



27 August 2014

Company Announcement Office  
Australian Stock Exchange  
Level 6  
20 Bridge Street  
Sydney NSW 2000  
AUSTRALIA

Dear Sir/Madam

**RE: GENESIS ENERGY LIMITED  
ANNUAL RESULT (FOR THE YEAR ENDED 30 JUNE 2014)**

The Genesis Energy Building  
660 Great South Road  
PO Box 17-188  
Greenlane  
Auckland 1051  
New Zealand

DX Box CX10034

Genesis Energy Limited

Telephone: 09 580 2094

Fax: 09 580 4894

Attached is the financial information required by ASX Listing Rule 4.3A together with a copy of Genesis Energy's annual result presentation and the Company's financial statements for the year ended 30 June 2014.

Attached:

1. Appendix 4E (and NZX Appendix 1) detailing the preliminary announcement for the year ended 30 June 2014;
2. Appendix 7 (as required by NZX Listing Rule 7.12.2) detailing the dividend of NZ\$0.066 per ordinary share to be paid on 17 October 2014 to those shareholders on the Company's share register as at 5pm on 3 October 2014;
3. Media release;
4. Management discussion and analysis;
5. Audited financial statements and notes for the year ended 30 June 2014; and
6. Analyst presentation.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Maureen Shaddick".

Maureen Shaddick  
Company Secretary and General Counsel

## Genesis Energy Limited

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### Appendix 4E

GENESIS ENERGY LIMITED  
(ARBN 149 509 599)  
INCORPORATED IN NEW ZEALAND

#### FULL YEAR REPORT

Reporting period twelve months to 30 June 2014

Previous reporting period twelve months to 30 June 2013

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET – 27 AUGUST 2014

Revenue and Net Profit	30 June 2014 Amount (\$NZ 000s)	30 June 2013 Amount (\$NZ 000s)	Percentage change
Revenues from ordinary activities	2,004,974	2,070,277	-3%
Profit (loss) from ordinary activities after tax attributable to security holder.	49,160	104,504	-53%
Net profit (loss) attributable to security holders	49,160	104,504	-53%

Dividends – Ordinary Shares	30 June 2014 Amount per security (NZ cents)	30 June 2013 Amount per security (NZ cents)	Percentage change
Final dividend	6.6	5.7	16%
Final dividend - imputed amount	6.6	5.7	16%

Record date: 3 October 2014

Payment date: 17 October 2014

#### COMMENTARY ON RESULTS FOR THE PERIOD

For commentary on the results please refer to the Management Discussion and Analysis attached.

#### FINANCIAL INFORMATION

The Appendix 4E should be read in conjunction with the consolidated financial statement for the year ended 30 June 2014 as attached.

Net Tangible Assets – Ordinary Shares	30 June 2014 Amount per security (NZ cents)	30 June 2013 Amount per security (NZ cents)	Percentage change
Net Tangible Asset	175	183	-4%

## Genesis Energy Limited

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### Appendix 1

GENESIS ENERGY LIMITED  
INCORPORATED IN NEW ZEALAND

#### FULL YEAR REPORT

Reporting period                      twelve months to 30 June 2014  
Previous reporting period        twelve months to 30 June 2013

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET – 27 AUGUST 2014

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Payment date: 17 October 2014

#### COMMENTARY ON RESULTS FOR THE PERIOD

For commentary on the results please refer to the Management Discussion and Analysis attached.

#### FINANCIAL INFORMATION

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Net Tangible Assets – Ordinary Shares	30 June 2014 Amount per security (NZ cents)	30 June 2013 Amount per security (NZ cents)	Percentage change
Net Tangible Asset	175	183	-4%

# Notice of event affecting securities

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

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

Full name of Issuer **Genesis Energy Limited**

Name of officer authorised to make this notice **Maureen Shaddick, General Counsel and Company Secretary** Authority for event, e.g. Directors' resolution **Directors' resolutions**

Contact phone number **09 9 951 9304** Contact fax number  Date **27 / 08 / 2014**

**Nature of event**  
Tick as appropriate  
Bonus Issue ☐ If ticked, state whether: Taxable ☐ / Non Taxable ☐ Conversion ☐ Interest ☐ Rights Issue Renounceable ☐  
Rights Issue non-renounceable ☐ Capital change ☐ Call ☐ Dividend ☒ If ticked, state whether: Interim ☐ Full Year ☒ Special ☐ DRP Applies ☐

**EXISTING securities affected by this** If more than one security is affected by the event, use a separate form.  
Description of the class of securities **Ordinary Shares** ISIN **NZGNEE0001S7**  
If unknown, contact NZX

**Details of securities issued pursuant to this event** If more than one class of security is to be issued, use a separate form for each class.  
Description of the class of securities  ISIN   
If unknown, contact NZX

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

**Monies Associated with Event** Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.  
In dollars and cents  
Amount per security (does not include any excluded income) **\$0.066 per share** Source of Payment **Retained Earnings**  
Excluded income per security (only applicable to listed PIEs)   
Currency **NZ Dollars** Supplementary dividend details - NZSX Listing Rule 7.12.7  
Amount per security in dollars and cents   
Total monies **\$66,000,000** Date Payable

**Taxation** Amount per Security in Dollars and cents to six decimal places  
In the case of a taxable bonus issue state strike price **\$** Resident Withholding Tax **\$0.005 per share** Imputation Credits (Give details) **\$0.026 per share**  
Foreign Withholding Tax **\$** FDP Credits (Give details)

**Timing** (Refer Appendix 8 in the NZSX Listing Rules)  
**Record Date 5pm** For calculation of entitlements - **3 October 2014** **Application Date** Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week. **17 October 2014**  
**Notice Date** Entitlement letters, call notices, conversion notices mailed  **Allotment Date** For the issue of new securities. Must be within 5 business days of application closing date.

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



## Media Statement

27 August 2014

### Diverse portfolio delivers result for Genesis Energy

Genesis Energy completed a milestone year with a successful listing on the New Zealand and Australian stock exchanges, completion of the Tekapo Canal works programme and delivery of better than forecast returns for its new shareholders.

Utilising its diverse portfolio and disciplined management, the Company delivered financial results for the year ending 30 June 2014 that exceeded the prospective financial information (PFI) published in the Company's March 2014 share offer prospectus.

EBITDAF of \$307.9m was 1% ahead of the PFI forecast while NPAT of \$49.2m was 18% higher than PFI. The total dividend declared in FY2014 of 13.0 cps is 2% higher than the PFI, and equates to 80.4% of Free Cash Flow compared to the forecast 83.8% in the PFI.

Chairman Dame Jenny Shipley said it was pleasing to achieve the PFI forecasts in a highly competitive energy environment. "The 2014 year has been an event filled one for the Company, as we made the transition from a State Owned Enterprise to a listed company and delivered on our PFI forecasts in what have proved to be difficult market conditions."

Genesis Energy's focus on customer service, as New Zealand's largest retailer of energy, resulted in an increase in earnings from its Customer Experience business segment over FY 2013, despite a 3% drop in the number of total customer accounts. In an extremely competitive environment, Genesis Energy gained a number of valuable energy contracts such as the "All of Government" gas supply and the Yashili Dairy Factory gas supply agreement.

"The past 12 months has seen the Company take advantage of our diverse portfolio to meet the challenging energy retail environment, as well as lower demand on the back of above average temperatures, a decline in wholesale electricity prices and reduced generation volumes," Chief Executive Albert Brantley said.

In addition to the Company's listing on the NZX and ASX, operational milestones during the year included completing the final season of remediation work on the Tekapo Canal, placing a second Huntly 250MW coal and gas fired Rankine unit into long term storage, restructuring the Company's coal supply contracts, signing a gas supply agreement with Contact Energy, and post balance date, signing a four year 'swaption' agreement with Meridian Energy.

With regards to the year's achievements Mr Brantley said "in particular, the Tekapo Canal remediation programme was a highlight. This was a project of national

## Media Statement

**27 August 2014**

significance and the Company completed it successfully, with the project finishing under budget at \$136m and 18 days ahead of schedule. The project also had the outstanding record of not one single lost time injury despite the abundance of heavy machinery and 244,000 man hours worked.”

EBITDAF of \$307.9m in FY2014 was 1% ahead of the PFI EBITDAF forecast of \$305.2m, but was 8% lower than in FY2013, reflecting lower wholesale electricity prices, reduced electricity generation, lower retail electricity and gas sales volumes, plus approximately \$38m of one-off costs.

NPAT of \$49.2m was 18% higher than the PFI forecast due to better than expected EBITDAF, a gain on fair value changes and lower net interest costs. It is 53% lower than the \$104.5m reported in the previous comparable period because of the wholesale market conditions in the past year, plus the impact of the one-off costs.

A feature of the FY2014 result is the conversion of EBITDAF to FCF.. At \$161.8m, FCF in FY2014 was 4% higher than in FY2013 and 6% ahead of the PFI estimates, and reflects lower stay in business capital expenditure and reduced finance expense.

Genesis Energy has declared a final dividend of 6.6 cents per share (cps) for the 2014 financial year, which is ahead of the 6.4cps in the PFI, and ahead of the 5.7 cps final dividend declared in 2013. Coupled with the interim dividend of 6.4cps, this brings the total dividend declared in FY2014 to 13.0 cps, which is 2% higher than the the PFI.

The outlook in the near term is for a continuation of heightened retail competition in the electricity and natural gas markets, warmer temperatures and elevated hydro storage levels. However, given the Company's diverse portfolio of assets and its ability to manage volatility in the electricity market, Genesis Energy retains its FY2015 PFI forecasts for EBITDAF of \$363.4m and NPAT of \$95.4m.

*For more information contact:*

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## Media Statement

**27 August 2014**

### **About Genesis Energy**

Genesis Energy (NZX: GNE) is a diversified New Zealand energy company. It sells electricity, reticulated natural gas and LPG through its retail brands of Genesis Energy and Energy Online. It is New Zealand's largest energy retailer with around 650,000 customer accounts. The Company generates electricity from a diverse portfolio of thermal and renewable generation assets located in different parts of the country. Genesis Energy also has a 31% interest in the Kupe Joint Venture, which owns the Kupe Oil and Gas Field offshore of Taranaki, New Zealand. Genesis Energy had revenue of \$NZ2bn during the 12 months ended 30 June 2014. More information can be found at [www.genesisenergy.co.nz](http://www.genesisenergy.co.nz)

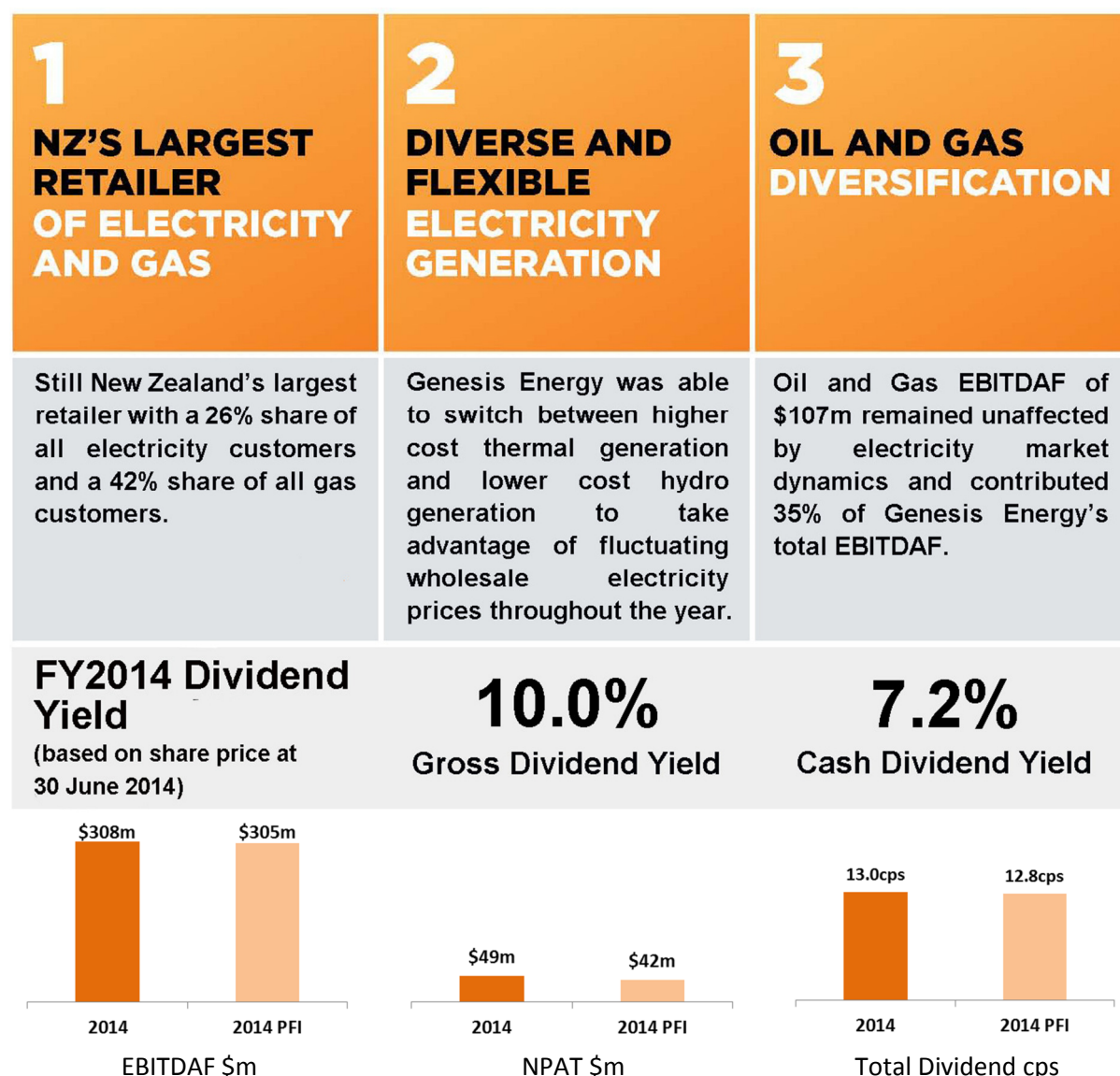


## Management Discussion of the Financial Results for the Twelve Months Ended 30 June 2014

### Executive Summary

For the twelve months ended 30 June 2014 Genesis Energy has successfully focused on delivering the prospective financial information (PFI) published in association with the Company's share market listing on 17 April 2014.

Genesis Energy relied on three key business activities to manage the impact of volatility in New Zealand's electricity market on its earnings, achieve the PFI, and enable the Company to pay an increased dividend.



Looking ahead, while the markets that Genesis Energy operates in currently remain challenging, it expects to deliver 2015 results in line with the PFI forecasts for EBITDAF of \$363.4m, Net Profit of \$95.4m and total dividends 23% higher than 2014 at 16 cents per share.



### Introduction to financial results

Genesis Energy has delivered financial results for the twelve months ended 30 June 2014 consistent with the PFI published in the Company's recent share offer prospectus. Key metrics including EBITDAF, NPAT, capital expenditure, Free Cash Flow, dividends and net debt are all better than PFI. This is despite a challenging energy retail environment, lower demand on the back of above average temperatures, a decline in wholesale electricity prices and reduced generation volumes.

