follows:

- The period over which consideration payable to a customer (account credits) should be allocated. The current policy is to spread account credits over the length of the average customer tenure where there is evidence that the return from the customer over amortisation period is positive. Taking into consideration recent guidance and interpretations issued since the initial application of the current policy the project team has interpreted that the appropriate amortisation period is the length of the current contract and as a result will not take into consideration future contracts that may be entered into when the current contract has expired when determining the amortisation period for account credits. The project team is in the process of calculating the change in amortisation period. As at 30 June 2018 there was $11.4 million (2017: $8.4 million) of unamortised account credits.
- FlyBuy points issued through the Group's loyalty programme are considered to represent a separate performance obligation under the contract and, as a result, a portion of the transaction price is allocated to this obligation. The cost of the programme is currently recognised in other operating expenses.
  Under NZ IFRS 15 the Group is considered to act as an agent, given the Group's principal responsibility is to arrange for the goods or services to be provided by Loyalty NZ, that administers the loyalty programme. Under NZ IFRS 15, where an entity acting as an agent satisfies a performance obligation, the entity recognises revenue based on the amount of any fee or commission to which it expects to be entitled to in exchange for arranging for the specified good or service to be provided by the other party. As agent, the Group recognises revenue for the net amount of the consideration retained in relation to the points (being the difference between the consideration allocated to the points and the amount paid to Loyalty NZ for the points). Revenue and other operating expenses are expected to decrease by approximately $3.7 million for the year ended 30 June 2018 on transition to the new standard.
- A number of disclosure changes are also required under the new standard, the impact of which is still being determined.

NZ IFRS 16 *Leases*

NZ IFRS 16 specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for almost all leases. Lessor accounting remains similar to the current standard. The standard is mandatory for reporting periods beginning on or after 1 January 2019. This standard will be adopted by the Group for the financial year ending 30 June 2020 unless the Group decides to early adopt.

A project team has been established to determine the impact the new requirements will have on the Group's reported results and accounting and reporting systems. The work completed to date has mainly focused around developing a detailed understanding of material lease arrangements. Note 29 provides a summary of the existing operating leases as at 30 June 2018. These leases primarily relate to land and building leases for offices and generation and distribution sites. Based on preliminary work to date the majority of the leases disclosed in note 29 meet the definition of a lease and therefore will be impacted by the new accounting requirements.

The new accounting standard is expected to have a material impact on the Group's financial statements, as currently operating leases are only disclosed in the notes to the financial statements ('off balance sheet') whereas under the new standard a right-of-use asset and a lease liability will be recognised unless the lease qualifies as a low-value or short-term lease. This change will increase the value of assets and liabilities recorded on the balance sheet. The new standard will also impact the income statement, as operating lease expenses currently disclosed in 'other operating expenses' (refer to note 5) will be replaced with depreciation on the right-of-use assets and interest expense on the lease liabilities. The changes will also impact the cash flow statement, resulting in an increase in cash flows from operating and a reduction in cash flows from investing and financing activities. One of the key judgement areas in applying the new requirements relates to the assessment of whether an option to extend or terminate a lease contract will be exercised. This is expected to have a material impact on some of the leases. Until the analysis is completed by the project team, the impact of the new requirements is unable to be reasonably estimated and quantified.

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. Underlying EBITDAF and underlying earnings

Underlying EBITDAF and underlying earnings are performance measures that are not defined in New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and therefore are considered to be non-GAAP (Generally Accepted Accounting Practice) performance measures. These performance measures are used internally to provide more insight into the operating performance of the Group by adjusting for items that are outside Management's control or items that relate to strategic rather than operational decisions. These measures should not be viewed in isolation nor considered a substitute for measures reported in accordance with NZ IFRS. Underlying EBITDAF and underlying earnings are used by many companies, however, because these measures are not defined by NZ IFRS they may not be uniformly defined or calculated by all companies. Accordingly, these measures may not be comparable with similarly titled measures used by other companies.

The table below provides a reconciliation of reported EBITDAF to underlying EBITDAF, and reported net profit for the period to underlying earnings for the period. Significant items are excluded from underlying EBITDAF and underlying earnings when they meet the criteria outlined in the Group's non-GAAP financial information policy.

	Note	2018 $ million	2017 $ million
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses (EBITDAF)		**360.5**	332.5
Business acquisition costs	19	**–**	6.9
Adjustments before tax expense		**–**	6.9
Underlying EBITDAF		**360.5**	339.4

Business acquisition costs – the costs incurred to acquire an additional 15.0 per cent share of Kupe and Nova Energy's retail LPG business have been removed, as the costs relate specifically to the acquisition rather than the ongoing operations of the businesses acquired.

	Note	2018 $ million	2017 $ million
Net profit for the year		**19.8**	118.7
EBITDAF adjustments before tax outlined above		**–**	6.9
Change in fair value of financial instruments	7	**3.1**	(22.6)
Revaluation of generation assets	16	**48.8**	(51.5)
Impairment of non-current assets	16	**0.4**	2.4
Adjustments before tax expense		**52.3**	(64.8)
Tax expense on adjustments		**(14.6)**	20.1
Adjustments after tax expense		**37.7**	(44.7)
Underlying earnings		**57.5**	74.0
Underlying earnings per share (cents)		**5.74**	7.40

Change in fair value of financial instruments – these changes are excluded as the change in fair value often relates to circumstances outside Management's control and does not necessarily reflect the cash flows that will be received or paid when the arrangement is settled.

Revaluation of generation assets – changes in generation assets are primarily driven by changes in future wholesale electricity prices and volumes and changes in the discount rate. These changes are excluded as they relate to changes in future cash flows expected to be obtained from the assets that are outside Management's control. Changes in the fair value of generation assets is either recorded in net profit or directly in the revaluation reserve depending on the carrying value of the assets. To provide a comparable basis of financial performance over time, changes recognised in net profit are excluded from underlying earnings.

Impairment of non-current assets – impairment of non-current assets has been removed from underlying earnings on the basis that impairments occur infrequently and usually relate to strategic decisions rather than operating activities.

Tax expense on adjustments – the tax impact of the adjustments noted above is adjusted to determine the underlying earnings for the business excluding these transactions.

4. Segment reporting

The Group is currently organised into four segments as follows:

Segment	Activity
Customer	Supply of energy (electricity, gas and LPG) and related services to end-users.
Wholesale	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	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 2018	Note	Customer $ million	Wholesale $ million	Kupe $ million	Corporate $ million	Inter-segment items $ million	Total $ million
Electricity revenue		1,232.8	1,147.9	–	–	(497.6)	1,883.1
Gas revenue		145.5	124.0	88.9	–	(136.2)	222.2
Petroleum revenue (including LPG)		63.1	26.3	69.1	–	(33.4)	125.1
Emission unit revenue from trading		–	43.7	–	–	–	43.7
Other revenue		12.2	16.8	0.6	0.8	–	30.4
Operating revenue		1,453.6	1,358.7	158.6	0.8	(667.2)	2,304.5
Electricity purchase, transmission and distribution		(1,022.1)	(603.1)	–	–	497.6	(1,127.6)
Gas purchase, transmission and distribution		(114.8)	(158.3)	–	–	47.2	(225.9)
Petroleum production, marketing and distribution		(33.6)	(26.3)	(38.7)	–	33.4	(65.2)
Fuel consumed		–	(267.6)	–	–	89.0	(178.6)
Employee benefits	5	(40.8)	(27.8)	(0.1)	(23.1)	–	(91.8)
Emission unit expenses from trading		–	(42.0)	–	–	–	(42.0)
Other operating expenses	5	(132.5)	(55.6)	(4.5)	(20.3)	–	(212.9)
Operating expenses		(1,343.8)	(1,180.7)	(43.3)	(43.4)	667.2	(1,944.0)
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses (EBITDAF)		109.8	178.0	115.3	(42.6)	–	360.5
Depreciation, depletion and amortisation		(14.9)	(111.9)	(66.6)	(12.3)	–	(205.7)
Impairment of non-current assets		(0.1)	(0.3)	–	–	–	(0.4)
Revaluation of generation assets		–	(48.8)	–	–	–	(48.8)
Change in fair value of financial instruments		–	(2.2)	(1.5)	0.6	–	(3.1)
Other gains (losses)		(0.1)	(0.6)	0.3	(0.3)	–	(0.7)
Profit (loss) before net finance expense and income tax		94.7	14.2	47.5	(54.6)	–	101.8
Finance revenue		0.1	–	0.1	0.8	–	1.0
Finance expense		(0.3)	(2.3)	(3.5)	(69.2)	–	(75.3)
Profit (loss) before income tax		94.5	11.9	44.1	(123.0)	–	27.5
Other segment information							
Capital expenditure		35.8	22.0	6.8	15.8	–	80.4

4. Segment reporting (continued)

Year ended 30 June 2017	Note	Customer $ million	Wholesale $ million	Kupe $ million	Corporate $ million	Inter-segment items $ million	Total $ million
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 (including LPG)		16.0	12.1	52.9	–	(12.6)	68.4
Emission unit revenue from trading		–	16.9	–	–	–	16.9
Other revenue		11.2	4.8	0.2	1.0	–	17.2
Operating revenue		1,381.9	1,058.9	121.8	1.0	(612.5)	1,951.1
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	5	(28.6)	(28.4)	(0.2)	(20.4)	–	(77.6)
Emission unit expenses from trading		–	(16.3)	–	–	–	(16.3)
Other operating expenses	5	(121.3)	(58.9)	(7.8)	(18.2)	–	(206.2)
Operating expenses		(1,272.3)	(882.8)	(37.4)	(38.6)	612.5	(1,618.6)
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses (EBITDAF)		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

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 $78.97 (2017: $81.76). 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 (2017: none).