In addition to the Company's listing on the NZX and ASX, notable operational milestones during the year included placing a second Huntly Rankine unit into long term storage, completing the remediation work on the Tekapo Canal, restructuring the Company's coal supply contracts and signing a four year swaption agreement with Meridian Energy.

	2014 \$m	PFI 2014 \$m	Variance vs PFI	2013 \$m	Variance vs 2013
<b>Revenue</b>	<b>2,005.0</b>	<b>2,040.6</b>	-2%	<b>2,070.3</b>	-3%
Total operating expenses <sup>1</sup>	1,697.2	1,735.4	-2%	1,733.7	-2%
<b>EBITDAF<sup>2</sup></b>	<b>307.8</b>	<b>305.2</b>	1%	<b>336.6</b>	-9%
Depreciation depletion & amortisation	156.7	157.8	-1%	135.0	16%
Impairment	10.1	9.5	6%	6.6	53%
Revaluation of generation assets	0.0	0.0	N/A	-1.0	-100%
Fair value change (gains)/losses	-0.4	3.9	-111%	-30.5	-99%
Other (gains)/losses	1.6	0.3	472%	1.6	1%
<b>Earnings before interest and tax</b>	<b>139.8</b>	<b>133.7</b>	5%	<b>224.9</b>	-38%
Interest	68.3	71.1	-4%	78.5	-13%
Tax	22.4	20.8	8%	41.8	-46%
<b>Net profit after tax</b>	<b>49.2</b>	<b>41.8</b>	18%	<b>104.5</b>	-53%
Earnings per share (cents per share)	4.9	4.2	18%	10.5	-53%
Stay in business capital expenditure <sup>3</sup>	54.5	60.1	-9%	59.8	-9%
<b>Free cash flow<sup>4</sup> (FCF)</b>	<b>161.8</b>	<b>152.8</b>	<b>6%</b>	<b>155.5</b>	<b>4%</b>
Dividends declared	130.0	128.0	2%	114.0	14%
<b>Dividends per share (cents per share)</b>	<b>13.0</b>	<b>12.8</b>	<b>2%</b>	<b>11.4</b>	<b>14%</b>
Dividends declared as a % of FCF	80.4%	83.8%	-4%	73.3%	10%
<b>Net debt</b>	<b>966.0</b>	<b>994.3</b>	-3%	<b>1,002.2</b>	-4%

<sup>1</sup> Includes cost of electricity purchases

<sup>2</sup> Earnings before net interest, tax, depreciation, amortisation, fair value changes and other gains and losses

<sup>3</sup> Stay in business capital expenditure relates to ongoing asset management and life-cycle maintenance and re-investment programme expenditure

<sup>4</sup> Free Cash Flow (FCF) is defined as EBITDAF less finance expense less income tax expense less stay in business capital expenditure

### Net Profit after Tax (NPAT)

Genesis Energy has reported NPAT for the twelve months ended 30 June 2014 of \$49.2 million, 18% higher than the PFI, but a 53% decrease from \$104.5 million reported in the previous comparable period (pcp). The difference versus PFI is due to better than expected EBITDAF, a gain on fair value changes and lower net interest. Compared to last year, NPAT is lower in FY2014 due to a number of significant items affecting EBITDAF, higher depreciation, depletion and amortisation, and lower gains from fair value changes.

### EBITDAF

EBITDAF of \$307.8 million in FY2014 was 9% lower than in FY2013, but 1% ahead of the forecast PFI EBITDAF of \$305.2 million. The decline in EBITDAF in FY2014 reflects lower wholesale electricity prices, reduced electricity generation and lower retail electricity and gas sales volumes. EBITDAF was also impacted by a number of significant one-off items including the impact of a nine week outage of the Tekapo A and B power stations in the second half of the year to enable the second stage of remediation work on the Tekapo Canal to be undertaken, as well as share offer costs and the costs of terminating an offshore coal supply contract. EBITDAF was ahead of PFI due to lower than expected wholesale electricity prices reducing the cost of electricity purchases, reduced operating expenses and lower fuel costs.

### Revenue

Revenue in FY2014 decreased to \$2,005.0 million from \$2,070.3 million in FY2013 as electricity revenues were negatively impacted by reduced customer numbers and average mass market customer usage, lower electricity spot prices and lower generation volumes. Revenues were also affected by reduced gas sales volumes on the back of warmer weather in Q4 2014. Total revenue was 2% lower than PFI due to the lower wholesale electricity price, lower sales volumes and reduced generation.

### Depreciation, depletion and amortisation ("DDA")

DDA charges increased from \$135.0 million to \$156.7 million, mainly due to a revaluation of generation assets which led to a recalculation of the depreciation expense each year and an increase in the depletion expense of Kupe due to increased production.

### Impairment

The impairment expense in FY2014 of \$10.1 million was 53% higher than the \$6.6 million reported in FY2013 due to increased capital expenditure on the Huntly Rankine Units and Huntly Unit 6 associated with re-certifying one of the Units.

### Fair value change

In FY2014, fair value changes increased reported pre-tax profit by only \$0.4 million, compared to a \$30.5 million increase last year. The majority of the fair value changes were due to the impact of changes in electricity option and swaption valuations. The fair value change gain was better than the loss of \$3.9 million incorporated in the PFI due to lower than expected wholesale electricity prices.

### Borrowing costs

Borrowing costs for the twelve month period reduced by \$10 million from \$78.5 million in FY2013 to \$68.3 million in FY2014, reflecting lower average debt levels throughout the year. The net financing cost in FY2014 was \$2.8 million lower than the PFI estimate for the same reasons.

### EBITDAF Conversion and Dividends

A feature of the FY2014 result is the conversion of EBITDAF to Free Cash Flow (FCF). At \$161.8 million, FCF in FY2014 is 4% higher than in FY2013 and 6% ahead of PFI. This increase mainly reflects lower “stay in business” capital expenditure and reduced finance expense.

Genesis Energy has declared a final dividend of 6.6cps for the 2014 financial year, ahead of the PFI and the 5.7cps final dividend declared in 2013. Coupled with the interim dividend of 6.4cps, this brings the total dividend declared in FY2014 to 13.0 cps. This represents a net yield of 7.2% based on the Company's share price of \$1.80 on 30 June 2014. The dividend declared of \$130.0 million was 2% ahead of the PFI and equates to 80.4% of FCF compared to 83.8% in the PFI.

### Cashflow and capital expenditure

Cashflow: 12 months to 30 June (\$m)	2014	PFI 2014	Var. vs PFI	2013	Var. vs 2013
Net operating cashflow	303.9	293.3	4%	298.4	2%
Net investing cashflow	-82.9	-97.6	-15%	-172.6	-52%
Net financing cashflow	-220.4	-193.9	14%	-127.9	72%
<b>Net increase (decrease) in cash</b>	<b>0.6</b>	<b>1.8</b>	<b>-65%</b>	<b>-2.1</b>	<b>-131%</b>

Operating cashflow of \$303.9 million was 4% better than the PFI and 2% higher than FY2013 due to lower payments to employees and suppliers more than offsetting the reduction in receipts from customers. Net investing cash outflows of \$82.9 million in FY2014 were lower than the PFI due to a reduction in stay in business capital expenditure and lower costs than expected to complete the second part of the capital expenditure associated with the Tekapo Canal Remediation project. The latter accounted for approximately \$25.3 million versus the PFI estimate of \$32.4 million.

### Liquidity and balance sheet:

Balance Sheet: As at 30 June (\$m)	2014	PFI 2014	Var. vs PFI	2013	Var. vs 2013
Cash and cash equivalents	23.3	24.5	-5%	22.7	3%
Other current assets	334.0	366.6	-9%	370.8	-10%
Non-current assets	3,272.1	3,294.0	-1%	3,357.8	-3%
<b>Total assets</b>	<b>3,629.4</b>	<b>3,685.1</b>	<b>-2%</b>	<b>3,751.2</b>	<b>-3%</b>
Total borrowings	989.4	1,018.8	-3%	1,024.9	-3%
Other liabilities	759.3	795.2	-5%	776.5	-2%
<b>Total equity</b>	<b>1,880.7</b>	<b>1,871.2</b>	<b>1%</b>	<b>1,949.8</b>	<b>-4%</b>
<b>Net debt</b>	<b>966.0</b>	<b>994.3</b>	<b>-3%</b>	<b>1,002.2</b>	<b>-4%</b>
Gearing	34.5%	35.3%	-2%	34.5%	0%
EBITDAF interest cover	5.3x	5.3x	1%	6.3x	-15%
Net debt: EBITDAF	3.1	3.3	-4%	3.0	5%
NTA per share (\$ per share)	\$1.75	\$1.75	0%	\$1.83	-4%

Total net debt<sup>5</sup> decreased by 4% to \$966.0 million at 30 June 2014 compared to 30 June 2013, due to higher operating cashflows, reduced stay in business and Tekapo Canal remediation capital expenditure. Net debt was 3% lower than the PFI, for the same reasons. Genesis Energy's gearing ratio (debt to debt plus equity<sup>6</sup>) still sits at 34.5%, which is lower than the 35.3% forecast in the PFI.

On 15 July 2013, Genesis Energy exercised its right to modify its Capital Bonds as a direct result of Standard & Poor's determination that the bonds should be treated 50% equity/50% debt (previously they were treated as 100% equity). Following the modification process the amount of Capital Bonds outstanding reduced from \$275 million to \$200 million and the interest rate was modified from 8.5% to 6.19%. Treating the Capital Bonds as a 50/50 split of debt/equity reduces gearing at 30 June 2014 to 31.0% and compares favourably to a bank covenant threshold for gearing of 50%.

Interest<sup>7</sup> is covered by adjusted EBITDAF 5.3x (versus 6.3x in the pcg) and Net Debt to EBITDAF was 3.1x at 30 June 2014 versus 3.0x on 30 June 2013 and 3.3x in the PFI. Genesis Energy's Net Tangible Assets (NTA) was \$1,752.5 million or \$1.75 per share compared to \$1.83 in the pcg.

At balance date (30 June 2014) Genesis Energy had available funding of \$1,245 million with an average term of 7.5 years, and of the available facilities, \$275 million was undrawn.

### One-off or infrequently occurring costs

A consequence of various operational outcomes in the past two years has been a number of significant or one-off costs reported by the Company in its financial results. The table below shows the costs incurred in FY2014 compared to FY2013 and the PFI.

12 months to 30 June (\$m)	2014	PFI 2014	Relative to PFI	2013
<b>EBITDAF</b>	<b>307.8</b>	<b>305.2</b>	ahead	<b>336.4</b>
Tekapo Power Scheme outage	11.5	8 to 12	in line	20 to 25
Offer costs	9.8	10.0	in line	0.6
Coal supply contract termination fee and related onerous contracts	16.8	16.2	larger	-
Abnormal under-recovery of lines charges	-	-	-	7.7
Insurance compensation and related costs	-	-	-	(18.5)
<b>Total impact on EBITDAF</b>	<b>38.1</b>	<b>34.2 to 38.2</b>	in line	<b>9.8 to 14.8</b>
Tax effect of the above	(7.0)	(6.8) to (7.9)	in line	(2.6) to (4.0)
<b>Total impact on NPAT</b>	<b>31.1</b>	<b>27.4 to 30.3</b>	larger	<b>7.2 to 10.8</b>

<sup>5</sup> Net debt is calculated as short term borrowings plus long term borrowings less cash on hand

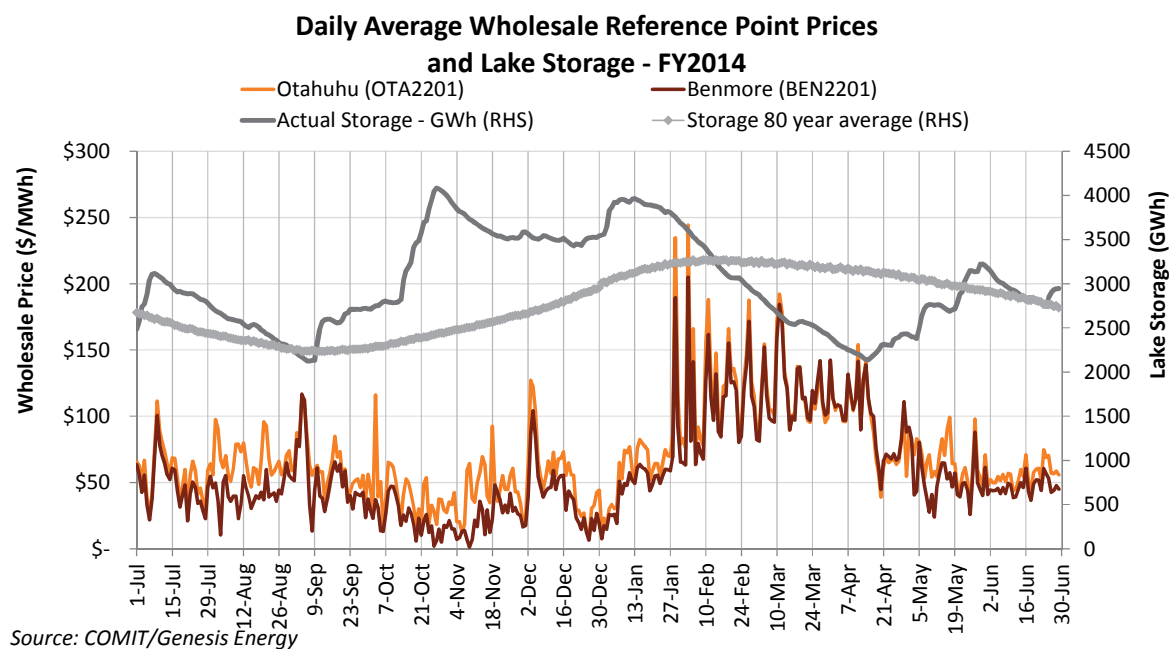
<sup>6</sup> Note that this gearing calculation is based on the Company's bank covenants and is not net of cash.