Other revenue

Other revenue for the Wholesale segment includes an amount in relation to the insurance claim for Tekapo B power station outage. A portion of the insurance claim, $4.4 million, was received prior to year end.

5. Other operating expenses and employee benefits

	Note	2018 $ million	2017 $ million
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**	0.9
Bad debts		**8.0**	8.4
Operating lease costs		**8.7**	7.8
Onerous contracts		**(0.1)**	1.3
Business acquisition costs	19	**–**	6.9
Other operating expenses		**194.8**	180.3
Total other operating expenses		**212.9**	206.2
Employee benefits include:			
Employee benefits expense – defined contributions		**3.2**	2.7
Employee termination expense		**0.9**	2.4
Other employee benefits		**87.7**	72.5
Total employee benefits		**91.8**	77.6

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), scrutineers notice, trustee reporting and whistle blower hotline service (2017: provision of secretarial services for the Corporate Taxpayer Group (of which Genesis Energy is a member), integration support, scrutineers notice and trustee reporting). Total fees relating to other services was $0.031 million (2017: $0.090 million).

6. Depreciation, depletion and amortisation

	Note	2018 $ million	2017 $ million
Depreciation of property, plant and equipment	16	**118.3**	114.3
Depreciation and depletion of oil and gas assets	17	**61.5**	45.1
Amortisation of intangibles (excluding amortisation of deferred customer acquisition costs)	18	**25.9**	15.2
		205.7	174.6

Depreciation, depletion and amortisation has increased by $31.1 million in comparison to 2017. The increase is primarily driven by having a full year's depreciation on the assets acquired in the business acquisitions last year. For details of the assets acquired in the business acquisitions refer to note 19.

7. Change in fair value of financial instruments

	Note	2018 $ million	2017 $ million
Change in fair value of derivatives – gain (loss)	26	**(16.4)**	3.5
Fair value interest rate risk adjustment on borrowings – gain (loss)	24	**13.3**	19.1
		(3.1)	22.6

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') ($14.4 million loss) and the movement in the fair value of electricity swaps and options ($2.2 million loss). The movement in the fair value of the CCIRS relates to movements in interest and foreign exchange rates between 30 June 2017 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') ($14.1 million gain). The net impact on net profit of the CCIRS and USPP was $0.3 million loss. 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 was a new contract in the current year, or 30 June 2017 and balance date.

8. Finance expense

	Note	2018 $ million	2017 $ million
Interest on borrowings (excluding capital bonds)		**43.5**	43.2
Interest on capital bonds		**25.8**	13.4
Total interest on borrowings		**69.3**	56.6
Other interest and finance charges		**0.6**	0.4
Time value of money adjustments on provisions	25	**5.9**	5.4
		75.8	62.4
Capitalised finance expenses	16	**(0.5)**	(0.3)
		75.3	62.1
Weighted average capitalisation rate		**5.7%**	5.7%

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.

9. Income tax

	2018 $ million	2017 $ million
Current year	**51.8**	48.3
Under (over) provided in prior periods	**1.1**	(0.3)
Total current tax	**52.9**	48.0
Current year	**(43.5)**	0.6
Under (over) provided in prior periods	**(1.7)**	0.2
Total deferred tax	**(45.2)**	0.8
Income tax expense	**7.7**	48.8

Reconciliation of income tax expense on pre-tax accounting profit to income tax expense

Profit before income tax	**27.5**	167.5
Income tax at 28%	**7.7**	46.9
Tax effect of adjustments:		
Under (over) provided in prior periods	**(0.6)**	(0.1)
Non-deductible expenditure and other adjustments	**0.6**	2.0
Income tax expense	**7.7**	48.8

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.

Deferred tax liability	Note	Restated property, plant and equipment $ million	Oil and gas assets $ million	Provisions $ million	Restated intangibles $ million	Other $ million	Restated total $ million
Balance as at 1 July 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	19	5.5	52.4	(8.5)	26.9	–	76.3
Balance as at 30 June 2017		494.9	109.6	(46.1)	27.0	(10.3)	575.1
Amount recognised in profit or loss		(26.7)	(16.6)	1.2	(2.9)	(0.2)	(45.2)
Amount recognised in other comprehensive income		50.0	–	–	–	(8.1)	41.9
Balance as at 30 June 2018		**518.2**	**93.0**	**(44.9)**	**24.1**	**(18.6)**	**571.8**

9. Income tax (continued)

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.

10. Earnings per share

	2018	2017
Numerator		
Net profit for the year attributable to shareholders ($ million)	**19.8**	118.7
Denominator		
Weighted average number of ordinary shares (million units)	**1,001.7**	1,000.0
Less weighted average number of Treasury shares (million units)	**(0.8)**	(0.5)
Weighted average number of ordinary shares for basic and diluted earnings per share calculation (million units)	**1,000.9**	999.5
Basic and diluted earnings per share (cents)	**1.98**	11.88

11. Dividends

	2018			2017		
	Imputation	$ million	Cents per share	Imputation	$ million	Cents per share
Dividends declared during the year						
Previous year's final dividend	**80%**	**84.0**	**8.40**	80%	82.0	8.20
Current year's interim dividend	**80%**	**82.8**	**8.30**	80%	82.0	8.20
		166.8	**16.70**		164.0	16.40
Dividends declared subsequent to balance date						
Final dividend	**80%**	**86.7**	**8.60**	80%	84.0	8.40

Imputation credits

There are no imputation credits available for use as at 30 June 2018 (2017: 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 2019.

12. Share capital

	2018		2017	
	No. of shares million	$ million	No. of shares million	$ million
Issued capital				
Balance as at 1 July	**1,000.0**	**540.6**	1,000.0	540.6
Shares issued under dividend reinvestment plan	**8.5**	**19.1**	–	–
Balance as at 30 June	**1,008.5**	**559.7**	1,000.0	540.6
Treasury shares				
Balance as at 1 July	**(0.5)**	**(0.9)**	(0.5)	(0.9)
Shares acquired for long-term incentive and talent retention plans	**(0.4)**	**(1.1)**	–	–
Balance as at 30 June	**(0.9)**	**(2.0)**	(0.5)	(0.9)
Total share capital	**1,007.6**	**557.7**	999.5	539.7

All shares are ordinary authorised, issued and fully paid shares. They all have equal voting rights and share equally in dividends and any surplus on winding up. Treasury shares relate to shares held in trust for the long-term incentive plan ('LTI') and the employee talent retention plan ('TRP') (refer to note 13).

In February 2018 the Parent established a dividend reinvestment plan ('DRP'). Under the DRP shareholders can elect to receive the value of their dividends, or a portion thereof, in additional shares. The price of the shares under the DRP are based on the average market price prior to the issue date. The Board may choose to offer the shares to shareholders at a discounted price. If a discount is applied, it will be announced at the same time as details of the dividend are announced.

13. Share-based payments

Long-term incentive plan

The Group operates an LTI plan for senior executives. 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 until the end of the vesting period. Dividends on the shares during the vesting period are deducted from the loan balance. 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 and dividends on the shares during the vesting period are released to the executive.

Vesting of shares is dependent on continued employment throughout the vesting period and achievement of certain performance targets relating to total shareholder return ('TSR') in comparison to the NZX50.

In the current financial year an updated plan commenced, with an additional performance hurdle introduced to further enhance alignment with shareholder interests. In the updated plan the performance hurdles are a relative TSR hurdle compared against industry peers, and an absolute TSR hurdle where the absolute total shareholder return compares against the NZX and ASX.

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).

	$	Number of Options
Balance at 1 July 2016		311,025
Granted during the year	638,850	312,118
Forfeited during the year	(221,043)	(129,937)
Balance as at 30 June 2017		493,206
Granted during the year	874,340	363,010
Forfeited during the year	(113,980)	(55,153)
Balance at 30 June 2018		**801,063**

	2018 $ million	2017 $ million
Expense for the year	**0.6**	0.2

Grant date	Performance period
FY16*	1 June 2015 - 30 June 2018
FY17	1 June 2016 - 30 June 2019
FY18	1 June 2017 - 30 June 2020

* The FY16 grant is 100 per cent vesting.

Talent Retention Plan

During the year the Group established the TRP. Under the plan the Trust purchases shares that it holds on trust for the participants until the end of the vesting period. Vesting of shares is dependent on continued employment through the vesting period. There are two different vesting periods, tranche one vests after two years and tranche two after three years of continued employment from the commencement date of the offer.

	$	Number of Options
Balance as at 30 June 2017		–
Granted during the year	353,110	142,182
Balance at 30 June 2018		**142,182**

	2018 $ million	2017 $ million
Expense for the year	**0.1**	–

Employee share scheme

The Group operates an employee share scheme ('ESS'). The ESS allows employees to purchase 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 three purchased shares (for schemes up to 30 June 2017 one free award share is given for every two purchased shares).

	$	Number of Options
Granted during 2017	476,254	202,834
Granted during 2018	333,928	142,949
Vested during 2018	346,239	139,528

	2018 $ million	2017 $ million
Expense for the year	**0.3**	0.3

The cost of the plans are 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.

14. Receivables and prepayments

	2018 $ million	Restated 2017 $ million
Trade receivables	**104.8**	126.2
Accrued revenue	**94.3**	81.4
Allowance for doubtful receivables	**(6.0)**	(7.1)
Deferred customer account credits	**11.4**	8.4
	204.5	208.9
Emission units receivable	**2.7**	2.8
Other receivables	**13.6**	4.3
Prepayments	**13.1**	12.7
Total	**233.9**	228.7
Current	**229.1**	225.2
Non-current	**4.8**	3.5
Total	**233.9**	228.7

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 and LPG are accounted for in the period in which the sale is recognised.

15. Inventories

	2018 $ million	2017 $ million
Fuel	**39.7**	42.3
Petroleum products	**1.1**	1.1
Consumables and spare parts	**27.5**	27.1
Emission units held for trading	**7.3**	9.3
Total	**75.6**	79.8
Current	**70.3**	79.8
Non-current	**5.3**	–
Total	**75.6**	79.8

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 $43.6 million (2017: $15.5 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 $26.0 million (2017: $20.8 million).

Consumables and spare parts are held to service or repair generating assets. Consumables and spare parts relating to Huntly unit 6 are impaired when 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).

16. Property, plant and equipment

	Note	Generation assets $ million	Buildings and improvements $ million	Restated other property, plant and equipment $ million	Capital work in progress $ million	Restated total $ million
Carrying value at 1 July 2016		2,923.5	1.6	28.3	34.6	2,988.0
Additions		–	–	–	41.1	41.1
Additions acquired through business acquisitions	19	–	–	34.9	4.3	39.2
Revaluation of generation assets						
Increase taken to revaluation reserve		19.8	–	–	–	19.8
Increase taken to profit or loss		51.5	–	–	–	51.5
Capitalised finance expenses	8	–	–	–	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	18	–	–	–	(22.2)	(22.2)
Impairment		–	–	–	(2.4)	(2.4)
Depreciation expense	6	(107.3)	(0.1)	(6.9)	–	(114.3)
Carrying value at 30 June 2017		2,903.9	1.4	61.0	37.7	3,004.0
Additions		–	–	–	55.9	55.9
Revaluation of generation assets						
Increase taken to revaluation reserve		178.7	–	–	–	178.7
Decrease taken to profit or loss		(48.8)	–	–	–	(48.8)
Capitalised finance expenses	8	–	–	–	0.5	0.5
Change in rehabilitation and contractual arrangement assets		–	–	–	(4.5)	(4.5)
Transfer to (from) capital work in progress		5.5	–	12.7	(18.2)	–
Transfer between categories		(2.6)	–	2.6	–	–
Transfer to intangible assets	18	–	–	–	(14.2)	(14.2)
Disposals		(0.8)	(0.2)	(0.3)	–	(1.3)
Impairment		–	–	–	(0.4)	(0.4)
Depreciation expense	6	(109.0)	–	(9.3)	–	(118.3)
Carrying value at 30 June 2018		**2,926.9**	**1.2**	**66.7**	**56.8**	**3,051.6**
Summary of cost and accumulated depreciation and impairment						
Cost		–	2.1	150.4	40.1	192.6
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	61.0	37.7	3,004.0
Cost		–	1.9	160.5	59.5	221.9
Fair value		2,926.9	–	–	–	2,926.9
Accumulated depreciation and impairment		–	(0.7)	(93.8)	(2.7)	(97.2)
Carrying value at 30 June 2018		**2,926.9**	**1.2**	**66.7**	**56.8**	**3,051.6**

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.

16. Property, plant and equipment (continued)

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.

Total generation assets were revalued at 30 June 2018 to $2,926.9 million (2017: $2,903.9 million) resulting in a net gain on revaluation of $129.9 million (2017: $71.3 million gain). The revaluation gain recognised in the revaluation reserve was principally driven by updated long-term hydrology assumptions and updates in wholesale electricity prices. The revaluation decrease recognised in profit or loss was primarily driven by lower wholesale electricity prices and generation volumes for Huntly units 1 to 4 offset by an assumed extension to the operating life to 2030. The revaluation decrease was recognised in profit or loss, as there is no revaluation reserve on these assets.

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. The wholesale electricity price path used in the valuation model is an average of the internally and externally generated price paths. 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 management 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 $103 per MWh over the period from July 2018 to June 2027.	Plus/(minus) 10%	$537 million to ($497 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 range between 6,363 GWh and 7,035 GWh per annum over the period from July 2018 to June 2027.	Plus/(minus) 10%	$376 million to ($376 million)	Wholesale electricity prices affect the amount of generation.
Discount rate	Pre-tax equivalent discount rate of 10.4%.	Plus/(minus) 1%	$541 million to ($400 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	2018 $ million	2017 $ million
Cost	**2,696.5**	2,692.2
Accumulated depreciation and impairment	**(1,111.0)**	(988.4)
Carrying value at 30 June	**1,585.5**	1,703.8

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.

16. Property, plant and equipment (continued)

Impairment

Impairment of work in progress relates to a variety of small projects. Refer to note 4 for disclosure of impairment by segment. The impairment in the prior year related to a variety of projects, the most significant being a partial impairment of the Energy Online billing system.

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.

17. 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 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	19	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	6	–	(44.2)	(0.9)	–	(45.1)
Carrying value at 30 June 2017		12.2	400.8	19.0	2.8	434.8
Additions		0.2	2.1	–	4.5	6.8
Transfer to (from) capital work in progress		–	1.2	–	(1.2)	–
Change in rehabilitation asset		–	(1.7)	–	–	(1.7)
Depreciation and depletion expense	6	–	(60.4)	(1.1)	–	(61.5)
Carrying value at 30 June 2018		**12.4**	**342.0**	**17.9**	**6.1**	**378.4**
Summary of cost and accumulated depreciation, depletion and impairment						
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
Cost		30.9	756.7	25.1	6.1	818.8
Accumulated depreciation, depletion and impairment		(18.5)	(414.7)	(7.2)	–	(440.4)
Carrying value at 30 June 2018		**12.4**	**342.0**	**17.9**	**6.1**	**378.4**

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 wells. Costs are expensed immediately where a 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.

17. 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. The remaining reserves used to deplete oil and gas assets in the current year was based on the prior year reserves. The change in reserve estimate disclosed in the table below for the current year relates to the change in reserve as at 30 June 2018, whereas the change in reserve estimate for the prior year relates to the reserve as at 30 June 2016. As the change in reserves for the current year was as at 30 June 2018 it impacts depletion expense in future years rather than in the current year, in accordance with NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which requires changes in estimates to be accounted for prospectively.

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 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 $6.4 million per annum at current production rates.

The table below presents the remaining Kupe oil and gas field reserves in peta joule equivalents ('PJe') of which the Group has a 46.0 per cent interest (2017: 46.0 per cent).

	Proved reserves ('1P')		Proved and probable reserves ('2P')	
	2018 PJe	2017 PJe	**2018 PJe**	2017 PJe
Opening remaining field reserves at 1 July	**250.5**	288.5	**373.1**	387.9
Change in reserve estimate	**(4.5)**	(2.9)	**14.2**	20.3
Production	**(36.2)**	(35.1)	**(36.2)**	(35.1)
Closing remaining field reserves at 30 June	**209.8**	250.5	**351.1**	373.1
Developed	**126.9**	160.1	**163.8**	199.5
Undeveloped	**82.9**	90.4	**187.3**	173.6
Closing remaining field reserves at 30 June	**209.8**	250.5	**351.1**	373.1
Total remaining field reserves by product type				
Gas	**148.5**	175.6	**255.9**	269.6
LPG	**31.9**	37.1	**55.3**	56.5
Light oil	**29.4**	37.8	**39.9**	47.0
Closing remaining field reserves at 30 June	**209.8**	250.5	**351.1**	373.1

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

18. Intangible assets

	Note	Restated goodwill $ million	Software $ million	Emission units held for own use $ million	Restated contractual arrangements $ million	Deferred customer acquisition costs $ million	Restated total $ million
Carrying value at 1 July 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	16	–	22.2	–	–	–	22.2
Disposed of or surrendered		–	–	(6.5)	(0.5)	–	(7.0)
Amortisation expense	6	–	(11.3)	–	(3.9)	–	(15.2)
Amortisation expense included in other operating expenditure		–	–	–	–	(2.6)	(2.6)
Additions acquired through business acquisitions	19	125.8	–	–	96.6	–	222.4
Carrying value at 30 June 2017		228.4	28.3	13.5	96.1	5.2	371.5
Additions		–	17.2	14.8	0.4	5.5	37.9
Transfer from property, plant and equipment	16	–	14.2	–	–	–	14.2
Disposed of or surrendered		–	–	(13.6)	–	(0.5)	(14.1)
Amortisation expense	6	–	(15.3)	–	(10.6)	–	(25.9)
Amortisation expense included in other operating expenditure		–	–	–	–	(4.6)	(4.6)
Carrying value at 30 June 2018		**228.4**	**44.4**	**14.7**	**85.9**	**5.6**	**379.0**
Summary of cost and accumulated amortisation and impairment							
Cost		228.4	163.2	13.5	110.5	8.7	524.3
Accumulated amortisation and impairment		–	(134.9)	–	(14.4)	(3.5)	(152.8)
Carrying value at 30 June 2017		228.4	28.3	13.5	96.1	5.2	371.5
Current		–	–	6.7	–	–	6.7
Non-current		228.4	28.3	6.8	96.1	5.2	364.8
Carrying value at 30 June 2017		228.4	28.3	13.5	96.1	5.2	371.5
Cost		228.4	193.9	14.7	110.9	13.7	561.6
Accumulated amortisation and impairment		–	(149.5)	–	(25.0)	(8.1)	(182.6)
Carrying value at 30 June 2018		**228.4**	**44.4**	**14.7**	**85.9**	**5.6**	**379.0**
Current		–	–	14.7	–	–	14.7
Non-current		228.4	44.4	–	85.9	5.6	364.3
Carrying value at 30 June 2018		**228.4**	**44.4**	**14.7**	**85.9**	**5.6**	**379.0**

Goodwill

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	**2018 $ million**	Restated 2017 $ million
Customer – electricity and gas		**102.6**	102.6
Customer – LPG	19	**112.6**	112.6
Kupe	19	**13.2**	13.2
Total goodwill		**228.4**	228.4

18. Intangible assets (continued)

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 (2017: 1.0 per cent). The estimated future cash flow projections are discounted using a pre-tax equivalent discount rate of 10.4 per cent (2017: 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.