<sup>7</sup> Interest expense is the cost of borrowings from the income statement (excluding Capital Bonds) less time value of money adjustments on provisions (see note 11 from the financial statements)

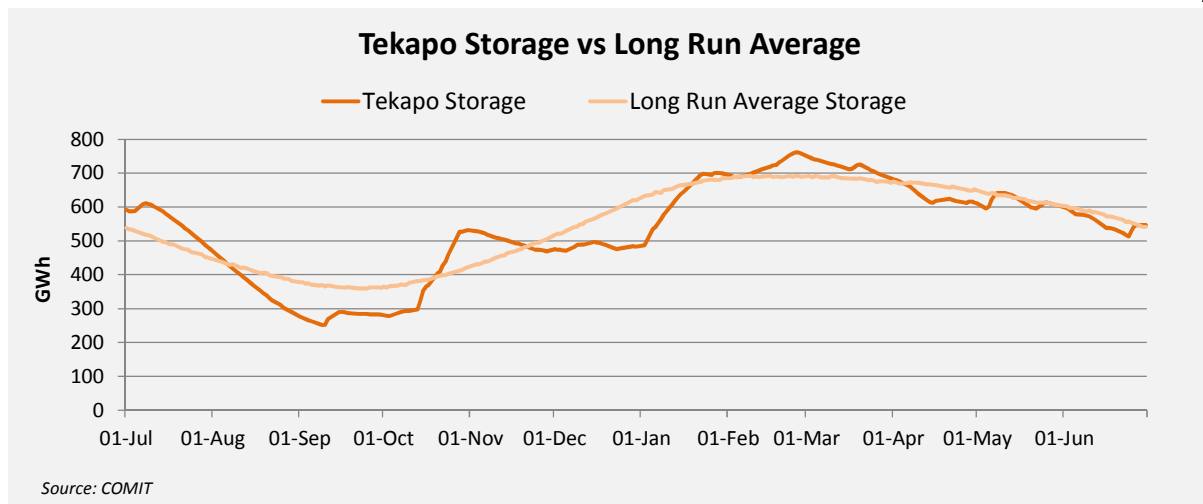
The reported one-off costs are consistent with the PFI. The \$11.5 million impact of the Tekapo Power Scheme outage on EBITDAF in FY2014 reflects a higher than expected higher wholesale electricity price for generation foregone, offsetting a slightly shorter period for the completion of remediation work on the Tekapo Canal.

### Market conditions

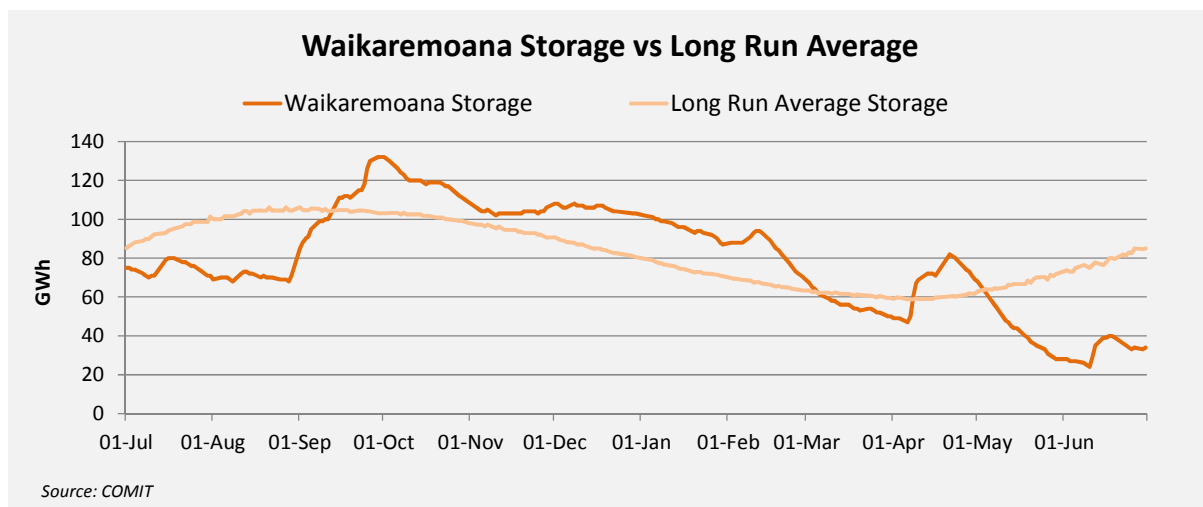
Fiscal 2014 was characterised by three distinct periods of hydrological conditions which affected national wholesale electricity prices. In the first six months of the year lake storage levels were generally at or above the long run average, having a corresponding dampening effect on the wholesale price, especially from October to the end of December where it was frequently below \$50/MWh. Inflows into lakes significantly reduced from the start of January 2014 until mid-April as the country experienced a dry sequence which reduced national hydro storage to as low as only 68% of average. From early January this pushed wholesale prices above \$200/MWh and caused significant volatility between the \$100 to \$150/MWh range. With significant rainfall and lake inflows in mid-April, the price dropped sharply and remained around the \$50/MWh level until the end of the fiscal year. More recent significant hydro inflows have kept storage levels above the long run average.



Genesis Energy's two most significant storage lakes are Lake Tekapo and Lake Waikaremoana. During FY2014 Lake Tekapo's storage levels followed the long run average levels quite closely, although there was an opportunity for lake levels to increase in January to March when other national storage was decreasing as a result of the Tekapo A & B power stations being closed for remediation of the Tekapo Canal.



In contrast lake levels at Waikaremoana were significantly below the long run average at the start and end of the year and above average for an eight month period in the middle. Whilst this enabled Genesis Energy to generate electricity from Waikaremoana during the dry months of summer when prices were higher and other national catchments were much lower, its lake levels were as low as 32% of the long average in June when wholesale prices were low and lower cost hydro generation was preferable to run.



Hydro inflows and storage levels during the twelve month period ending 30 June 2014, combined with reduced demand, led to wholesale electricity prices that were lower than the year before and lower than forecast in the PFI. The average Huntly reference price for FY 2014 was \$69.69/MWh compared to \$73.40/MWh in the pcp. Prices were significantly higher in H2 2014 (\$86.35/MWh) versus the first half of the year (\$53.30/MWh).

## Customer Experience

Customer Experience: 12 months to 30 June	2014	PFI 2014	Var. vs PFI	2013	Var. vs 2013
Electricity Customers	523,278	541,920	-3%	543,774	-4%
Gas Customers	111,966	118,949	-6%	115,003	-3%
<b>Total Customers ex LPG<sup>8</sup></b>	<b>635,244</b>	<b>660,869</b>	-4%	<b>658,777</b>	-4%
LPG Customers	11,803	12,708	-7%	9,708	22%
<b>Total Customer Accounts</b>	<b>647,047</b>	<b>673,577</b>	-4%	<b>668,485</b>	-3%
Total Advanced Meters Installed	367,882	N/A		327,721	12%
Average Customer Switching Rate <sup>9</sup>	21.2%	N/A		15.6%	36%
Retail Electricity Sales (GWh)	5,391	5,497	-2%	5,354	1%
Retail Electricity Purchases (GWh)	5,729	5,814	-1%	5,693	1%
Retail Gas Sales (PJ)	6.1	6.3	-3%	5.0	23%
Retail Gas Purchases (PJ)	6.1	6.3	-3%	5.0	21%
Retail LPG Sales (tonnes)	3,018	3,000	1%	2,445	23%
Average Retail Electricity Purchase Price (\$/MWh) <sup>10</sup>	69.80	68.57	2%	76.88	-9%
LWAP/GWAP ratio <sup>11</sup>	99%	95%	4%	102%	-3%
<b>Customer Experience EBITDAF (\$m)</b>	<b>82.5</b>	-	-	<b>40.9</b>	<b>101%</b>

The retail electricity and gas markets proved to be a challenging environment to operate in over the twelve months ending 30 June 2014. Genesis Energy continues to be the largest energy retailer in NZ with a 26.1% share of the retail electricity market and a 43.7% share of the gas market. However, total electricity customers have declined 4% to 523,278 in the last year as a result of increased competition from smaller niche retailers who took advantage of lower wholesale electricity prices and bundled offerings from established competitors.

The majority of customer reductions were in regions of the North Island where traditionally Genesis Energy has enjoyed a greater market share, while total electricity customers in the South Island remained flat at 82,171.

The customer declines are reflected in the sharp increase in the average customer switching rate which has increased from 15.6% on an annualised basis in FY2013 to 21.2% in FY2014. Therefore although the c85,000 electricity customers gained during the year was broadly similar to the previous year, the number of customers lost increased more than 30%. Genesis Energy has undertaken a strategy to reverse these losses which in the months of June and July has led to a reduction in switching rates.

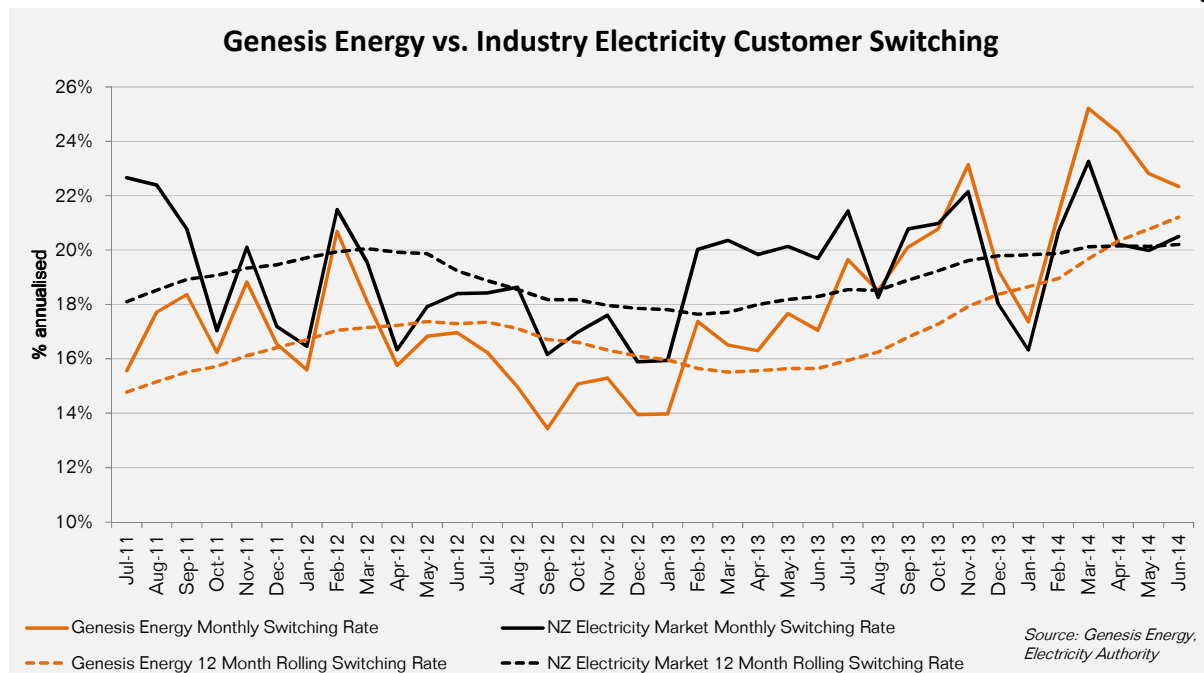
<sup>8</sup> Based on Genesis Energy customer records, excluding vacant accounts and defined by number of connections.

<sup>9</sup> Based on the number of ICPs (or points of connection).

<sup>10</sup> Excludes settlements from electricity derivatives.

<sup>11</sup> The ratio of average retail electricity purchase price to average price received for generation





In the last quarter of the fiscal year Genesis Energy's 12 month rolling switching rates exceeded that of the broader electricity market, which at the end of June 2014 stood at 20.2%.

Despite the lower customer numbers, total retail electricity sales volumes were 1% higher in FY2014 at 5,391 GWh compared to FY2013. This was due to a 67% increase in Time of Use (TOU) sales more than offsetting a 5% decline in mass market sales volumes. The focus on TOU sales reflects a conscious effort by Genesis Energy to increase sales by cross-selling electricity and gas to TOU customers. Mass market sales volume suffered significantly in Q4 when warmer than expected temperatures reduced demand for electricity by 9% compared to Q4 2013. The warmest June on record in New Zealand alone contributed to a 12% reduction in electricity volumes sold to mass market customers versus June 2013.

Genesis Energy's 111,966 gas customers are 3,037 lower than at the end of June 2013, while LPG customers increased 22% to 11,803. Total retail gas sales increased 23% in FY2014 to 6.1 PJ compared to 5.0 PJ a year ago, mainly due to the increase in TOU gas sales which were up 66% over the same period. This reflects winning an "All of Government" contract to supply reticulated gas across a number of government departments, including the Ministry of Education which is rolling out an initiative to supply gas to all New Zealand schools.

Dual fuel (electricity and gas) is now supplied to 78,739 customers, representing 72% of total gas customers also taking electricity. Genesis Energy installed 40,888 Advanced Meters in 2014, taking the total number of active electricity customers with these meters to 367,882, representing 70% of the customer base. The use of these meters by customers continues to grow as people access usage and billing information through the "MyMeter" smart phone and tablet application and "MyEnergyCoach" online service.

The average retail electricity purchase price (LWAP) in the twelve month period was \$69.80/MWh, down 9% on pcp reflecting warmer weather in winter months and mixed hydrology throughout the year. The LWAP/GWAP ratio of 99% for FY 2014 was favourable versus the 102% reported last year. The reduced ratio was mainly due to a number of periods throughout the year when wholesale electricity prices decreased significantly and there were

opportunities for Genesis Energy to purchase electricity for its customers at lower prices than it received for generating electricity.

Despite a number of headwinds to the Customer Experience business at the operational level, EBITDAF of \$82.5 million was more than double the \$40.9 million reported in FY2013. This primarily reflected improvement in the pass through of line charges and the impact of recent increases to the energy component of electricity customer bills.

## Energy Management

Generation: 12 months to 30 June	2014	PFI 2014	Var. vs PFI	2013	Var. vs 2013
Gas (GWh)	2,930	2,780	5%	2,732	7%
Coal (GWh)	977	1,317	-26%	2,259	-57%
<b>Total Thermal (GWh)</b>	<b>3,907</b>	<b>4,097</b>	-5%	<b>4,991</b>	-22%
Hydro (GWh)	2,497	2,543	-2%	2,200	13%
Wind (GWh)	23	27	-15%	21	9%
<b>Total Renewable (GWh)</b>	<b>2,520</b>	<b>2,570</b>	-2%	<b>2,221</b>	13%
<b>Total Generation (GWh)</b>	<b>6,427</b>	<b>6,667</b>	-4%	<b>7,212</b>	-11%
Average Price Received for Generation (\$/MWh) <sup>12</sup>	70.53	71.95	-2%	75.60	-7%
<b>Energy Management EBITDAF (\$m)</b>	<b>168.9</b>	-	-	<b>223.4</b>	<b>-24%</b>

Total generation in FY2014 reduced 11% to 6,427 GWh compared to FY2013 and was 4% lower than the PFI. This reflected placing a second Rankine Unit at Huntly into storage, but more significantly, high levels of rainfall and above average temperatures in Q4, which reduced wholesale electricity prices.

Thermal generation of 3,907 GWh was 22% lower than pcp and 5% lower than PFI due to lower demand and fewer times when wholesale prices were higher and it was economic to run the thermal plant. Gas fired generation was up on pcp and the PFI due to the outage of Unit 5 for maintenance in the previous period and a preference for running gas through the Rankine Units during the middle months of the year.

Hydro generation was up on pcp but 2% lower than the PFI. The latter reflects the extended dry sequence from February to mid-April, and the reduction in hydro generation that resulted, which was not entirely offset by the higher than expected generation in May and June when wholesale electricity prices dropped and the Company utilised its lower cost hydro generation in preference to thermal generation.