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 19). The impairment test is based on an estimated discounted cash flow analysis (fair value less disposal costs) using five years of forecast information. Cash flows beyond the forecast period 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 10.4 per cent (2017: 10.6 per cent). The forecast takes into consideration both the acquired business and the existing LPG business, as the assets of the acquired business are used to service the pre-acquisition LPG customers. 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 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 19). The impairment test is based on an estimated discounted cash flow analysis (value in use). The estimated future cash flow projections are based on proved and probable reserve ('2P') estimate, as disclosed in note 17. The pre-tax equivalent discount rate was 10.4 per cent (2017: 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.

Software

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, as the units do not have an expiry date. As a result there is no foreseeable limit to the period over which the units will be used. The units 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 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 183.3 to 213.8 PJe (2017: 220.1 to 250.5 PJe). Refer to note 17 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.

Sponsorship contracts

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 eight 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.

19. 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

On 1 January 2017 Genesis Power Investments Limited acquired 100.0 per cent of the shares of three subsidiaries from NZOG that in combination held 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. 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 20 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 was prepared on a provisional basis at 30 June 2017. Owing to the timing of the acquisition, the calculations of the fair values of property, plant and equipment, customer contracts and relationships and goodwill were finalised during the six months ended 31 December 2017. A comparison between the provisional values assigned at 30 June 2017 and final values is provided below. The 30 June 2017 numbers within these financial statements have been restated to reflect the final fair values. The changes below had no material impact to the income statement, as a result no change has been made to the net profit reported for 30 June 2017.

Assets acquired and liabilities recognised at the date of acquisition	Note	Kupe subsidiaries $ million	Provisional LPG business $ million	Total provisional value $ million	Change to LPG values $ million	Final value $ million
Cash and cash equivalents		6.3	–	6.3	–	6.3
Receivables		4.8	–	4.8	0.3	5.1
Inventories		2.2	0.3	2.5	–	2.5
Total current assets		13.3	0.3	13.6	0.3	13.9
Property, plant and equipment	16	–	31.9	31.9	7.3	39.2
Oil and gas assets	17	205.1	–	205.1	–	205.1
Intangible assets	18	34.4	67.9	102.3	(5.7)	96.6
Total non-current assets		239.5	99.8	339.3	1.6	340.9
Total assets		252.8	100.1	352.9	1.9	354.8
Payables and accruals		10.3	2.0	12.3	0.1	12.4
Tax payable		0.3	–	0.3	–	0.3
Total current liabilities		10.6	2.0	12.6	0.1	12.7
Provisions	25	30.3	–	30.3	–	30.3
Deferred tax liability	9	53.4	22.5	75.9	0.4	76.3
Total non-current liabilities		83.7	22.5	106.2	0.4	106.6
Total liabilities		94.3	24.5	118.8	0.5	119.3
Net identifiable assets acquired		158.5	75.6	234.1	1.4	235.5

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.

19. Business acquisitions (continued)

Kupe subsidiaries

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

The estimated field reserves and the gas price are the key inputs that 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.

LPG business

The fair value of the intangible assets associated with the LPG business was determined using a discounted cash flow model. The valuation required significant judgement and therefore there was a range of reasonably possible assumptions that could have been 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	Provisional LPG business $ million	Total provisional value $ million	Change to LPG values $ million	Final value $ million
Purchase price		171.7	189.6	361.3	–	361.3
Less fair value of identifiable net assets acquired		(158.5)	(75.6)	(234.1)	(1.4)	(235.5)
	18	13.2	114.0	127.2	(1.4)	125.8

Kupe subsidiaries

Goodwill on the acquisition of the Kupe subsidiaries relates to strategic benefits that were unable to be separately recognised under the current accounting requirements. The purchase price of the Kupe subsidiaries included amounts in relation to the benefits expected to be obtained from having greater influence within the Joint Venture. The benefits were 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 were unable to be separately recognised under the current accounting requirements. The purchase price of the LPG business included 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 were 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 subsidiaries $ million	Provisional LPG business $ million	Total provisional value $ million	Change to LPG values $ million	Final value $ million
Consideration paid in cash	171.7	189.6	361.3	–	361.3
Less cash and cash equivalents acquired	(6.3)	–	(6.3)	–	(6.3)
	165.4	189.6	355.0	–	355.0

19. Business acquisitions (continued)

	Impact of the acquisition on the prior year result			Pro-forma impact of the acquisition had it taken place on 1 July 2016		
	Kupe subsidiaries $ million	LPG business $ million	Total $ million	Kupe subsidiaries $ million	LPG business $ million	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)	(5.9)	(36.3)
Finance revenue	–	–	–	0.4	–	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)	(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 year ended 30 June 2017, Management has:

- 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 taken 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.

20. Investments in subsidiaries

During the year the Group established the Genesis Energy Talent Retention Plan Trust (the 'Trust') to administer the TRP plan. The Trust has been consolidated into the Group on the basis that the Parent has determined how the Trust is designed and operated, the Parent controls the financing and investing activities of the Trust and the Trust is dependent on funding from the Parent.

On 28 February 2018 Genesis Power Investments Limited, Kupe Holdings Limited, GP No. 5 Limited, National Petroleum Limited, Petroleum Equities Limited, Nephrite Enterprises Limited and Kupe Royalties Limited were amalgamated into GP No. 2 Limited and GP No. 2 Limited changed its name to Kupe Venture Limited.

Name of entity	Principal activity	Place of incorporation	Interest held 2018 %	Interest held 2017 %
Genesis Power Investments Limited	Holding company	New Zealand	-	100
Kupe Holdings Limited	Joint venture holding company	New Zealand	-	100
Kupe Venture Limited (previously GP No. 2 Limited)	Joint venture holding company	New Zealand	**100**	100
GP No. 5 Limited	Joint venture holding company	New Zealand	-	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 Talent Retention Plan Trust	Trust	New Zealand	-	-
Genesis Energy Limited Executive Long-term Incentive Plan Trust	Trust	New Zealand	-	-

All subsidiaries have 30 June balance dates.

* Subsidiaries acquired 1 January 2017. Refer to note 19.

21. 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 (2017: 46.0 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 4 and the Group's share of capital expenditure commitments relating to joint operations is disclosed in note 29.

22. 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 following goods and services: 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 five significant electricity swap and option contracts with Meridian Energy, a Crown-controlled entity. The electricity swap and option contracts period and profile vary between the range of 12.5MW and 150MW, from the period 1 January 2011 to 31 December 2025.

During the year the Crown received $85.6 million dividends of which $75.8 million was paid in cash (2017: $84.0 million) and $9.8 million was paid in shares (2017: $ nil). There were no other individually significant transactions with the Crown and Crown-controlled and related entities during the year (2017: nil).

Other transactions with Crown-controlled and related entities, which are collectively but not individually significant, relate to the sale of electricity derivatives. Approximately 51.9 per cent of the value of electricity derivative assets and approximately 40.9 per cent of the value of electricity derivative liabilities held by the Group at year end are held with Crown-controlled and related entities (2017: 57.7 per cent and 36.0 per cent respectively). The contracts expire at various times; the latest expiry date is June 2026.

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	2018 $ million	2017 $ million
Short-term benefits		**6.7**	6.7
Post-employment benefits		**0.2**	0.2
Termination benefits		**–**	0.6
Share-based payments	13	**0.6**	0.2
Total key management personnel compensation		**7.5**	7.7

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 13. The total number of shares held by key management personnel (excluding LTI shares) as at 30 June 2018 was 289,019 (2017: 275,556). During the year dividends paid to key management personnel and their families was $48,967 (2017: $44,298). No other transactions took place between key management personnel and the Group (2017: nil). As at 30 June 2018 the balance payable to key management personnel was nil (2017: nil).

23. Payables and accruals

	2018 $ million	Restated 2017 $ million
Trade payables and accruals	**189.2**	171.3
Employee benefits	**7.5**	5.0
Emission obligations	**9.8**	4.7
Total	**206.5**	181.0
Current	**205.7**	180.3
Non-current	**0.8**	0.7
Total	**206.5**	181.0

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.

24. Borrowings

	2018 $ million	2017 $ million
Revolving credit and money market	**187.5**	196.7
Term loan facility	**30.0**	30.0
Wholesale term notes	**292.8**	292.8
Retail term notes	**100.5**	100.3
Capital bonds	**426.0**	424.4
USPP	**218.6**	215.6
Total	**1,255.4**	1,259.8
Current	**210.0**	11.0
Non-current	**1,045.4**	1,248.8
Total	**1,255.4**	1,259.8

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 current portion of borrowings has increased by $199.0 million in comparison to the prior year due to the redemption of the $200 million fixed rate subordinated capital bonds on 16 July 2018 which had an original maturity date of 15 July 2041. This debt was replaced by $240 million of capital bonds issued on 16 July 2018, which mature in July 2048.

Reconciliation of change in liabilities arising from financing activities	Note	2018 $ million	2017 $ million
Opening balance		**1,259.8**	912.2
Proceeds from borrowings		**–**	501.0
Repayment of borrowings		**(9.0)**	(125.0)
Capitalised issue costs		**–**	(4.1)
Non-cash changes			
Change in foreign exchange on USPP		**16.8**	(5.5)
Change in fair value interest rate risk adjustment	7	**(13.3)**	(19.1)
Amortisation of capitalised issue costs		**1.0**	0.3
Change in accrued interest		**0.1**	–
Closing balance		**1,255.4**	1,259.8

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.

	2018 $ million	2017 $ million
Revolving credit and money market		
Revolving credit drawn down	**187.0**	196.0
Accrued interest	**0.5**	0.7
Total revolving credit and money market	**187.5**	196.7
Revolving credit		
Expiring FY18	**–**	1.0
Expiring FY19	**–**	65.0
Expiring FY20	**220.0**	155.0
Expiring FY21	**110.0**	110.0
Expiring FY22	**50.0**	50.0
Expiring FY23	**75.0**	75.0
Total available revolving credit facilities	**455.0**	456.0
Revolving credit drawn down (excluding accrued interest)	**187.0**	196.0
Total undrawn revolving credit facilities	**268.0**	260.0

24. Borrowings (continued)

	2018 $ million	2017 $ million
Term loan facility		
Expiring FY24	**30.0**	30.0
Total term loan facility	**30.0**	30.0
Wholesale term notes		
Expiring FY20	**120.0**	120.0
Expiring FY23	**70.0**	70.0
Expiring FY25	**100.0**	100.0
Accrued interest	**3.3**	3.3
Capitalised issue costs	**(0.5)**	(0.5)
Total wholesale term notes	**292.8**	292.8
Retail term notes		
Expiring FY22	**100.0**	100.0
Accrued interest	**1.2**	1.2
Capitalised issue costs	**(0.7)**	(0.9)
Total retail term notes	**100.5**	100.3
Capital bonds		
Expiring FY19 (the expiry prior to the redemption notice being issued was FY42)	**200.0**	–
Expiring FY42	**–**	200.0
Expiring FY47	**225.0**	225.0
Fair value interest rate risk adjustment	**0.8**	–
Accrued interest	**3.4**	3.3
Capitalised issue costs	**(3.2)**	(3.9)
Total capital bonds	**426.0**	424.4

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.

On the first reset date and every five years thereafter, the interest rate resets to be the sum of the five-year swap rate on the relevant reset date plus the step-up margin of 0.25 per cent per annum plus a margin of 2.75 per cent per annum for the June 2047 capital bonds and 2.01 per cent per annum for the July 2048 capital bonds issued on 16 July 2018. The July 2048 bonds replaced the 15 July 2041 bonds. The first reset date for the June 2047 capital bonds is 9 June 2022 and the first reset date for the July 2048 capital bonds is 16 July 2023. 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.

	2018 $ million	2017 $ million
USPP		
Expiring FY26	**73.9**	68.3
Expiring FY27	**147.8**	136.6
Fair value interest rate risk adjustment	**(5.4)**	8.7
Accrued interest	**3.0**	2.8
Capitalised issue costs	**(0.7)**	(0.8)
Total USPP	**218.6**	215.6

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 26 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 26.

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.

25. 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 of decisions around the retirement of Huntly units 1 to 4, which are planned to be available to the electricity market until such time they are uneconomic to run. 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 $7.1 million. The rehabilitation work on the ash ponds is estimated to be completed within the next 11 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 $28.8 million. Also affecting the provision are regulations around the removal of the sub-sea pipeline. Currently, there are no regulations around this and, as such, the provision assumes the sub-sea pipeline will be flushed and left in situ. The rehabilitation is estimated to be completed in approximately 12 years.

Contractual arrangements

Contractual arrangements 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 21 years.

Other provisions

Other provisions represent the onerous contracts 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 two years.

	Note	Rehabilitation and restoration $ million	Contractual arrangements $ million	Other provisions $ million	Total $ million
Balance at 1 July 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	8	3.3	1.9	0.2	5.4
Additional amounts acquired through business acquisitions	19	30.3	–	–	30.3
Balance at 30 June 2017		110.3	56.4	5.9	172.6
Provisions made during the year		0.2	0.3	0.1	0.6
Provisions reversed during the year		(2.3)	(3.3)	(0.1)	(5.7)
Provisions used during the year		(0.4)	(5.1)	(1.8)	(7.3)
Time value of money adjustment	8	4.0	1.8	0.1	5.9
Balance at 30 June 2018		**111.8**	**50.1**	**4.2**	**166.1**
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
Current		1.3	6.6	2.2	10.1
Non-current		110.5	43.5	2.0	156.0
As at 30 June 2018		**111.8**	**50.1**	**4.2**	**166.1**

26. 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.

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 and a portion of the capital bonds are designated in a fair value hedge relationship. 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. Interest rate swaps are used to convert the fixed coupons on capital bonds 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.

26. Derivatives (continued)

Net carrying value of derivatives	2018 $ million	2017 $ million
Derivatives designated in a cash flow hedge relationship		
Foreign exchange swaps	**(0.4)**	3.6
Interest rate swaps	**(25.6)**	(22.0)
Electricity swaps	**(15.9)**	(9.4)
Oil swaps	**(16.6)**	5.3
CCIRS	**25.7**	7.9
Derivatives designated in a fair value hedge relationship		
Interest rate swaps	**0.8**	–
CCIRS	**(5.3)**	5.6
Derivatives not designated as hedges		
Interest rate swaps	**(2.1)**	(2.9)
Electricity swaps and options	**27.2**	29.2
Oil swaps	**0.8**	–
Forward sale-and-purchase agreements of emission units held for trading (Forward 'S&P' agreements)	**–**	0.1
Total	**(11.4)**	17.4
Carrying value of derivatives by balance sheet classification		
Current assets	**24.8**	26.4
Non-current assets	**37.5**	39.9
Current liabilities	**(36.8)**	(23.2)
Non-current liabilities	**(36.9)**	(25.7)
Total	**(11.4)**	17.4

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 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	7	0.3	(16.6)	0.5	1.1	18.2	3.5
Gain (loss) recognised in other comprehensive income		0.8	(6.5)	(3.1)	16.4	28.2	35.8
Settlements		(0.6)	1.2	4.0	(6.3)	(9.6)	(11.3)
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
Total change recognised in revenue		–	–	–	–	20.1	20.1
Net change in derivatives not designated as hedges		–	–	0.9	0.8	(2.0)	(0.3)
Net change in fair value hedges		–	(13.3)	–	0.8	–	(12.5)
Ineffective gain (loss) on cash flow hedges		(0.2)	(1.1)	(2.1)	–	(0.2)	(3.6)
Total change recognised in the change in fair value of financial instruments	7	(0.2)	(14.4)	(1.2)	1.6	(2.2)	(16.4)
Gain (loss) recognised in other comprehensive income		(2.7)	20.1	(14.0)	2.9	29.8	36.1
Settlements		(1.2)	1.2	(5.9)	(6.5)	(36.2)	(48.6)
Sales (option fees)		–	–	–	–	(20.0)	(20.0)
Balance as at 30 June 2018		**(0.4)**	**20.4**	**(15.8)**	**(26.9)**	**11.3**	**(11.4)**

*Other includes Forward 'S&P' agreements, and foreign exchange swaps.

26. 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 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)	6.7	4.0	(6.3)	(9.6)	(6.4)
Effective gain (loss) on cash flow hedges recognised directly in the cash flow hedge reserve	0.8	(6.5)	(3.1)	16.4	28.2	35.8
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)
Total reclassified from the cash flow hedge reserve to profit or loss	(0.5)	(15.7)	(5.9)	(6.6)	(36.2)	(64.9)
Effective gain (loss) on cash flow hedges recognised directly in the cash flow hedge reserve	(2.7)	20.1	(14.0)	2.9	29.8	36.1
Total change in cash flow hedge reserve	(3.2)	4.4	(19.9)	(3.7)	(6.4)	(28.8)
Income tax on change in cash flow hedge reserve	0.9	(1.2)	5.6	1.0	1.8	8.1
Balance as at 30 June 2018	**(0.2)**	**(2.0)**	**(11.1)**	**(18.3)**	**(11.7)**	**(43.3)**

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.

27. 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
- Oil swaps
- Forward sale-and-purchase agreements of emission units held for trading

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 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 risk

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 $1,073.8 million (2017: $1,213.2 million).

27 . 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 37.8 million United States dollars (2017: 39.5 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.