The average price received for generation was down 2% compared to the PFI due to the significant rainfall events in Q4 and reduced demand, particularly in June 2014, which was nationally the warmest June on record.

On 8 July 2014 Genesis Energy announced that it had agreed to provide Meridian Energy with a 150MW swaption for four years from 1 January 2015. The Swaption is structured as a

<sup>12</sup> Excludes settlements from electricity derivatives

100MW block available year round and a 50MW block available from April to October, with the notice periods shortened from the current swaption arrangements with Meridian Energy.

Genesis Energy's PFI was prepared on the assumption that the existing 200MW swaption would not be replaced with a similar instrument. The new agreement is therefore expected to have a positive impact on Genesis Energy's FY2015 PFI.

Energy Management EBITDAF of \$168.9 million in FY2014 was 24% lower than the previous year, due mainly to the lower generation revenues and reduced electricity transfer prices, offset to some degree by lower fuel costs.

### Huntly

On 31 December 2013 a second Huntly Rankine Unit was put into long term storage and a process began to decommission the first Rankine Unit that was put into storage a year earlier. As a result, Genesis Energy announced in January 2014 the termination of its offshore coal supply contract and a renegotiation of its domestic supply contract with Solid Energy. This led to a realignment of the coal supplied to the Huntly Power Station with the likely future use of the two remaining Rankine Units. This in part contributed to the reduced coal-fired generation from Huntly during the year. A termination fee and provision for onerous contract associated with the offshore agreement totalled \$16.8 million in FY2014.

### Tekapo

Work commenced in the first week of January 2014 on the second season of remediation works for the Tekapo Canal. An outage of nine weeks enabled a section of the canal called the Maryburn Fill to be repaired which involved installing coffer dams, draining the canal, lining it with a protective PVC material and then re-filling it.

Work on the canal finished in March with the cost in FY2014 of \$25.3 million bringing the total capital expenditure to \$136.2 million, versus the \$145 to \$155 million estimate previously made. Over the 243,896 man hours required to complete the project, there were zero lost time injuries and no injuries requiring medical treatment.

The outage of Tekapo A and B power stations for the duration of the work reduced total hydro generation in Q3 which is estimated to have had an \$11.5 million impact on EBITDAF. This reflects the generation output from these stations that was foregone from the Tekapo Power Scheme at market prices during the period.

### Fuel Management

<b>Fuel management: 12 months to</b>		<b>PFI</b>	<b>Var. vs</b>		<b>Var. vs</b>
<b>30 June</b>	<b>2014</b>	<b>2014</b>	<b>PFI</b>	<b>2013</b>	<b>2013</b>
Wholesale gas sales (PJ)	15.8	15.7	1%	12.6	26%
Gas purchases (PJ)	45.0	45.7	-2%	38.6	17%
Gas used in internal generation. (PJ)	23.1	23.7	-3%	21.0	10%
Wholesale coal purchases (PJ)	12.4	12.0	3%	21.5	-42%
Coal used in internal generation (PJ)	10.6	11.2	-5%	24.2	-56%
Coal stockpile (kilotonnes)	958	910	5%	877	9%

During 2014 the Company used 10.6 PJ of coal and 23.1 PJ of gas for electricity generation. Given that total wholesale gas purchases were up 17% to 45.0 PJ, the remainder of gas not burnt for generation was either sold to retail customers (6.1PJ) or sold to wholesale customers (15.8 PJ, +26% yoy).

Wholesale gas sales increased due to sales to the Methanex plant in Taranaki and reflected increased supply from the Kupe field. Gas used in internal generation was up 10% on pcp due to the planned outage of Huntly Unit 5 in the previous period. Gas was 3% lower than PFI due to lower plant utilisation during periods of lower wholesale prices especially in Q4 2014.

The coal stockpile of 958,000 tonnes was up 9% on pcp and 5% higher than the PFI, again reflecting lower utilisation of the Rankine Units during the second half of the year and a preference for burning gas through the Rankine units. This is despite coal purchases being 42% lower than in FY2013 due to the re-profiling of the supply contracts.

On 25 June 2014 Genesis Energy announced a six year contract to supply Contact Energy with 27 PJ of natural gas from 1 January 2015 until 31 December 2020. The sales agreement will add value to Genesis Energy while contributing to the reduction of its "long" position in natural gas. The agreement is not expected to materially impact the FY2015 PFI.

### Kupe

<b>Oil and Gas: 12 months to 30 June</b>	<b>2014</b>	<b>PFI 2014</b>	<b>Var. vs PFI</b>	<b>2013</b>	<b>Var. vs 2013</b>
Gas Sales (PJ)	7.1	6.9	3%	5.6	26%
Oil Production (kbbbl)	535.3	515.1	4%	485.8	10%
Oil Sales (kbbbl)	531.5	497.9	7%	509.1	4%
LPG Sales (kilotonnes)	29.8	29.6	1%	24.0	24%
<b>Oil and Gas EBITDAF (\$m)</b>	<b>107.0</b>	<b>-</b>	<b>-</b>	<b>109.2</b>	<b>-2%</b>

Genesis Energy's 31% share of the Kupe Oil and Gas Field continued to contribute a significant proportion of group earnings in FY2014 as production of oil, natural gas and LPG all increased versus FY2013.

Oil production was up 10% to 535,254 barrels to take advantage of higher international oil prices. Although total oil revenues in FY2014 were 68% hedged the remaining exposure to the spot price provided an opportunity to crystallise additional revenues during the year. This led to a corresponding 26% increase in gas volumes from 5.6PJ in FY2013 to 7.1PJ in FY2014 which was 4% ahead of the PFI. LPG sales were up 24% to 29,813 tonnes.

Genesis Energy's share of EBITDAF from Kupe was \$107.0 million in FY2014, reflecting the increased levels of production and higher average selling price of oil in particular. Although this was 2% lower than last year, the FY2013 contribution to EBITDAF benefitted by \$18.5 million from the Company's share of insurance compensation relating to the umbilical cable from the Kupe offshore platform to the onshore processing facility. Adjusting for this, FY2014 Kupe EBITDAF was 18% higher than last year and contributed 35% of group EBITDAF.

## Outlook

The outlook in the near term is for a continuation of heightened retail competition in the electricity and natural gas markets, warmer temperatures and elevated hydro storage levels. However, given the Company's portfolio of assets and its ability to manage volatility in the electricity market, Genesis Energy retains its FY2015 PFI forecasts for EBITDAF of \$363.4m and NPAT of \$95.4m.

**Ends**

Genesis Energy Limited and Subsidiaries  
(previously known as Genesis Power Limited)

# FINANCIAL STATEMENTS

For the year ended  
30 June 2014

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# COMPREHENSIVE INCOME STATEMENT

For the year ended  
30 June 2014

Genesis Energy Limited and Subsidiaries	Note	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
<b>Operating revenue</b>					
Electricity revenue		1,661.1	1,743.9	1,661.1	1,743.9
Gas revenue		251.3	212.5	251.3	212.5
Petroleum revenue		84.4	80.5	18.9	16.0
Other revenue	6	8.2	33.4	128.9	12.6
		2,005.0	2,070.3	2,060.2	1,985.0
<b>Operating expenses</b>					
Electricity purchases, transmission and distribution		(897.7)	(920.0)	(897.7)	(920.0)
Gas purchases and transmission		(249.8)	(217.2)	(249.8)	(217.2)
Petroleum production, marketing and distribution		(30.6)	(31.5)	(22.8)	(18.7)
Fuels consumed		(191.3)	(259.9)	(246.6)	(303.5)
Employee benefits		(89.2)	(83.6)	(89.2)	(83.6)
Other operating expenses	7	(238.6)	(221.5)	(233.7)	(216.4)
		(1,697.2)	(1,733.7)	(1,739.8)	(1,759.4)
<b>Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses</b>		307.8	336.6	320.4	225.6
Depreciation, depletion and amortisation	8	(156.7)	(135.0)	(100.4)	(93.3)
Impairment of non-current assets	9	(10.1)	(6.6)	(13.7)	(6.6)
Revaluation of generation assets	20	-	1.0	-	1.0
Change in fair value of financial instruments	10	0.4	30.5	2.1	33.0
Other gains (losses)		(1.6)	(1.6)	(1.1)	(1.6)
		(168.0)	(111.7)	(113.1)	(67.5)
<b>Profit before net finance expense and income tax</b>		139.8	224.9	207.3	158.1
Finance revenue		0.9	0.7	11.0	18.4
Finance expense	11	(69.1)	(79.3)	(70.1)	(84.3)
<b>Profit before income tax</b>		71.6	146.3	148.2	92.2
Income tax (expense)	12	(22.4)	(41.8)	(11.4)	(26.6)
<b>Net profit for the year</b>		49.2	104.5	136.8	65.6
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Change in cash flow hedge reserve	30	5.0	(8.2)	5.8	(6.4)
Income tax credit relating to items that may be reclassified	30	(1.4)	2.3	(1.6)	1.8
<b>Total items that may be reclassified subsequently to profit or loss</b>		3.6	(5.9)	4.2	(4.6)
<b>Items that will not be reclassified subsequently to profit or loss:</b>					
Change in asset revaluation reserve	20	-	154.6	-	154.6
Income tax (expense) relating to items that will not be reclassified		-	(43.0)	-	(43.0)
<b>Total items that will not be reclassified subsequently to profit or loss</b>		-	111.6	-	111.6
<b>Total other comprehensive income for the year</b>		3.6	105.7	4.2	107.0
<b>Total comprehensive income for the year:</b>		52.8	210.2	141.0	172.6
<b>Earnings per share from operations attributable to shareholders of the parent</b>					
Basic and diluted earnings per share (cents)	14	4.92	10.45		

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



STATEMENT OF  
CHANGES IN EQUITYFor the year ended  
30 June 2014

		Group				
Genesis Energy Limited and Subsidiaries	Note	Share capital \$million	Asset revaluation reserve \$million	Cash flow hedge reserve \$million	Retained earnings \$million	Total \$million
<b>Balance as at 1 July 2012</b>		540.6	694.2	(2.8)	564.6	1,796.6
Net profit for the year		-	-	-	104.5	104.5
<b>Other comprehensive income</b>						
Change in cash flow hedge reserve	30	-	-	(8.2)	-	(8.2)
Change in asset revaluation reserve		-	154.6	-	-	154.6
Income tax (expense) credit relating to other comprehensive income	13	-	(43.0)	2.3	-	(40.7)
<b>Total comprehensive income for the year</b>		-	111.6	(5.9)	104.5	210.2
Revaluation reserve reclassified to retained earnings on disposal of assets		-	0.6	-	(0.6)	-
Dividends	15	-	-	-	(57.0)	(57.0)
<b>Balance as at 30 June 2013</b>		540.6	806.4	(8.7)	611.5	1,949.8
Net profit for the year		-	-	-	49.2	49.2
<b>Other comprehensive income</b>						
Change in cash flow hedge reserve	30	-	-	5.0	-	5.0
Income tax (expense) credit relating to other comprehensive income	13	-	-	(1.4)	-	(1.4)
<b>Total comprehensive income for the year</b>		-	-	3.6	49.2	52.8
Revaluation reserve reclassified to retained earnings on disposal of assets		-	(0.6)	-	0.6	-
Acquisition of Treasury shares	16	(0.9)	-	-	-	(0.9)
Dividends	15	-	-	-	(121.0)	(121.0)
<b>Balance as at 30 June 2014</b>		<b>539.7</b>	<b>805.8</b>	<b>(5.1)</b>	<b>540.3</b>	<b>1,880.7</b>

		Parent				
<b>Balance as at 1 July 2012</b>		540.6	694.2	(4.8)	479.9	1,709.9
Net profit for the year		-	-	-	65.6	65.6
<b>Other comprehensive income</b>						
Change in cash flow hedge reserve	30	-	-	(6.4)	-	(6.4)
Change in asset revaluation reserve		-	154.6	-	-	154.6
Income tax credit (expense) relating to other comprehensive income	13	-	(43.0)	1.8	-	(41.2)
<b>Total comprehensive income for the year</b>		-	111.6	(4.6)	65.6	172.6
Revaluation reserve reclassified to retained earnings on disposal of assets		-	0.6	-	(0.6)	-
Dividends	15	-	-	-	(57.0)	(57.0)
<b>Balance as at 30 June 2013</b>		540.6	806.4	(9.4)	487.9	1,825.5
Net profit for the year		-	-	-	136.8	136.8
<b>Other comprehensive income</b>						
Change in cash flow hedge reserve	30	-	-	5.8	-	5.8
Income tax (expense) credit relating to other comprehensive income	13	-	-	(1.6)	-	(1.6)
<b>Total comprehensive income for the year</b>		-	-	4.2	136.8	141.0
Revaluation reserve reclassified to retained earnings on disposal of assets		-	(0.6)	-	0.6	-
Dividends	15	-	-	-	(121.0)	(121.0)
<b>Balance as at 30 June 2014</b>		<b>540.6</b>	<b>805.8</b>	<b>(5.2)</b>	<b>504.3</b>	<b>1,845.5</b>

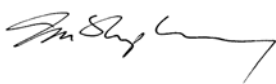
The above statements to be read in conjunction with the accompanying notes.