	2018 $ million	2017 $ million
Electricity swaps and options		
Post-tax impact on profit or loss		
+10%	**(6.1)**	(8.8)
–10%	**4.2**	3.6
Post-tax impact on cash flow hedge reserve (equity)		
+10%	**(2.9)**	(0.7)
–10%	**2.9**	0.6
Oil swaps		
Post-tax impact on profit or loss		
+10%	**(0.1)**	(0.9)
–10%	**0.1**	0.9
Post-tax impact on cash flow hedge reserve (equity)		
+10%	**(5.0)**	(2.5)
–10%	**5.0**	2.5

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 and maintenance of capital equipment 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 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 amount		Face value		Fair value	
Currency of contract	2018 million	2017 million	2018 $ million	2017 $ million	2018 $ million	2017 $ million
Foreign exchange swaps						
United States dollar	**(29.9)**	(40.0)	**(43.4)**	(59.2)	**(0.6)**	4.1
Japanese yen	**738.3**	530.0	**9.7**	7.0	**0.3**	(0.5)
CCIRS						
United States dollar	**150.0**	150.0	**193.2**	193.2	**20.3**	13.5
			159.5	141.0	**20.0**	17.1

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 owing 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	2018 $ million	2017 $ million
Post-tax impact on cash flow hedge reserve (equity)			
United States dollar	+10%	**2.8**	3.5
	–10%	**(3.4)**	(4.3)
Japanese yen	+10%	**(0.6)**	(0.4)
	–10%	**0.8**	0.5
Total foreign exchange swaps	+10%	**2.2**	3.1
Total foreign exchange swaps	–10%	**(2.6)**	(3.8)

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	
Receive floating, pay fixed swaps	**2018 %**	2017 %	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million
Not later than one year	**4.00**	–	**20.0**	–	**–**	–
Later than one year and not later than two years	**5.53**	4.00	**45.0**	20.0	**(1.6)**	(0.4)
Later than two years and not later than five years	**5.47**	5.49	**90.0**	135.0	**(7.3)**	(11.5)
Later than five years	**4.45**	4.68	**225.0**	175.0	**(19.0)**	(13.0)
	4.80	4.97	**380.0**	330.0	**(27.9)**	(24.9)

	Average contracted fixed interest rates		Notional principal amount		Fair value	
Receive fixed, pay floating swaps	**2018 %**	2017 %	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million
Later than two years and not later than five years	**2.59**	–	**25.0**	–	**0.2**	–
Later than five years	**2.61**	–	**240.0**	–	**0.8**	–
	2.61	–	**265.0**	–	**1.0**	–

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.

	2018 $ million	2017 $ million
Post-tax impact on profit		
+1%	**(0.6)**	0.3
–1%	**0.7**	(0.3)
Post-tax impact on cash flow hedge reserve (equity)		
+1%	**9.6**	9.0
–1%	**(10.3)**	(9.7)

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.

Credit risk exposure arising from the supply of electricity, gas, LPG and oil to the market is mitigated owing 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 $0.1 million (2017: $0.2 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 table are contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed in the balance sheet.

27. Financial instruments and financial risk management (continued)

As at 30 June 2018	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	(196.7)	–	–	–	(196.7)
Revolving credit and money market	5.9	(11.0)	(104.5)	(98.3)	–	(213.8)
Term loan facility	4.6	(1.4)	(1.4)	(4.1)	(31.7)	(38.6)
Wholesale term notes	6.1	(17.5)	(136.2)	(97.2)	(110.0)	(360.9)
Retail term notes	4.3	(4.1)	(4.1)	(112.4)	–	(120.6)
Capital bonds	6.1	(215.9)	(12.8)	(38.5)	(532.8)	(800.0)
USPP	3.9	(8.1)	(8.1)	(24.4)	(250.7)	(291.3)
		(454.7)	(267.1)	(374.9)	(925.2)	(2,021.9)
Derivative assets (liabilities)						
Net-settled derivatives						
Interest rate swaps (cash flow hedges)		(7.2)	(7.0)	(11.9)	(2.2)	(28.3)
Interest rate swaps (not designated as hedges)		(1.1)	(0.6)	(0.7)	–	(2.4)
Interest rate swaps (fair value hedges)		1.0	1.0	(1.0)	(0.3)	0.7
Electricity swaps (cash flow hedges)		(7.3)	(4.5)	(3.5)	(0.9)	(16.2)
Electricity swaps and options (not designated as hedges)		12.0	5.8	9.6	–	27.4
Oil swaps (cash flow hedges)		(9.4)	(6.3)	(1.4)	–	(17.1)
Oil swaps (not designated as hedges)		0.9	–	–	–	0.9
Gross-settled derivatives						
Foreign exchange swaps (cash flow hedges)						
Inflows		0.8	–	–	–	0.8
Outflows		(0.9)	(0.5)	(0.1)	–	(1.5)
CCIRS						
Inflows		8.1	8.1	24.5	250.7	291.4
Outflows		(7.3)	(7.5)	(25.8)	(226.7)	(267.3)
		(10.4)	(11.5)	(10.3)	20.6	(11.6)

27 . Financial instruments and financial risk management (continued)

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

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 24, 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 (2017: nil).

28. 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 paths.

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.

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 (2017: nil).

Level two items carried at fair value

Recurring fair value measurements	2018 $ million	2017 $ million
Level two		
Derivatives		
Interest rate swaps	**(26.9)**	(24.9)
Foreign exchange swaps	**(0.4)**	3.6
Oil swaps	**(15.8)**	5.3
Electricity swaps (cash flow hedges)	**–**	0.3
Electricity swaps and options (not designated as hedges)	**0.6**	(1.7)
CCIRS	**20.4**	13.5
Forward sale-and-purchase agreements of emission units held for trading	**–**	0.1
	(22.1)	(3.8)
Inventory		
Emission units held for trading	**7.3**	9.3

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
Emission units held for trading	OM Financial forward curve

Level three items carried at fair value

Recurring fair value measurements	Note	2018 $ million	2017 $ million
Level three			
Derivatives			
Electricity swaps (cash flow hedges)		**(15.9)**	(9.7)
Electricity swaps and options (not designated as hedges)		**26.6**	30.9
		10.7	21.2
Property, plant and equipment			
Generation assets	16	**2,926.9**	2,903.9

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 owing to changes in the business.

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 inputs and 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 2017.

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 $103 per MWh over the period from 1 July 2018 to 31 December 2027 (2017: $74 per MWh to $101 per MWh over the period from 1 July 2017 to 31 December 2025). The discount rate used in the model ranged from 2.0 per cent to 5.4 per cent (2017: 2.0 per cent to 2.8 per cent) and the emission credit price used ranged between $21.25 and $25.00 (2017: $17.50 and $23.50).

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 $2.7 million liability (2017: $6.4 million asset). If the price path decreased by 10 per cent while holding the discount rate constant, the carrying value would increase to $21.7 million asset (2017: $28.8 million asset).

Reconciliation of level three electricity swaps and options	2018 $ million	2017 $ million
Balance as at 1 July	**21.2**	(16.0)
Total gain (loss)		
Electricity revenue	**20.1**	21.2
Change in fair value of financial instruments	**(6.1)**	17.8
Total gain (loss) in profit or loss	**14.0**	39.0
Total gain (loss) recognised in other comprehensive income	**20.4**	15.4
Settlements (gain) loss	**(24.9)**	3.1
Sales	**(20.0)**	(20.3)
Balance as at 30 June	**10.7**	21.2

The change in fair value of financial instruments disclosed above includes an unrealised loss of $6.1 million (2017: $17.8 million gain) on level three derivatives held at balance date.

Valuation of generation assets

Refer to note 16 for the valuation and reconciliation of movements in generation assets.

28. Fair value (continued)

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:

	2018 $ million	2017 $ million
Balance as at 1 July	**71.6**	72.7
Deferred 'day one' gains (losses) on new derivatives	**3.5**	1.7
Deferred 'day one' gains (losses) realised during the year	**(5.7)**	(2.8)
Balance as at 30 June	**69.4**	71.6

Items disclosed at fair value	Carrying value 2018 $ million	Carrying value 2017 $ million	Fair value 2018 $ million	Fair value 2017 $ million
Level one				
Retail term notes	**(100.5)**	(100.3)	**(103.4)**	(102.2)
Capital bonds	**(426.0)**	(424.4)	**(439.3)**	(436.2)
Level two				
Wholesale term notes	**(292.8)**	(292.8)	**(311.3)**	(320.3)
USPP	**(218.6)**	(215.6)	**(220.8)**	(215.3)

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 2.9 per cent to 4.3 per cent (2017: 3.2 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 3.9 per cent (2017: 3.2 per cent).

29. Commitments

Capital commitments	2018 $ million	2017 $ million
Not later than one year	**25.4**	1.7
Later than one year but not later than five years	**7.9**	20.9
Later than five years	**2.0**	2.0
Total capital commitments	**35.3**	24.6

The capital commitments disclosed above include no amounts relating to the Kupe Joint Venture (2017: nil).

29. Commitments (continued)

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 an asset is leased under a finance lease, the present value of the minimum lease payment 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 terms. Receipts from operating leases are recognised in profit or loss on a straight-line basis over the lease terms.

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 periods.

	2018 $ million	2017 $ million
Not later than one year	**8.3**	5.9
Later than one year but not later than five years	**28.7**	26.3
Later than five years	**27.5**	29.3
Total operating lease commitments	**64.5**	61.5

Lease commitments are disclosed exclusive of GST.

30. Contingent assets and liabilities

The Group had contingent assets and liabilities at 30 June 2018 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 (2017: nil).

31. Events occurring after balance date

Subsequent to balance date the Parent declared a final dividend of $86.7 million (8.6 cents per share).