# BALANCE SHEET

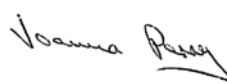
As at 30 June 2014

Genesis Energy Limited and Subsidiaries	Note	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
<b>Current assets</b>					
Cash and cash equivalents		23.3	22.7	14.0	14.0
Receivables and prepayments	18	216.4	268.0	331.6	359.0
Inventories	19	93.8	77.2	93.4	76.8
Intangible assets	22	3.9	1.6	3.9	1.6
Tax receivable		-	4.7	9.5	16.5
Derivatives	30	19.9	19.2	23.4	19.8
<b>Total current assets</b>		<b>357.3</b>	<b>393.4</b>	<b>475.8</b>	<b>487.7</b>
<b>Non-current assets</b>					
Property, plant and equipment	20	2,758.8	2,800.1	2,758.8	2,791.9
Oil and gas assets	21	342.1	391.9	-	-
Intangible assets	22	128.2	122.6	128.2	122.6
Inventories	19	34.1	36.9	34.1	36.9
Investments in subsidiaries	23	-	-	57.0	50.6
Receivables and prepayments	18	0.9	0.7	0.9	0.7
Derivatives	30	8.0	5.6	8.9	5.6
<b>Total non-current assets</b>		<b>3,272.1</b>	<b>3,357.8</b>	<b>2,987.9</b>	<b>3,008.3</b>
<b>Total assets</b>		<b>3,629.4</b>	<b>3,751.2</b>	<b>3,463.7</b>	<b>3,496.0</b>
<b>Current liabilities</b>					
Payables and accruals	27	194.8	224.7	183.8	212.9
Tax payable		3.4	-	-	-
Borrowings	28	12.3	412.9	12.3	412.9
Provisions	29	13.6	12.4	13.6	12.4
Derivatives	30	22.5	17.5	24.2	18.9
<b>Total current liabilities</b>		<b>246.6</b>	<b>667.5</b>	<b>233.9</b>	<b>657.1</b>
<b>Non-current liabilities</b>					
Payables and accruals	27	0.7	0.6	0.7	0.6
Borrowings	28	977.1	612.0	977.1	612.0
Provisions	29	126.9	117.7	71.6	65.2
Deferred tax liability	13	384.2	381.6	319.6	313.3
Derivatives	30	13.2	22.0	15.3	22.3
<b>Total non-current liabilities</b>		<b>1,502.1</b>	<b>1,133.9</b>	<b>1,384.3</b>	<b>1,013.4</b>
<b>Total liabilities</b>		<b>1,748.7</b>	<b>1,801.4</b>	<b>1,618.2</b>	<b>1,670.5</b>
<b>Shareholder's equity</b>					
Share capital	16	539.7	540.6	540.6	540.6
Reserves		1,341.0	1,409.2	1,304.9	1,284.9
<b>Total equity</b>		<b>1,880.7</b>	<b>1,949.8</b>	<b>1,845.5</b>	<b>1,825.5</b>
<b>Total equity and liabilities</b>		<b>3,629.4</b>	<b>3,751.2</b>	<b>3,463.7</b>	<b>3,496.0</b>

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



**Rt Hon Dame Jenny Shipley DNZM**  
Chairman of the Board  
Date: 26 August 2014



**Joanna Perry MNZM**  
Chairman of the Audit and Risk Committee  
Date: 26 August 2014

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

CASH FLOW  
STATEMENTFor the year ended  
30 June 2014

Genesis Energy Limited and Subsidiaries	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
<b>Cash flows from operating activities</b>				
Cash was provided from:				
Receipts from customers	2,055.1	2,103.8	1,962.8	2,043.7
Interest received	0.9	0.7	0.6	0.6
Dividend received	-	-	120.9	-
	2,056.0	2,104.5	2,084.3	2,044.3
Cash was applied to:				
Payments to suppliers and related parties	1,649.7	1,690.8	1,691.4	1,722.8
Payments to employees	89.1	83.2	89.1	83.2
Tax paid	13.3	32.1	13.3	32.1
	1,752.1	1,806.1	1,793.8	1,838.1
<b>Net cash inflows from operating activities</b>	<b>303.9</b>	<b>298.4</b>	<b>290.5</b>	<b>206.2</b>
<b>Cash flows from investing activities</b>				
Cash was provided from:				
Proceeds from disposal of property, plant and equipment	0.4	-	0.4	-
Proceeds from disposal of oil and gas assets	0.1	-	-	-
Receipts of principal from finance lease receivable	-	5.6	-	-
Net advances received from subsidiaries	-	-	20.8	86.5
	0.5	5.6	21.2	86.5
Cash was applied to:				
Purchase of property, plant and equipment	66.5	161.9	64.1	151.9
Purchase of oil and gas assets	1.2	0.5	-	-
Purchase of intangibles (excluding emission units)	15.7	15.8	18.1	15.8
Purchase of shares in subsidiaries	-	-	10.0	-
	83.4	178.2	92.2	167.7
<b>Net cash (outflows) from investing activities</b>	<b>(82.9)</b>	<b>(172.6)</b>	<b>(71.0)</b>	<b>(81.2)</b>
<b>Cash flows from financing activities</b>				
Cash was provided from:				
Proceeds from borrowings	167.1	120.0	167.1	120.0
	167.1	120.0	167.1	120.0
Cash was applied to:				
Repayment of borrowings	195.0	116.0	195.0	116.0
Interest paid and other finance charges	66.6	71.2	66.6	71.1
Repayment of principal on finance lease liabilities	4.0	3.7	4.0	3.7
Dividends	121.0	57.0	121.0	57.0
Acquisition of Treasury shares	0.9	-	-	-
	387.5	247.9	386.6	247.8
<b>Net cash (outflows) from financing activities</b>	<b>(220.4)</b>	<b>(127.9)</b>	<b>(219.5)</b>	<b>(127.8)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>0.6</b>	<b>(2.1)</b>	<b>-</b>	<b>(2.8)</b>
Cash and cash equivalents at 1 July	22.7	24.8	14.0	16.8
<b>Cash and cash equivalents at 30 June</b>	<b>23.3</b>	<b>22.7</b>	<b>14.0</b>	<b>14.0</b>

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

# CASH FLOW STATEMENT CONTINUED

For the year ended  
30 June 2014

Genesis Energy Limited and Subsidiaries	Note	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
<b>Reconciliation of profit (loss) to net cash inflow from operating activities</b>					
<b>Profit for the year</b>		<b>49.2</b>	104.5	<b>136.8</b>	65.6
<b>Items classified as investing/financing activities</b>					
Net (gain) loss on disposal of property, plant and equipment		<b>(0.1)</b>	0.3	<b>(0.1)</b>	0.3
Interest and other finance charges paid		<b>63.4</b>	74.3	<b>67.2</b>	81.8
Interest received from subsidiaries	26	<b>-</b>	-	<b>(10.4)</b>	(17.8)
		<b>63.3</b>	74.6	<b>56.7</b>	64.3
<b>Non-cash items</b>					
Depreciation, depletion and amortisation expense	8	<b>156.7</b>	135.0	<b>100.4</b>	93.3
Revaluation of generation assets	20	<b>-</b>	(1.0)	<b>-</b>	(1.0)
Impairment of non-current assets	9	<b>10.1</b>	6.6	<b>13.7</b>	6.6
Change in fair value of financial instruments	10	<b>(0.4)</b>	(30.5)	<b>(2.1)</b>	(33.0)
Deferred tax expense	12	<b>1.2</b>	20.1	<b>4.7</b>	16.9
Change in capital expenditure accruals		<b>4.4</b>	10.6	<b>1.7</b>	8.2
Change in rehabilitation and contractual arrangement provisions		<b>1.3</b>	(4.0)	<b>1.3</b>	(1.4)
Transfer of tax losses within the Group		<b>-</b>	-	<b>(13.3)</b>	(7.1)
Other non-cash items		<b>(3.1)</b>	1.7	<b>(2.5)</b>	1.6
		<b>170.2</b>	138.5	<b>103.9</b>	84.1
<b>Movements in working capital</b>					
Change in receivables and prepayments (excluding advances to subsidiaries and finance lease receivable)		<b>51.5</b>	35.5	<b>26.5</b>	59.4
Change in inventories		<b>(13.8)</b>	13.0	<b>(13.9)</b>	11.7
Change in emission units on hand		<b>(5.1)</b>	(0.8)	<b>(5.1)</b>	(0.8)
Change in payables and accruals		<b>(30.0)</b>	(63.4)	<b>(29.1)</b>	(64.6)
Change in tax receivable/payable		<b>8.1</b>	(10.4)	<b>7.0</b>	(15.3)
Change in provisions		<b>10.5</b>	6.9	<b>7.7</b>	1.8
		<b>21.2</b>	(19.2)	<b>(6.9)</b>	(7.8)
<b>Net cash inflow from operating activities</b>		<b>303.9</b>	298.4	<b>290.5</b>	206.2

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. General information

Genesis Energy Limited (the 'Parent', previously known as Genesis Power Limited) 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 but is no longer bound by the State-Owned Enterprises Act 1986. The liabilities of the Parent are not guaranteed in any way by the Crown. The Parent is an issuer for the purposes of the Financial Reporting Act 1993. Genesis Energy Limited, its subsidiaries and its interests in associates and joint operations (together the 'Group') are designated as profit-oriented entities 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, 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.

### Basis of preparation

These financial statements are prepared in accordance 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 as appropriate for profit-oriented entities. These financial statements comply with International Financial Reporting Standards ('IFRS').

The financial statements are prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993, and are presented in New Zealand dollars rounded to the nearest million. In previous years the financial statements were rounded to the nearest

thousand. The accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

These financial statements are prepared under the historical cost convention, modified by the revaluation of derivatives and generation assets.

### 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:

#### Revenue estimates for unread gas and electricity meters

The financial statements include an accrual for unread gas and electricity meter revenue at balance date. The accrual involves estimating the consumption for each unread meter based on the customer's past consumption history. The key assumptions used in the calculation and the carrying value of accrued revenue is disclosed in note 18.

#### 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, excluding any reduction for costs associated with

rehabilitation and restoration. The key assumptions used in the valuation and the carrying value of generation assets is disclosed in note 20.

#### Depletion of oil and gas producing assets

Depletion of oil and gas producing assets is based on the proven reserves to which the assets relate. Proven reserve estimates can change over time. The proven reserve estimates used to deplete the oil and gas producing assets and the carrying value of the assets is disclosed in note 21.

#### 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 expected to settle the obligation. The key assumptions used in the calculation and the carrying value of the rehabilitation and restoration provision is disclosed in note 29.

#### Valuation of electricity derivatives

The valuation of electricity derivatives classified as level three financial instruments is based on forecasted internally 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 is disclosed in note 32.

## 2. Summary of accounting policies

### (a) Basis of consolidation

The consolidated financial statements include the Parent, its subsidiaries, associates and joint operations.

#### 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.

Investments in subsidiaries are recognised at cost less impairment in the Parent's financial statements. When a subsidiary is amalgamated the amalgamation is performed on a line-by-line basis on the date the amalgamation takes effect. The net profit of the subsidiary up to the date of the amalgamation is recognised directly in equity. All inter-entity balances are eliminated on amalgamation.

#### Joint operations

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

#### Associates

Associates are all entities over which the Group has significant influence but not control. Associates are recognised in the Parent's financial statements at cost and in the Group financial statements using the equity method which recognises the Group's share of net profit in profit or loss and its share of post acquisition movements in reserves in other comprehensive income.

#### Transactions and balances eliminated on consolidation

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

### (b) Goods and Services Tax ('GST')

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

### (c) Revenue recognition

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.

#### (d) 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 (r) below).

#### (e) Finance expense

Finance expense includes interest, bank and facility fees, transaction costs and time value of money adjustments on provisions. Interest, 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.

#### (f) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is the tax payable on the current year's taxable income, based on the income tax rate, adjusted for changes in deferred tax assets and liabilities attributable to temporary differences. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case the income tax is recognised in other comprehensive income. Current tax is the expected tax payable on taxable income for

the year, using tax rates enacted or substantially 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 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 substantially enacted at the end of the reporting period.

#### (g) Receivables

Receivables are initially recognised at fair value and are subsequently measured at amortised cost less any allowance for doubtful receivables. Receivables which are known to be uncollectible 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.

#### (h) Inventories

Inventories 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.

#### (i) Property, plant and equipment

##### Generation assets

Generation assets include land and buildings 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 years, to ensure the carrying amount does not differ materially from that which would be determined using fair values at the balance date.

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

Subsequent additions to generation assets are recognised at cost. Cost includes the consideration given to acquire the asset plus any other costs incurred in bringing the asset to the location and condition necessary for its intended use including major inspection costs, resource consent and relationship agreement costs. The cost of assets constructed by the Group 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.

##### 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.

##### 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 are as follows:

Estimated remaining useful life	
Generation assets	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 life	
Buildings and improvements	10 to 50 years
Other plant and equipment	three to 15 years
Leased plant and equipment	20 to 25 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.

Gains and losses 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.



## 2. Summary of accounting policies continued

### (j) Oil and gas assets

#### Exploration and evaluation expenditure

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

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

#### Oil and gas producing assets

Oil and gas producing assets include costs associated with the production station transferred from development expenditure and mining licences. Depletion of oil and gas producing assets is based on the amount of units produced during the period in comparison to the total expected to be produced from the proven reserves. Proven reserves are the estimated quantities of oil and gas which geological and engineering data demonstrates with reasonable certainty to be recoverable in future years from known reservoirs, under existing economic and operating conditions. Proven reserves are defined as those which have a 90 per cent likelihood of being delivered. The proven oil and gas reserves used to deplete the oil and gas producing assets is reviewed annually and is disclosed in note 21.

#### 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 the 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 life
Buildings	50 years
Storage facilities	25 years
Sales pipeline	25 years
Motor vehicles	five years

### (k) Intangible assets

#### Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets. Goodwill on the acquisition of associates is included in the investment in associates. Goodwill is assessed as having an indefinite useful life and is not amortised but is subject to annual impairment testing or whenever there are indications of impairment.

#### Computer software

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

#### Emission units

Emission units are purchased (or granted by the Crown) to meet the Group's emission obligation. Emission units on hand and receivable 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 and units receivable from third parties. Emission units receivable from Group entities are recognised using the weighted average cost of emission obligations incurred by the Group on the date the receivable is recognised. The difference between cost and fair value of government granted units is treated as revenue. Emission units are not revalued subsequent to initial recognition. Emission units receivable are accounted for in the period in which they are earned within receivables and prepayments and are transferred to intangibles when the emission units are received. Emission units on hand are assessed as having indefinite useful lives and are not amortised but are subject to annual impairment testing or whenever there are indicators of impairment.

#### Naming rights

Naming rights 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 15 years.

### (l) 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.

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 amortised cost 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.

### (m) Payables and accruals

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.

### (n) Employee benefits

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.



#### (o) Emission obligations

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. Emission units payable to Group entities are recognised using the weighted average cost of emission obligations incurred by the Group on the date the obligation is recognised.

#### (p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. 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.

#### (q) 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.

#### (r) Derivatives

The Group has the following derivatives:

- Interest rate swaps and options;
- Foreign exchange swaps and options;
- Electricity swaps and options; and
- Oil swaps and options.

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.

#### Cash flow hedges

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.

#### Fair value hedges

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.

#### 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.

#### (s) 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 designated at fair value through profit or loss

- Foreign exchange swaps
- Interest rate swaps and options
- Electricity swaps
- Oil swaps and options

#### Financial instruments held for trading (derivatives not designated as hedges)

- Foreign exchange options
- Electricity swaps and options
- Oil swaps and options

#### Financial liabilities measured at amortised cost

- Payables
- Borrowings

#### (t) Leases

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

#### (u) 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 investments.

## 2. Summary of accounting policies continued

### 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.

Taxation credits (debits) disclosed in operating activities include the net amount of GST paid/received during the year and net advances and loans to subsidiaries disclosed in investing activities include the net amount paid/received during the year. GST and advances and loans to subsidiaries are disclosed on a net basis as the gross amounts do not provide meaningful information for financial statement purposes.

### (v) 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.

#### Cash flow hedging 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.

### (w) Dividends

Provision is made for the amount of dividends declared on or before the end of the financial year but not distributed at balance date.

### (x) Share-based payments

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

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

## 3. Adoption of new and revised accounting standards, interpretations and amendments

During the period, the Group has adopted NZ IFRS 10 *Consolidated Financial Statements*, NZ IFRS 11 *Joint Arrangements*, NZ IFRS 12 *Disclosure of Interests in Other Entities* and NZ IFRS 13 *Fair Value Measurement* which are applicable for annual reporting periods beginning on or after 1 January 2013.

NZ IFRS 10 introduces a single basis for consolidation for all entities regardless of the nature of the investee. Initial application of NZ IFRS 10 did not affect any of the amounts recognised in the financial statements.

NZ IFRS 11 classifies joint arrangements as either joint operations or joint ventures. NZ IFRS 11 requires joint operators to recognise assets, liabilities, revenue and expenses in relation to their proportionate interest in the joint operation whereas joint ventures are required to be accounted for using the equity method. The Group has classified its interests in jointly controlled assets and entities as joint operations under NZ IFRS 11. Initial application of NZ IFRS 11 did not affect any of the amounts recognised in the financial statements, but changed the classification and disclosure of interests in 'jointly controlled assets and entities' to 'joint operations'.

NZ IFRS 12 introduces new disclosure requirements which have had an immaterial impact on the annual financial statements. The new disclosures enable readers to understand significant judgements and assumptions made in determining the nature of the Group's interests in another entity or joint arrangement.

NZ IFRS 13 establishes a single framework for measuring fair value which it applies to both financial and non-financial items measured at fair value. It also introduces a number of new disclosure requirements on the fair value of assets and liabilities. The Group has two categories of assets and liabilities carried at fair value, being derivatives and generation assets. Initial

application of NZ IFRS 13 had an immaterial impact on the carrying value of derivatives and has had no impact on the carrying value of generation assets as at 30 June 2014. The change in the carrying value of derivatives impacted profit or loss and was mainly due to incorporating non-performance risk. Changes have been made prospectively in accordance with NZ IFRS 13 transitional provisions.

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

## 4. Accounting standards, interpretations and amendments in issue not yet effective

The International Accounting Standards Board (IASB) has published the final version of IFRS 9 *Financial Instruments* which is effective for annual reporting periods beginning on or after 1 January 2018. The Group is therefore required to adopt this standard by 30 June 2019. The standard comprises three phases: phase one, *Classification and Measurement*; phase two, *Impairment*; and phase three, *Hedge Accounting*. Phases one and two are not expected to have a material impact on the Group's financial statements. The impact of phase three has yet to be assessed. The final version incorporating phase two has not yet been approved in New Zealand and is expected to be approved soon.

NZ IFRS 15 *Revenue from Contracts with Customers* is effective for annual reporting periods beginning on or after 1 January 2017. The Group has yet to determine the impact this standard will have on the financial statements.

All other standards, interpretations and amendments approved but not yet effective in the current year are either not applicable to the Group or are not expected to have a material impact on the Group's financial statements and therefore have not been discussed.

## 5. Segment reporting

For management purposes, the Group is currently organised into four segments as follows:

Segment	Activity
Customer experience	Supply of energy (electricity, gas and LPG) to end-user customers as well as related services.
Energy management	Generation and trading of electricity and related products. The segment includes electricity sales to the wholesale electricity market, derivatives entered into to fix the price of electricity, and wholesale gas and coal sales.
Oil and gas	Exploration, development, production and sale of gas, LPG and light oil.
Corporate	Head office functions including new generation investigation and development, fuel management, information systems, human resources, finance, corporate relations, property management, legal, corporate governance and the finance lease receivable relating to the Kinleith cogeneration plant. Corporate revenue is made up of finance lease income, 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.

	Group					
	Customer experience \$million	Energy management \$million	Oil and gas \$million	Corporate \$million	Inter- segment items \$million	Total \$million
YEAR ENDED 30 JUNE 2014						
Operating revenue						
Electricity revenue	1,141.5	990.0	-	-	(470.4)	1,661.1
Gas revenue	142.3	159.5	58.2	-	(108.7)	251.3
Petroleum revenue	-	-	84.4	-	-	84.4
Other revenue	5.2	2.0	0.1	0.9	-	8.2
	1,289.0	1,151.5	142.7	0.9	(579.1)	2,005.0
Operating expenses						
Electricity purchase, transmission and distribution	(936.7)	(431.4)	-	-	470.4	(897.7)
Gas purchase and transmission	(118.2)	(184.9)	-	-	53.3	(249.8)
Petroleum production, marketing and distribution	-	-	(30.6)	-	-	(30.6)
Fuel consumed	-	(246.7)	-	-	55.4	(191.3)
Employee benefits	(26.5)	(33.2)	-	(29.5)	-	(89.2)
Other operating costs	(125.1)	(86.4)	(5.1)	(22.0)	-	(238.6)
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses	82.5	168.9	107.0	(50.6)	-	307.8
Depreciation, depletion and amortisation	(2.9)	(85.9)	(56.4)	(11.5)	-	(156.7)
Impairment of non-current assets	-	(9.9)	-	(0.2)	-	(10.1)
Change in fair value of financial instruments	-	2.0	(1.6)	-	-	0.4
Other gains (losses)	-	(0.9)	(0.5)	(0.2)	-	(1.6)
Profit (loss) before net finance expense and income tax	79.6	74.2	48.5	(62.5)	-	139.8
Finance revenue	0.3	-	0.1	0.5	-	0.9
Finance expense	(0.2)	(3.1)	(2.8)	(63.0)	-	(69.1)
Profit (loss) before income tax	79.7	71.1	45.8	(125.0)	-	71.6
Other segment information						
Capital expenditure	3.3	60.2	1.7	17.2	-	82.4

## 5. Segment reporting continued

YEAR ENDED 30 JUNE 2013	Group					Total \$million
	Customer experience \$million	Energy management \$million	Oil and gas \$million	Corporate \$million	Inter- segment items \$million	
<b>Operating revenue</b>						
Electricity revenue	1,115.5	1,120.5	-	-	(492.1)	1,743.9
Gas revenue	124.7	133.4	46.8	-	(92.4)	212.5
Petroleum revenue	-	-	80.5	-	-	80.5
Other revenue	2.8	9.0	18.8	2.8	-	33.4
	1,243.0	1,262.9	146.1	2.8	(584.5)	2,070.3
<b>Operating expenses</b>						
Electricity purchase, transmission and distribution	(947.8)	(464.3)	-	-	492.1	(920.0)
Gas purchase and transmission	(111.7)	(154.3)	-	-	48.8	(217.2)
Petroleum production, marketing and distribution	-	-	(31.5)	-	-	(31.5)
Fuel consumed	-	(303.5)	-	-	43.6	(259.9)
Employee benefits	(25.0)	(34.1)	-	(24.5)	-	(83.6)
Other operating costs	(117.5)	(83.3)	(5.4)	(15.3)	-	(221.5)
<b>Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses</b>	41.0	223.4	109.2	(37.0)	-	336.6
Depreciation, depletion and amortisation	(4.0)	(77.9)	(40.4)	(12.7)	-	(135.0)
Impairment of non-current assets	(2.4)	(4.2)	-	-	-	(6.6)
Revaluation of generation assets	-	1.0	-	-	-	1.0
Change in fair value of financial instruments	-	33.5	(2.5)	(0.5)	-	30.5
Other gains (losses)	-	(1.5)	-	(0.1)	-	(1.6)
<b>Profit (loss) before net finance expense and income tax</b>	34.6	174.3	66.3	(50.3)	-	224.9
Finance revenue	0.1	-	0.1	0.5	-	0.7
Finance expense	(0.3)	(2.9)	(2.5)	(73.6)	-	(79.3)
<b>Profit (loss) before income tax</b>	34.4	171.4	63.9	(123.4)	-	146.3
<b>Other segment information</b>						
Capital expenditure	5.4	145.6	3.1	13.1	-	167.2

### Inter-segment revenue

Sales between segments is based on transfer prices developed in the context of long-term contracts.

### Geographic information

All business segments operate within New Zealand.

### Major customer information

The Group has no individual customers that account for 10 per cent or more of the Group's external revenue (2013: none).

## 6. Other revenue

	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
Other operating revenue	5.0	9.9	5.0	9.9
Finance and operating lease income	1.1	3.2	1.0	1.1
Dividends received	-	-	120.9	-
Miscellaneous income	2.1	1.7	2.0	1.6
Insurance compensation	-	18.6	-	-
	8.2	33.4	128.9	12.6

The prior year's insurance proceeds related to the Group's share in an insurance settlement payment to the Kupe Joint Ventures Oil and Gas Project for claims in respect of its offshore subsea utilities umbilical cable and umbilical clamps during the construction phase of the project.

## 7. Other operating expenses

	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
<b>Other operating expenses include:</b>				
<b>Auditor's remuneration:</b>				
Audit of financial statements				
- Audit fees for interim financial statements (Deloitte)	0.3	-	0.3	-
- Audit fees for annual financial statements (Deloitte)	0.3	0.4	0.3	0.4
<b>Other services</b>				
- Audit-related services (Deloitte) <sup>1</sup>	0.2	-	0.2	-
- Other services (Deloitte) <sup>2</sup>	0.1	0.1	0.1	0.1
Directors' fees	0.7	0.5	0.7	0.5
Bad debts	6.2	6.4	6.2	6.4
Donations	-	0.3	-	0.3
Employee benefits expense - defined contributions	2.9	2.7	2.9	2.7
Rental expenses on operating leases	7.8	8.3	7.8	8.3
Contract termination fee and related onerous contracts <sup>3</sup>	16.8	-	16.8	-
Offer costs	9.8	0.6	9.8	0.6

1 Audit-related services refers to the examination of certain financial information included in the Prospectus and as observers at each Due Dilligence Committee meeting. This fee is excluded from the offer costs amount.

2 During the year, other services provided by Deloitte related to Trustee Reporting and review of the Global Reporting Initiative ('GRI') Report (2013: GRI Report and Trustee reporting).

3 The contract termination fee and related onerous contracts expense relates to the exit of the coal import contract.

## 8. Depreciation, depletion and amortisation

	Note	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
Depreciation of property, plant and equipment	20	88.4	80.5	88.4	80.5
Depreciation and depletion of oil and gas assets	21	56.3	40.4	-	-
Amortisation of intangibles	22	12.0	12.8	12.0	12.8
Amortisation of finance lease receivable reset adjustment		-	1.3	-	-
		156.7	135.0	100.4	93.3

## 9. Impairment of non-current assets

Impairment of non-current assets relates to capital expenditure on Huntly units 1 to 4 and 6, rehabilitation of the Huntly ash ponds associated with the units, and minor building alterations (2013: Huntly units 1 to 4 and 6 and GreenWave). Refer to note 5 for disclosure of impairment by segment. Expenditure associated with Huntly units 1 to 4 and 6 is immediately impaired when incurred as the fair value of these units is nil (refer to note 20). Impairment of non-current assets in the Parent also includes impairment of investment in subsidiaries (refer to note 23).

## 10. Change in fair value of financial instruments

	Note	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
Change in fair value of derivatives - gain (loss)	30	(0.5)	32.8	1.1	35.4
Fair value interest rate risk adjustment on borrowings - gain (loss)		0.9	(2.3)	1.0	(2.4)
		0.4	30.5	2.1	33.0

## 11. Finance expense

	Note	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
Interest on borrowings (excluding Capital Bonds)		50.4	46.1	50.4	46.1
Interest on Capital Bonds		12.6	29.2	12.6	29.2
Interest on advances from subsidiaries	26	-	-	3.8	7.5
Total interest on bonds and advances to subsidiaries		63.0	75.3	66.8	82.8
Other interest and finance charges		1.0	1.3	1.0	1.3
Time value of money adjustments on provisions	29	5.7	5.0	2.9	2.5
		69.7	81.6	70.7	86.6
Capitalised finance expenses	20	(0.6)	(2.3)	(0.6)	(2.3)
		69.1	79.3	70.1	84.3
Weighted average capitalisation rate		0.1%	0.2%	0.1%	0.2%

Interest on Capital Bonds in 2013 included \$4.6 million of accelerated bond issue amortisation costs. These costs were accelerated following the Capital Bond modification process. Refer to note 28 for further details.

## 12. Income tax

	Note	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
Current tax					
- Current year		24.0	20.7	9.1	8.8
- Under (over) provided in prior years		(2.8)	1.0	(2.4)	0.9
Deferred tax					
- Current year		(0.8)	20.7	2.7	17.3
- Under (over) provided in prior years		2.0	(0.6)	2.0	(0.4)
Income tax expense		22.4	41.8	11.4	26.6
Current tax		21.2	21.7	6.7	9.7
Deferred tax	13	1.2	20.1	4.7	16.9
		22.4	41.8	11.4	26.6

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

	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
Profit before income tax	71.6	146.3	148.2	92.2
Income tax at 28%	20.0	41.0	41.5	25.8
Tax effect of adjustments:				
- Under (over) provided in prior years	(0.8)	0.4	(0.4)	0.5
- Non-taxable impairment of shares in subsidiary	-	-	1.0	-
- Non-taxable dividend	-	-	(33.9)	-
- Non-deductible expenditure	3.2	0.4	3.2	0.3
	22.4	41.8	11.4	26.6

### 13. Deferred tax liability

		Group					
	Note	Property, plant and equipment \$million	Oil and gas assets \$million	Provisions \$million	Finance lease liabilities \$million	Other \$million	Total \$million
Balance as at 1 July 2012		299.6	77.8	(34.1)	(5.6)	(16.9)	320.8
Amount recognised in profit or loss	12	7.9	5.3	0.8	0.6	5.5	20.1
Amount recognised in other comprehensive income		43.0	-	-	-	(2.3)	40.7
Balance as at 30 June 2013		350.5	83.1	(33.3)	(5.0)	(13.7)	381.6
Amount recognised in profit or loss	12	6.0	(2.6)	(0.7)	0.7	(2.2)	1.2
Amount recognised in other comprehensive income		-	-	-	-	1.4	1.4
Balance as at 30 June 2014		356.5	80.5	(34.0)	(4.3)	(14.5)	384.2

The comparative balances of property, plant and equipment and oil and gas assets have been reclassified to align with the classifications used in the current year. The reclassification has had no impact on the overall deferred tax liability.

	Note	Parent				
		Property, plant and equipment \$million	Provisions \$million	Finance lease liabilities \$million	Other \$million	Total \$million
<b>Balance as at 1 July 2012</b>		299.5	(17.9)	(5.5)	(20.9)	255.2
Amount recognised in profit or loss	12	7.7	(0.7)	0.6	9.3	16.9
Amount recognised in other comprehensive income		43.0	-	-	(1.8)	41.2
<b>Balance as at 30 June 2013</b>		350.2	(18.6)	(4.9)	(13.4)	313.3
Amount recognised in profit or loss	12	6.3	0.1	0.7	(2.4)	4.7
Amount recognised in other comprehensive income		-	-	-	1.6	1.6
<b>Balance as at 30 June 2014</b>		<b>356.5</b>	<b>(18.5)</b>	<b>(4.2)</b>	<b>(14.2)</b>	<b>319.6</b>

#### Unrecognised deferred tax assets and liabilities

Taxable temporary differences in relation to investments in subsidiaries for which deferred tax liabilities have not been recognised amounts to \$11.6 million (2013: \$33.5 million).

During the year, Stage Two of the Tekapo Canal Remediation Project was completed. While it is Management's view that the remediation costs are deductible as repairs and maintenance, they accept that there is a potential risk that these costs may be considered to be capital by the Inland Revenue for tax purposes. Consequently, as a prudent measure, the costs were treated as capital in nature. In the event the remediation costs are deductible as repairs and maintenance, it could reduce tax payable and increase deferred tax liabilities by up to \$33.5 million (2013: \$29.4 million).