On 16 July 2018 the Group exercised its right to redeem $200 million of fixed rate subordinated capital bonds with an original maturity date of 15 July 2041. The redeemed capital bonds were replaced by a new $240 million public issue of capital bonds with a maturity date of 16 July 2048. The new issue pays a quarterly coupon of 4.65 per cent per annum. 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 the margin of 2.01 per cent per annum plus the step-up margin of 0.25 per cent per annum. Refer to note 24 for further information.

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

Deloitte.

Independent auditor's report

TO THE SHAREHOLDERS OF GENESIS ENERGY LIMITED

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 25-65, that comprise the consolidated balance sheet as at 30 June 2018, the consolidated comprehensive income statement, statement of changes in equity and cash flow statement for the year ended on that date, and the notes to the consolidated financial statements that include accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018, 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, whistle blower hotline service and review of the interim report which are compatible with those independence requirements. 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.

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 and results
Valuation of Generation Assets Generation assets were revalued at 30 June 2018 as set out in note 16 of the consolidated financial statements to $2,926.9 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 16 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 gain on revaluation estimated by Genesis Energy is described in note 16 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 actual 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 2018 derivative assets totalled $62.3 million and derivative liabilities were $73.7 million as set out in notes 26 and 28 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 16 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.

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, 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 Directors' 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
Deloitte Limited

On behalf of the Auditor-General
Auckland, New Zealand
28 August 2018

Corporate governance

Corporate governance information

This section of the Annual Report provides information on Directors' independence, committees, fees and diversity and inclusion policies and activities.

Genesis' governance framework is guided by the recommendations set by the NZX Corporate Governance Code. Genesis considers it has followed these recommendations in all material respects during FY18. For detailed information on Genesis' corporate governance policies, practices and processes refer to Investors section on the Genesis website (genesisenergy.co.nz/about us/investors). This contains the following documents:

> 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 skills matrix
> Board tenure

Director independence

The names of the current Directors, together with a short biography of each, are set out on pages 22 and 23. All of the Directors are currently considered to be 'independent' Directors.

Diversity and Inclusion Policy and gender composition

Genesis' **Diversity and Inclusion Policy** and **Minding the Gap Policy** record 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 FY18 and the Company's progress towards achieving these objectives are set out in Diagram 1. As at 30 June 2018:

> Four out of eight Genesis Energy Directors were women (FY17=three out of eight).

> Three out of eight Officers[1] were women (FY17=three out of eight).

1 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.

Diagram 1 – FY18 Measurable objectives for diversity

OBJECTIVE	PROGRESS AS AT 30 JUNE 2018
Strive for gender balance	- Reduced the gender pay gap to 2.9 per cent - Stepped up Genesis' Parental Leave offering, including 12 weeks' salary top up (in addition to Internal Revenue Department Paid Parental Leave); two weeks paid partner leave, annual leave accrual at normal salaried rate and a support for a gradual return to work (80 per cent worked for 100 per cent pay) - Grew the Internal Women's Network branching out to a Women in Operations network - Continued development of women through Global Women and internal workshops on self talk - Raised awareness and numbers of women working in trade and technical roles in the infrastructure industries through the Girls with Hi-Vis & Energy Industry Career Pathways.
Build a workforce that reflects New Zealand's multi-cultural society and customer base	Supported the Māori and Pacific Island workforce through; - Continuing Genesis' commitment to Māori Language Week - Genesis continuing support of the TupuToa programme, an internship scheme aimed at creating pathways for Māori and Pasifika students into careers - Huntly's Internship Programme, supporting the Huntly community via the Ngaa Maramara O Raahui Pookeka Agreement. Increased awareness of ethnicity and inclusion by having over 78 per cent of employees data shared and reported externally through Global Women's Champion for Change reporting frameworks.
Lead flexible working practices in the energy sector	- Baseline flexibility options now offered to all employees, including career breaks, phased retirement, buyable leave and activity-based working. Other options to support flexibility around location, schedule and role are offered under individual-specific arrangements.

Remuneration report

Directors' fees

Directors' remuneration is 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.

A separate pool of fees, approved by shareholders for sub-committee work, is allocated to members of the various Board committees.

In FY18 an additional pool of $25,000 was also set aside for allocation to Directors for additional work and attendances undertaken in respect of special committees. No fees for 'special committees' were paid in FY18. The pool allocation for 'special committees' will only be allocated and applied in respect of work undertaken that is over the 'ordinary course' of business. No Director is entitled to any remuneration from the Company other than by way of Directors' fees and the reimbursement of reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors. Diagram 2 sets out the remuneration paid to Directors during the year to 30 June 2018.

Directors of subsidiary entities forming part of the Genesis Energy Group, (a list of subsidiary companies and Directors is set out in the Statutory Disclosures on page 73). Directors received no remuneration or other benefits during the period in relation to their duties as Directors of a subsidiary, other than the benefit of an indemnity from Genesis and the benefit of Directors and Officers liability insurance cover. This cover extends to all liabilities to persons (other than the Company and the subsidiaries or related body corporate) that 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 on page 73.

Diagram 2 – Directors' fees

DIRECTOR[1]	BOARD FEES $	STANDING COMMITTEE FEES $	SPECIAL COMMITTEE FEES $
Dame Jenny Shipley (Chair)[2]	177,000	Nil	Nil
Mark Cross	90,000	11,333	Nil
John Leuchars[3]	75,000	9,333	Nil
Maury Leyland	90,000	11,333	Nil
Joanna Perry	90,000	22,333	Nil
Doug McKay	90,000	18,667	Nil
Tim Miles	90,000	11,833	Nil
Paul Zealand	90,000	11,833	Nil
Barbara Chapman	15,000	1,000	Nil

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 to $915,000 (including Standing Committee Fees) with an unallocated Committee Fee pool of $25,000.
2 From 1 November 2016 the Chair did not receive any fees for committee attendances.
3 John Leuchars ceased to be a Director on 1 May 2018.

Chief Executive remuneration

The Chief Executive remuneration detail provided relates to payments made to Marc England during FY18 (but not any short-term incentive payments earned or long-term incentives vested in FY18 and to be paid in FY19):

MARC ENGLAND

Total remuneration[1]	$1,631,545
Fixed remuneration	$1,086,338
Short Term Incentive	$382,456
Executive Long Term Incentive The cost of 150,033 ordinary shares in the Company acquired under the Executive LTI plan on 21 November 2017 was $361,369. See page 39 for LTI detail.	
KiwiSaver	$62,751
Other payments[2]	$100,000

1. Actual salary paid includes holiday pay paid as per New Zealand legislation. Excludes the FY18 Long-Term Incentive entitlement.
2. This payment was made in recognition of Mr England extinguishing rights to certain share entitlements in his previous employment.

BREAK DOWN OF CHIEF EXECUTIVE PAY FOR PERFORMANCE (FY18)

	FY18 Weighting %	Performance measures	Percentage achieved %
STI	Set at 40% of fixed remuneration and achieved through a combination of financial and non financial performance measures	60% based on Company Shared Key Performance Indicators	124%
		40% based on individual measures	112%
LTI	Conditional awards of shares under a Long Term Incentive Plan	100% weighting relative TSR performance against NZX50	100% vesting

Target area of Company Shared KPIs	FY18 Weighting %
Financial EBITDAF	50
Customer	30
Health and Safety	20

Remuneration of employees earning over $100,000 in the year ending 30 June 2018

There were 293 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 2018, as set out in Diagram 3.

Diagram 3 – Remuneration of employees

REMUNERATION	EMPLOYEES	REMUNERATION	EMPLOYEES	REMUNERATION	EMPLOYEES
$1,620,000 - $1,630,000	1	$290,000 - $300,000	1	$190,000 - $200,000	7
$670,000 - $680,000	1	$280,000 - $290,000	2	$180,000 - $190,000	5
$560,000 - $570,000	1	$260,000 - $270,000	3	$170,000 - $180,000	8
$520,000 - $530,000	1	$250,000 - $260,000	2	$160,000 - $170,000	11
$490,000 - $500,000	1	$240,000 - $250,000	3	$150,000 - $160,000	24
$480,000 - $490,000	1	$230,000 - $240,000	2	$140,000 - $150,000	38
$450,000 - $460,000	1	$220,000 - $230,000	6	$130,000 - $140,000	20
$410,000 - $420,000	1	$210,000 - $220,000	2	$120,000 - $130,000	37
$310,000 - $320,000	3	$200,000 - $210,000	1	$110,000 - $120,000	54
				$100,000 - $110,000	56
Total employees earning $100,000+					**293**
Employees who are included but who are no longer at Genesis Energy as at 30 June 2018					**13**

This includes fixed remuneration, employer KiwiSaver contributions, short-term incentive payments, settlement payments and redundancy payments actually paid in FY18 for all permanent employees but not any short-term incentive payments earned in FY18 and to be paid in FY19 or any Executive LTI payments.