Tax depreciation deductions are disallowed for buildings with estimated useful lives of 50 years or more from 1 July 2011. As a result, adjustments to deferred tax liabilities totalling \$12.4 million were made in the 2010 and 2011 year relating to generation powerhouse assets, offices and leasehold improvements. While it is Management's view that powerhouse assets should not be captured, they accept that there is a potential risk that a portion of the asset may be considered by the Inland Revenue to be a building for tax purposes with the balance more appropriately being identified as plant. Consequently, as a prudent measure, a deferred tax liability was recognised. In the event that powerhouse assets are not deemed to be buildings by the Inland Revenue, deferred tax liabilities may be reduced by the amount previously recognised.

### 14. Earnings per share

	Group 2014	Group 2013
Numerator		
<b>Net profit for the year attributable to shareholders (\$million)</b>	<b>49.2</b>	104.5
Denominator		
Weighted average number of ordinary shares (million units)	<b>1,000.0</b>	1,000.0
Less weighted average number of Treasury shares (million units)	<b>(0.1)</b>	(0.1)
<b>Weighted average number of ordinary shares for basic and diluted earnings per share calculation (million units)</b>	<b>999.9</b>	999.9
<b>Basic and diluted earnings per share (cents)</b>	<b>4.92</b>	10.45

During the year, the number of ordinary shares on issue increased due to a taxable bonus issue (refer to note 16). The increase was offset by the Group acquiring shares in the Parent for the long-term incentive plan (Treasury shares - refer to note 16). In accordance with the NZ IAS 33, earnings per share for the prior year has been restated to take into consideration the changes in the number of ordinary shares.



## 15. Dividends

		Group and Parent			
		2014 \$million	2013 \$million	2014 Cents per share	2013 Cents per share
<b>Dividends declared and paid during the year</b>					
Previous year's final dividend	Fully imputed	57.0	-	10.54	-
Current year's interim dividend	Fully imputed	64.0	57.0	11.84	10.54
		121.0	57.0	22.38	10.54
<b>Dividends declared subsequent to balance date</b>					
Final dividend	Fully imputed	66.0	57.0	6.60	10.54

## Imputation credits

Imputation credits available for use in subsequent reporting periods are Group: \$12.4 million, Parent: \$12.4 million (2013: Group: \$297.2 million, Parent: \$261.4 million).

## 16. Share capital

		Group and Parent			
		2014 \$million	2013 \$million	2014 No. of shares '000	2013 No. of shares '000
<b>Issued capital</b>					
<b>Balance as at 1 July</b>		540.6	540.6	540.6	540.6
Share capital issued		-	-	459.4	-
<b>Balance as at 30 June</b>		540.6	540.6	1,000.0	540.6

On 10 March 2014 the Parent made a taxable bonus issue of 459,434,998 ordinary shares.

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. The shares have no par value.

		Group			
		2014 \$million	2013 \$million	2014 No. of shares '000	2013 No. of shares '000
<b>Treasury shares</b>					
<b>Balance as at 1 July</b>		-	-	-	-
Acquisition of Treasury shares		(0.9)	-	(0.5)	-
<b>Balance as at 30 June</b>		(0.9)	-	(0.5)	-

Treasury shares were acquired to meet the current and future obligations under the long-term incentive plan. Refer to note 17.

		2014 \$million	2013 \$million	2014 No. of shares '000	2013 No. of shares '000
<b>Total share capital - Group</b>		539.7	540.6	999.5	540.6
<b>Total share capital - Parent</b>		540.6	540.6	1,000.0	540.6

## 17. Share-based payments

During the year, the Group implemented a long-term incentive (LTI) plan for the senior executives and a Trust was established to administer the plan (refer to note 23). The Trust acquired shares in the Parent; these shares are recorded as Treasury shares in the Group (refer to note 16). Under the plan the senior executives purchase shares at market value funded by an interest-free loan from the Parent (refer to note 26). The shares are held on Trust by the Trustee of the LTI plan until the end of the vesting period. If the shares vest, executives are entitled to a cash amount which, after deduction for tax, is equal to the outstanding loan balance for the shares which have vested. That cash amount must be applied towards repayment of their loan balance and the corresponding shares are released by the Trustee back to the individual. The initial vesting period is from April 2014 to June 2017.

Vesting of shares is dependent on continued employment through the vesting period and meeting financial targets. It is also dependent on the Group achieving a positive total shareholder return over the period and the Group's performance relative to the benchmark peer group. If the Group's total shareholder return performance over the vesting period exceeds the 50th percentile total shareholder return of the benchmark peer group, 50 per cent of the shares will vest; 100 per cent of an executive's shares will vest upon meeting the performance of the 75th percentile of the benchmark peer group, with vesting on a straight-line basis between these two points. In the event that the total shareholder return is negative over the period, less than 50th percentile of the benchmark peer group 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 (subject to the Board exercising a discretion to allow some or all of the shares to vest). The benchmark peer group comprises a selected number of NZX-listed electricity generators and energy retailers.

## 17. Share-based payments continued

The plan represents the grant of in-substance nil-price options to executives. The fair value of the options granted under the plan are estimated as at the date of grant using an option pricing model that takes into account the terms and conditions upon which the options were granted. The estimated fair value of the in-substance nil price options at grant date was \$0.5 million. In accordance with the rules of the plan, the model simulates the Group's total shareholder return and compares it against the peer group over the vesting period. As the Parent is newly listed and therefore has insufficient historical information, the historic dividends, share price volatilities and co-variances of similar entities with comparable lives are used to compare to the peer group to produce a predicted distribution of relative share performance. This is applied to the relevant grant to give an expected value of the total shareholder return element.

Under the LTI plan, 335,713 in-substance nil-price options were granted to senior executives following the Parent's initial public offering in April 2014, of which 43,735 were forfeited during the year.

## 18. Receivables and prepayments

	Note	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
Trade receivables		132.7	163.3	129.6	152.3
Accrued revenue for unread gas and electricity meters		75.4	78.0	75.4	78.0
Allowance for doubtful receivables		(6.9)	(6.6)	(6.9)	(6.6)
		201.2	234.7	198.1	223.7
Net advances to (from) subsidiaries	26	-	-	122.9	123.8
Emission units receivable		0.9	0.8	0.9	0.8
Other receivables		1.8	19.1	-	0.2
Prepayments		13.4	14.1	10.6	11.2
<b>Total</b>		<b>217.3</b>	<b>268.7</b>	<b>332.5</b>	<b>359.7</b>
Current		216.4	268.0	331.6	359.0
Non-current		0.9	0.7	0.9	0.7
<b>Total</b>		<b>217.3</b>	<b>268.7</b>	<b>332.5</b>	<b>359.7</b>

### Estimating accrued revenue for unread gas and electricity meters

The key assumptions used to calculate the accrual for unread gas and electricity meters are volume and price. Where possible the Group estimates the volume of gas and electricity consumed since the last meter reading up to balance date based on the volume recorded in the last two actual meter readings. The accrual is also compared to electricity purchases and line losses for consistency. Given the accrual involves estimating the volume of gas and electricity consumed, actual invoices could be materially different to the accrual recognised at balance date. If the volume estimated at balance date were to increase or decrease by 15 per cent, the accrual would increase or decrease by \$11.3 million. While a change in volume estimates would have an impact on accrued revenue, it would also have an impact on accrued expenses. There have been no significant changes in the assumptions used to calculate the accrual in comparison to the prior year.

## 19. Inventories

	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
Fuel	107.3	94.5	107.3	94.5
Petroleum products	0.4	0.5	-	0.1
Consumables and spare parts	20.2	19.1	20.2	19.1
<b>Total</b>	<b>127.9</b>	<b>114.1</b>	<b>127.5</b>	<b>113.7</b>
Current	93.8	77.2	93.4	76.8
Non-current	34.1	36.9	34.1	36.9
<b>Total</b>	<b>127.9</b>	<b>114.1</b>	<b>127.5</b>	<b>113.7</b>

Fuel inventories mainly consist of coal used in electricity production. The amount of fuel inventories (excluding natural gas) expensed during the year was \$51.2 million (2013: \$119.6 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 \$18.4 million (2013: \$17.8 million).

## 20. Property, plant and equipment

	Note	Group				Total \$million
		Generation assets \$million	Buildings and improvements \$million	Other property, plant and equipment \$million	Capital work in progress \$million	
<b>Carrying value at 1 July 2012</b>		2,519.8	1.6	31.4	27.9	2,580.7
Additions		-	-	-	144.5	144.5
Revaluation gains (losses)		155.6	-	-	-	155.6
Capitalised finance expenses	11	-	-	-	2.3	2.3
Change in rehabilitation and contractual arrangement assets		4.1	-	-	-	4.1
Transfer to (from) capital work in progress		109.4	1.6	4.0	(115.0)	-
Impairment		(6.6)	-	-	-	(6.6)
Depreciation expense	8	(73.8)	(0.1)	(6.6)	-	(80.5)
<b>Carrying value at 30 June 2013</b>		2,708.5	3.1	28.8	59.7	2,800.1
Additions		2.3	-	-	60.0	62.3
Capitalised finance expenses	11	-	-	-	0.6	0.6
Change in rehabilitation and contractual arrangement assets		-	-	-	2.9	2.9
Transfer to (from) capital work in progress		58.2	-	12.6	(70.8)	-
Transfer between asset categories		3.6	(1.4)	(4.7)	2.5	-
Transfer to oil and gas assets	21	-	-	-	(8.3)	(8.3)
Disposals		(0.3)	-	-	-	(0.3)
Impairment		-	(0.1)	-	(10.0)	(10.1)
Depreciation expense	8	(82.4)	-	(6.0)	-	(88.4)
<b>Carrying value at 30 June 2014</b>		<b>2,689.9</b>	<b>1.6</b>	<b>30.7</b>	<b>36.6</b>	<b>2,758.8</b>
<b>Summary of cost and accumulated depreciation and impairment</b>						
Cost		-	3.7	93.1	59.7	156.5
Fair value		2,708.5	-	-	-	2,708.5
Accumulated depreciation and impairment		-	(0.6)	(64.3)	-	(64.9)
<b>Carrying value at 30 June 2013</b>		2,708.5	3.1	28.8	59.7	2,800.1
Cost		-	2.1	99.5	45.0	146.6
Fair value		2,772.6	-	-	-	2,772.6
Accumulated depreciation and impairment		(82.7)	(0.5)	(68.8)	(8.4)	(160.4)
<b>Carrying value at 30 June 2014</b>		<b>2,689.9</b>	<b>1.6</b>	<b>30.7</b>	<b>36.6</b>	<b>2,758.8</b>

## 20. Property, plant and equipment continued

	Note	Parent				Total \$million
		Generation assets \$million	Buildings and improvements \$million	Other property, plant and equipment \$million	Capital work in progress \$million	
<b>Carrying value at 1 July 2012</b>		2,519.8	1.6	31.4	26.9	2,579.7
Additions		-	-	-	137.3	137.3
Revaluation gains (losses)		155.6	-	-	-	155.6
Capitalised finance expenses	11	-	-	-	2.3	2.3
Change in rehabilitation and contractual arrangement assets		4.1	-	-	-	4.1
Transfer to (from) capital work in progress		109.3	1.6	4.1	(115.0)	-
Impairment		(6.6)	-	-	-	(6.6)
Depreciation expense	8	(73.7)	(0.1)	(6.7)	-	(80.5)
<b>Carrying value at 30 June 2013</b>		2,708.5	3.1	28.8	51.5	2,791.9
Additions		2.3	-	-	59.9	62.2
Capitalised finance expenses	11	-	-	-	0.6	0.6
Change in rehabilitation and contractual arrangement assets		-	-	-	2.9	2.9
Transfer to (from) capital work in progress		58.2	-	12.6	(70.8)	-
Transfer between asset categories		3.6	(1.4)	(4.7)	2.5	-
Disposals		(0.3)	-	-	-	(0.3)
Impairment		-	(0.1)	-	(10.0)	(10.1)
Depreciation expense	8	(82.4)	-	(6.0)	-	(88.4)
<b>Carrying value at 30 June 2014</b>		<b>2,689.9</b>	<b>1.6</b>	<b>30.7</b>	<b>36.6</b>	<b>2,758.8</b>
<b>Summary of cost and accumulated depreciation and impairment</b>						
Cost		-	3.7	93.1	51.5	148.3
Fair value		2,708.5	-	-	-	2,708.5
Accumulated depreciation and impairment		-	(0.6)	(64.3)	-	(64.9)
<b>Carrying value at 30 June 2013</b>		2,708.5	3.1	28.8	51.5	2,791.9
Cost		-	2.1	99.5	45.0	146.6
Fair value		2,772.6	-	-	-	2,772.6
Accumulated depreciation and impairment		(82.7)	(0.5)	(68.8)	(8.4)	(160.4)
<b>Carrying value at 30 June 2014</b>		<b>2,689.9</b>	<b>1.6</b>	<b>30.7</b>	<b>36.6</b>	<b>2,758.8</b>

### Valuation of generation assets

Generation assets, carried at fair value, were revalued at 30 June 2013 to \$2,708.6 million. They form a major part of the total generation site assets.

Total generation site assets were valued at \$2,752.0 million and comprised the generation assets carried at fair value, and certain other property plant and equipment and capital works in progress of \$15.1 million and \$28.1 million respectively, both of which were carried at cost.

Fair value of generation assets is 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 the Group and was independently reviewed by PricewaterhouseCoopers ('PwC') who has the appropriate qualifications and experience in valuing generation assets.

## 20. Property, plant and equipment continued

The net change in fair value was a \$155.6 million increase in the book value of generation assets. 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 has a direct impact on generation volumes and operating costs. The forecasted internally generated price path is influenced by changes in demand, hydrology and new generation build. The key unobservable inputs, range of assumptions and third-party inputs combine to determine the wholesale electricity price path. 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	In-house market modelling of the wholesale electricity market cross-checked against publicly available price paths. The wholesale electricity price paths used to value generation assets on a time-weighted basis range from \$76 per MWh to \$137 per MWh over the period from July 2014 to 31 December 2025.	Plus/minus 10%	\$527 million to (\$440 million)	Hydrological inflows affect generation volumes as well as wholesale electricity prices.
Generation volumes at average weighted price	In-house market modelling of the wholesale electricity market. The generation volumes used in the valuation ranged between 3320 GWh to 6112 GWh.	Plus/minus 10%	\$527 million to (\$440 million)	Wholesale electricity price affects the amount of generation.
Discount rate	Pre-tax equivalent discount rate scenarios ranging between 11.3 per cent and 12.8 per cent	Plus/minus 1%	\$466 million to (\$284 million)	Discount rate is independent of wholesale price and volume.