Statutory disclosures

Disclosures of interest

There were no 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

In accordance with section 211(1)(e) of the Companies Act, particulars of the entries in the Interests Register of Genesis during the financial year to 30 June 2018 are set out in the table below:

DIR.[1]	POSITION	COMPANY
Jenny Shipley (Chair)	Chair	China Construction Bank (New Zealand) Limited
	Chair	Oravida Limited and subsidiaries[1]
	Co Chair	Champions for Change[1]
	Director	BOAO Forum for Asia[1]
	Director and Shareholder	Jenny Shipley New Zealand Limited
	Executive Board Member	New Zealand China Council
	Trustee	Heart Health Research Trust
	Trustee	Shipley Family Trust
Joanna Perry	Chair	IFRS Advisory Council
	Director	Trade Me Group Limited
	Director and Shareholder	JMGP Limited
	Director	Kiwi Property Group Limited
	Director	Partners Life Holding Limited
	Director	Partners Life Limited
	Deputy Chair	Regional Facilities Auckland
	Chairman	Oyster Property Group[1]
John Leuchars	Director	KiwiRail Holdings Limited – trading as KiwiRail
	Director	Wellington Gateway General Partner No. 1 Limited
	Director	Wellington Gateway General Partner No. 2 Limited
	Director and Shareholder	Leuchars Holdings Limited
	Director and Shareholder	Nuf Investments Pty Limited
	Director and Shareholder	Nuf Superannuation Pty Limited
	Director and Shareholder	Nuf Pty Limited
	Member	Saint Kentigern Trust Board Subcommittee
	Panel Member	Auckland City Council Value for Money Review
Maury Leyland	Director	Okuora Holdings Limited[1]
	Chair and Trustee	The Education Hub[1]
	Trustee	Arapito Trust[1]
	Trustee	Polperro No. 2 Trust[1]
	Director	Wangapeka River Hops Limited

1 Entries added by notices given by Directors during the year ended 30 June 2018.

DIR.	POSITION	COMPANY
Mark Cross	Chair and Shareholder	MFL Mutual Fund Limited
	Chair and Shareholder	Superannuation Investments Limited
	Chair and Shareholder	Milford Asset Management Limited and subsidiaries
	Director and Shareholder	Virsae Group Limited
	Director and Shareholder	Emcee Squared Limited
	Director and Shareholder	Aspect Productivity Technology Limited
	Director and Shareholder	Alpha Investment Partners Limited
	Director	Argosy Property Limited
	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
Doug McKay	Chair	Eden Park Trust Board
	Chair	Bank of New Zealand Group and subsidiaries
	Director	IAG New Zealand Limited and subsidiaries
	Director	Wymac Consulting Limited
	Director	Ryman Healthcare Limited
	Director	National Australia Bank
	Director and Shareholder	Tourism Transport Limited
Tim Miles	Chair	Advisory Board of Revera Limited[1]
	Chair	Advisory Board of Computer Concepts Limited[1]
	Director and Shareholder	Jeffries Miles Consultancy Limited[1]
	Director and Shareholder	Jeffries Miles Property Limited[1]
	Director	Khandallah Trust Limited[1]
	Trustee	Marshall Miles Family Trust[1]
	Trustee	Barbara Nel Miles Trust[1]
	Advisory Trustee	Leadership New Zealand[1]
Paul Zealand	Director	Lochard Energy[1]
	Director	The New Zealand Refining Company Limited[1]
	Director	Zoenergy Limited[1]
	Trustee	Zealand Family Trust[1]
Barbara Chapman	Director	The New Zealand Initiative
	Trustee	Flinton Trust
	Director and Shareholder	Two Tin Pigs Limited
	Director	NZME
	Patron	New Zealand Rainbow Tick Excellence Awards

Directors of subsidiary companies

As at 30 June 2018:

- The Chair of Genesis, Dame Jenny Shipley, the Chief Executive of Genesis, Marc England, and Chief Financial Officer of Genesis, Chris Jewell, were Directors of all the subsidiary companies listed in Note 20 of the financial statements with the exception of Genesis Energy's captive insurance company incorporated in Singapore, Genesis Energy Insurance Pte Limited.
- Chris Jewell, the Chief Financial Officer (who was appointed on 1 July 2016), Warwick Williams, the Group Risk and Analytics Manager and George McGhie (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.

Disclosures of Directors' interests in share transactions

During FY18, 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:

Mark Cross made an ongoing disclosure in relation to a beneficial interest in the acquisition of 15,000 shares by Alpha Investment Partners Limited as trustee for Alpha Investment Trust.

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.

Directors' interests in shares

Directors disclosed the following relevant interests in Genesis Energy shares as at 30 June 2018:

DIRECTOR	RELEVANT INTEREST HELD IN SHARES
Barbara Chapman	Nil
Maury Leyland	19,088
Doug McKay	15,814
Tim Miles	40,410
Joanna Perry	28,195
Jenny Shipley	14,693
Paul Zealand	Nil

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 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 $12,943,004.

Donations

In accordance with section 211(1)(h) of the Companies Act 1993, Genesis records that it made donations of $44,866 during the year ended 30 June 2018. 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 FY18.

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 (including half year review) and non-audit fees in FY18, were $560,500 and $30,500 respectively.

Twenty largest registered shareholders as at 30 June 2018*

NAME	UNITS AT 30 JUNE 2018	% OF UNITS
Her Majesty The Queen In Right Of New Zealand Acting By And Through Her Minister Of Finance And Minister For SOE	516,673,285	51.23
HSBC Nominees (New Zealand) Limited	36,276,313	3.60
HSBC Custody Nominees (Australia) Limited	32,667,653	3.24
HSBC Nominees (New Zealand) Limited	23,923,318	2.37
Citibank Nominees (New Zealand) Limited	21,927,495	2.17
Accident Compensation Corporation	17,440,752	1.73
Forsyth Barr Custodians Limited	14,314,449	1.42
JP Morgan Chase Bank Na NZ Branch	11,422,809	1.13
FNZ Custodians Limited	10,645,064	1.06
ANZ Wholesale Australasian Share Fund	9,554,026	0.95
Custodial Services Limited	8,829,493	0.88
BNP Paribas Nominees (NZ) Limited	7,836,522	0.78
JBWere (NZ) Nominees Limited	6,348,078	0.63
Investment Custodial Services Limited	5,857,278	0.58
Custodial Services Limited	5,614,010	0.56
Public Trust Class 10 Nominees Limited	5,585,453	0.55
JP Morgan Nominees Australia Limited	5,140,726	0.51
ANZ Custodial Services New Zealand Limited	5,069,569	0.50
New Zealand Depository Nominee Limited	4,788,100	0.47
Citicorp Nominees Pty Limited	4,756,927	0.47
Totals: Top 20 holders of Ordinary Shares	**754,671,320**	**74.83**

* In the above table the shareholding of New Zealand Central Securities Depository Limited (NZCSD) has been allocated to the applicable members of NZCSD.

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	% OF SHARES HELD AT DATE OF NOTICE
Her Majesty The Queen In Right Of New Zealand	6 July 2015	519,723,781	51.97

Distribution of ordinary shares and shareholdings as at 30 June 2018

SIZE OF THE HOLDING	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF ORDINARY SHARES	% OF ORDINARY SHARES
1 to 1,000	4,423	9.69	2,837,796	0.28
1,000 – 4,999	34,025	74.56	76,373,414	7.57
5,000 – 9,999	3,322	7.28	22,635,464	2.24
10,000 – 49,999	3,417	7.49	63,389,404	6.29
50,000 – 99,999	275	0.60	17,525,792	1.74
100,000 and over	173	0.38	825,737,153	81.88
Totals	**45,635**	**100.00**	**1,008,499,023**	**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 2018
SECURITY CODE: GENE030

RANGE	HOLDER	% OF HOLDERS	NUMBER OF BONDS	% OF BONDS
5,000 to 9,999	166	22.93	982,000	0.98
10,000 – 49,999	409	56.49	8,150,000	8.15
50,000 – 99,999	81	11.19	5,036,000	5.04
100,000 – 499,999	51	7.04	9,172,000	9.17
500,000 – 999,999	7	0.97	4,339,000	4.34
Greater than 100,001	10	1.38	72,321,000	72.32
Totals	**724**	**100.00**	**100,000,000**	**100.00**

INVESTOR RANGES: 30 JUNE 2018
SECURITY CODE: GENE040

RANGE	HOLDER	% OF HOLDERS	NUMBER OF BONDS	% OF BONDS
5,000 to 9,999	148	9.41	861,000	0.38
10,000 – 49,999	1,035	65.80	22,702,000	10.09
50,000 – 99,999	216	13.73	12,605,000	5.60
100,000 – 499,999	143	9.09	23,868,000	10.61
500,000 – 999,999	12	0.76	7,093,000	3.15
Greater than 100,001	19	1.21	157,871,000	70.16
Totals	**1,573**	**100.00**	**225,000,000**	**100.00**

INVESTOR RANGES: 30 JUNE 2018
SECURITY CODE: GPLFA

RANGE	HOLDER	% OF HOLDERS	NUMBER OF BONDS	% OF ISSUED CAPITAL % OF BONDS
5,000 to 9,999	218	9.14	1,276,000	0.64
10,000 – 49,999	1,622	68.01	33,138,000	16.57
50,000 – 99,999	332	13.92	18,978,000	9.49
100,000 – 499,999	190	7.97	29,359,500	14.68
500,000 – 999,999	11	0.46	7,512,000	3.76
Greater than 100,001	12	0.50	109,736,500	54.87
Totals	**2,385**	**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
94 Bryce Street, Hamilton

Huntly Power Station
Cnr Te Ohaki and
Hetherington Roads, Huntly

Tokaanu Power Station
State Highway 47, Tokaanu

Waikaremoana Power Station
Main Road, Tuai RD5
Wairoa 4195

Tekapo Power Station
167 Tekapo Power House Road,
Tekapo 7999

AUDITOR

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

SOLICITORS

Russell McVeagh

BANKERS

Westpac

PRINTED REPORT PAPER STOCK

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

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