The valuation was calculated by generating site except for the Huntly site where it was calculated by type of unit (units 1 to 4, unit 5 and unit 6). For those sites where the valuation was less than the carrying value prior to revaluation, the change was recognised in the revaluation reserve up to the value that was previously recorded in the revaluation reserve prior to the revaluation. Any remaining difference between the change in fair value and the revaluation reserve for these sites was recognised in profit or loss. For those sites where the valuation was higher than the carrying value, the change in fair value was recognised in the asset revaluation reserve.

As a consequence of the revaluation, accumulated depreciation on revalued assets was reset to nil at 30 June 2013, and a revaluation surplus of \$154.6 million was recognised in the revaluation reserve and a revaluation gain of \$1.0 million was recognised in profit or loss. The surplus arose in part as a result of the exclusion of corporate overheads, a small reduction in the weighted average cost of capital, offset by a reduction in the short-term electricity price path.

### Reconciliation of changes to the fair value of assets

	Group and Parent Generation assets \$million
<b>Carrying value at 30 June 2013 prior to revaluation</b>	2,552.9
Gain recognised in other comprehensive income	154.6
Gain recognised in profit or loss	1.0
<b>Net gain on revaluation</b>	155.6
<b>Fair value at 30 June 2013</b>	<b>2,708.5</b>

### Generation assets carried at historical cost

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

	Group and Parent	
	2014 \$million	2013 \$million
Cost	2,641.0	2,555.7
Accumulated depreciation and impairment	(954.8)	(874.2)
<b>Carrying value at 30 June</b>	<b>1,686.2</b>	1,681.5

## 21. Oil and gas assets

		Group				
	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
<b>Carrying value at 1 July 2012</b>		1.2	411.5	16.5	-	429.2
Additions		0.1	0.4	-	-	0.5
Change in rehabilitation asset		-	2.6	-	-	2.6
Depreciation and depletion expense	8	-	(39.5)	(0.9)	-	(40.4)
<b>Carrying value at 30 June 2013</b>		1.3	375.0	15.6	-	391.9
Additions		0.2	0.8	-	0.7	1.7
Transfer from property, plant and equipment	20	-	-	-	8.3	8.3
Transfer to (from) capital work in progress		-	4.1	-	(4.1)	-
Disposals and reversals		-	-	(0.1)	(3.4)	(3.5)
Depreciation and depletion expense	8	-	(55.4)	(0.9)	-	(56.3)
<b>Carrying value at 30 June 2014</b>		<b>1.5</b>	<b>324.5</b>	<b>14.6</b>	<b>1.5</b>	<b>342.1</b>

### Summary of cost and accumulated depreciation and impairment

Cost	19.8	544.9	18.5	-	583.2
Accumulated depreciation and impairment	(18.5)	(169.9)	(2.9)	-	(191.3)
<b>Carrying value at 30 June 2013</b>	1.3	375.0	15.6	-	391.9
Cost	20.0	550.0	18.4	1.5	589.9
Accumulated depreciation and impairment	(18.5)	(225.5)	(3.8)	-	(247.8)
<b>Carrying value at 30 June 2014</b>	<b>1.5</b>	<b>324.5</b>	<b>14.6</b>	<b>1.5</b>	<b>342.1</b>

### Proven oil and gas reserves

Total proven reserves of the Kupe Joint Venture is 379.1 petajoule equivalents. No change has been considered necessary to the reserve estimate since 30 June 2012 and the reserve estimate for the next financial year remains the same as the current year. The Group has a 31 per cent interest in the Kupe Joint Venture's reserves.

Because the geology of the Kupe oil and gas field subsurface cannot be examined directly, an indirect technique known as volumetrics has been used to estimate the size and recoverability of the reserve. Reserve estimates contain uncertainty and these are reviewed annually. There are high levels of uncertainty in terms of accessibility of reserves through sealing faults and pressure support. Proven reserve estimates have a 90 per cent likelihood of being delivered. A reduction of 10 per cent in these reserves would impact depletion charges going forward by up to \$8.3 million per annum at current production rates.

## 22. Intangible assets

	Group and Parent				
Note	Goodwill \$million	Computer software \$million	Emission units \$million	Naming rights \$million	Total \$million
<b>Carrying value at 1 July 2012</b>	102.6	10.9	0.9	4.7	119.1
Additions	-	15.9	22.1	1.3	39.3
Disposed or surrendered	-	-	(5.4)	-	(5.4)
Impairment	-	-	(16.0)	-	(16.0)
Amortisation expense 8	-	(11.0)	-	(1.8)	(12.8)
<b>Carrying value at 30 June 2013</b>	102.6	15.8	1.6	4.2	124.2
Additions	-	14.0	11.0	0.9	25.9
Disposed, surrendered or reversed	-	-	(5.9)	(0.1)	(6.0)
Impairment	-	-	-	-	-
Amortisation expense 8	-	(10.2)	-	(1.8)	(12.0)
<b>Carrying value at 30 June 2014</b>	<b>102.6</b>	<b>19.6</b>	<b>6.7</b>	<b>3.2</b>	<b>132.1</b>

### Summary of cost and accumulated amortisation and impairment

Cost	102.6	107.5	17.6	10.1	237.8
Accumulated amortisation and impairment	-	(91.7)	(16.0)	(5.9)	(113.6)
<b>Carrying value at 30 June 2013</b>	102.6	15.8	1.6	4.2	124.2
Current	-	-	1.6	-	1.6
Non-current	102.6	15.8	-	4.2	122.6
<b>Carrying value at 30 June 2013</b>	102.6	15.8	1.6	4.2	124.2
Cost	102.6	121.7	6.7	10.6	241.6
Accumulated amortisation and impairment	-	(102.1)	-	(7.4)	(109.5)
<b>Carrying value at 30 June 2014</b>	<b>102.6</b>	<b>19.6</b>	<b>6.7</b>	<b>3.2</b>	<b>132.1</b>
Current	-	-	<b>3.9</b>	-	<b>3.9</b>
Non-current	<b>102.6</b>	<b>19.6</b>	<b>2.8</b>	<b>3.2</b>	<b>128.2</b>
<b>Carrying value at 30 June 2014</b>	<b>102.6</b>	<b>19.6</b>	<b>6.7</b>	<b>3.2</b>	<b>132.1</b>

### Impairment testing of goodwill

For the purpose of impairment testing, goodwill has been allocated to the Customer Experience cash-generating unit ('CGU').

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 Customer Experience business unit and are extrapolated using a 1 per cent year-on-year growth rate (2013: 2 per cent). The estimated future cash flow projections are discounted using pre-tax equivalent discount rate scenarios ranging between 11 per cent and 12.8 per cent (2013: 11 per cent and 12.8 per cent). Any reasonably possible further change in key assumptions on which the recoverable amount is based is not expected to cause the carrying value of the Customer Experience goodwill to exceed its recoverable amount.

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

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

### Impairment of emission units

During the year, the Group wrote down the value of its emission units on hand by nil (2013: \$16.0 million) to reflect the net recoverable value of the asset.



### 23. Investments in subsidiaries

During the year, the Group established Genesis Energy Insurance Pte Limited to manage the Group's insurance risk and Genesis Energy Limited Executive long-term Incentive Plan Trust (the 'Trust') to administer the LTI 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.

Name of entity	Principal activity	Place of incorporation and operation	Interest held	
			2014 %	2013 %
Genesis Power Investments Limited	Holding company	New Zealand	100	100
Kinleith Cogeneration Limited	Non-trading	New Zealand	100	100
Kupe Holdings Limited	Joint venture holding company	New Zealand	100	100
GP No. 1 Limited	Joint venture holding company	New Zealand	100	100
GP No. 2 Limited	Joint venture holding company	New Zealand	100	100
GP No. 5 Limited	Joint venture holding company	New Zealand	100	100
Genesis Energy Insurance Pte Limited	Captive insurance company	Singapore	100	-
Genesis Energy Limited Executive long-term Incentive Plan Trust	Trust	New Zealand	-	-

All subsidiaries have a 30 June balance date.

Movements in the carrying value of investments in subsidiaries are set out below:

	Parent 2014 \$million	Parent 2013 \$million
<b>Carrying value at 1 July</b>	<b>50.6</b>	50.6
Acquisition of shares in Genesis Energy Insurance Pte Limited	10.0	-
Impairment of investment in Kinleith Cogeneration Limited	(3.6)	-
<b>Carrying value at 30 June</b>	<b>57.0</b>	50.6

### 24. Investments in associates

Name of entity	Principal activity	Place of incorporation and operation	Interest held	
			2014 %	2013 %
Gasbridge Limited	Agency for joint venture	New Zealand	-	50

During the year, Gasbridge Limited was deregistered. The carrying value of the investment in associates at year-end was nil (2013: nil) and there were no movements in the investment in associates during the year (2013: nil). The Group's share of the net profit for Gasbridge Limited was nil (2013: nil). The Group's share of assets and liabilities was nil (2013: \$0.001 million).

### 25. Joint operations

The Group has a 31 per cent interest in the Kupe production facility and Petroleum Mining Permit 38146 held by the Kupe Joint Venture. The Group is considered to share joint control based on the contractual arrangements between the Group and other joint operators that states unanimous decision-making is required for relevant activities which most significantly impact the returns of the joint operation.

The Gasbridge Joint Venture was established to investigate the feasibility of developing facilities to import Liquefied Natural Gas at the Port of Taranaki. During the year, the Gasbridge Joint Venture agreement was terminated and the Joint Venture was disestablished.

Name of entity	Principal activity	Place of incorporation and operation	Interest held	
			2014 %	2013 %
Kupe Joint Venture	Petroleum production and sale	New Zealand	31	31
Gasbridge Joint Venture	Liquefied natural gas importation development	New Zealand	-	50

Joint ventures are classified as joint operations under NZ IFRS 11.

The operating results of the Kupe Joint Venture are included in the Oil and Gas segment in note 5.

The Group's share of capital expenditure commitments relating to joint operations is disclosed in note 34.

## 26. Related-party transactions

### Majority shareholder and entities controlled and related to the majority shareholder

The majority shareholder of the Parent is the Crown. The Parent and Group transact with Crown-controlled and related entities independently and on an arm's-length basis for the purchase of coal and use of coal-handling facilities, emission activities including emission unit purchases and sales, 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.

Dividends paid to the Crown during the year were \$121.0 million (2013: \$57.0 million). There were no other individually significant transactions with the Crown and Crown-controlled and related entities during the year (2013: nil).

Other transactions with Crown-controlled and related entities which are collectively but not individually significant relate to the purchase of coal and electricity derivatives. Approximately 88.7 per cent (2013: 84.2 per cent) of the coal acquired by the Group during the year was supplied by Crown-controlled and related entities under coal supply agreements which expire in June 2017. Approximately 35.7 per cent (2013: 29.0 per cent) of the value of electricity derivatives held by the Group at year-end are held with Crown-controlled and related entities. The contracts expire at various times with the latest one being December 2025.

### 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:

	Group and Parent	
	2014 \$million	2013 \$million
Short-term benefits	7.8	5.0
Post-employment benefits	0.2	0.2
Termination benefits	0.1	0.2
<b>Total key management personnel compensation</b>	<b>8.1</b>	<b>5.4</b>

### Other transactions with key management personnel or entities related to them

Key management personnel and their families may purchase gas and electricity from the Group on an arm's-length basis. During the year, key management personnel and their families purchased shares in the Group. The total number of shares held by key management personnel as at 30 June 2014 was 504,352 (2013: nil). No other transactions took place between key management personnel and the Group or Parent (2013: nil). As at 30 June 2014, the balance payable to key management personnel was nil (2013: \$0.02 million).

## 26. Related-party transactions continued

### Subsidiaries

Subsidiaries of the Group are disclosed in note 23. Transactions between the Parent and its subsidiaries are disclosed below:

		Parent			
		Transaction value (inflow (outflow)) for the year ended 30 June		Outstanding balance (payable) receivable as at 30 June	
		2014 \$million	2013 \$million	2014 \$million	2013 \$million
GP No. 1 Limited	No interest is charged on the advance to/from GP No. 1 Limited.	-	-	(0.6)	(0.6)
Genesis Power Investments Limited and Kinleith Cogeneration Limited	Interest is charged to the Parent on advances from subsidiaries. The advances are unsecured, and have no repayment terms or conditions. Interest is charged at a rate equal to the Parent's average finance expense. Interest charged is added to the advance account. The outstanding balance includes interest and advances payable.	(3.8)	(7.5)	(33.8)	(114.4)
Kupe Holdings Limited, GP No. 2 Limited and GP No. 5 Limited	Interest is charged by the Parent on advances to subsidiaries. The advances are unsecured, and have no repayment terms or conditions. Interest is charged at a rate equal to the Parent's average finance expense. Interest charged is added to the advance account. The outstanding balance includes interest and advances receivable.	10.4	17.8	166.0	238.8
	The Parent has entered into a supply agreement for the purchase of LPG and gas produced from the Kupe Joint Venture. The contract continues until the total quantity of LPG and gas under the contract has been paid or delivered.	(77.2)	(61.4)	(6.8)	(7.2)
	The Parent has entered into foreign currency swaps with Kupe Holdings Limited, GP No. 2 Limited and GP No. 5 Limited.	(3.2)	-	(3.8)	(0.1)
	The Parent has entered into oil swaps and options with Kupe Holdings Limited, GP No. 2 Limited and GP No. 5 Limited.	7.2	3.8	4.4	(1.0)
Genesis Power Investments Limited, GP No. 1 Limited, GP No. 2 Limited and GP No. 5 Limited	The Parent received dividends from these subsidiaries during the year.	121.0	-	-	-
Genesis Power Investments Limited, Kinleith Cogeneration Limited, Kupe Holdings Limited, GP No. 1 Limited, GP No. 2 Limited and GP No. 5 Limited	During the year, there was a transfer of tax losses/(deposits).	(13.3)	(7.1)	-	-
Genesis Energy Insurance Pte Limited	Insurance premium payments are made by the Parent to Genesis Energy Insurance Pte Limited.	(5.8)	-	-	-
	Interest is charged to the Parent on short-term deposits received from Genesis Energy Insurance Pte Limited. The interest rate is based on the market rate that Genesis Energy Insurance Pte Limited would reasonably expect to receive from placing a similar deposit with a third party. The short-term deposit is a fixed-term unsecured deposit. Interest earned is added to the deposit account when it falls due.	(0.1)	-	(9.6)	-
Genesis Energy Limited Executive long-term Incentive Plan Trust	The Parent has provided an interest free non-recourse loan to the Trust as custodians for the beneficiaries.	(0.9)	-	0.9	-

### Associates

Associates of the Group are disclosed in note 24. There were no transactions with associates during the year (2013: nil).

### Joint operations

Joint operations of the Group are disclosed in note 25. There were no transactions with joint operators during the year (2013: nil).

## 27. Payables and accruals

	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
Trade payables and accruals	186.8	214.8	175.8	203.0
Employee benefits	6.3	6.2	6.3	6.2
Emission obligations	2.4	4.3	2.4	4.3
<b>Total</b>	<b>195.5</b>	<b>225.3</b>	<b>184.5</b>	<b>213.5</b>
Current	194.8	224.7	183.8	212.9
Non-current	0.7	0.6	0.7	0.6
<b>Total</b>	<b>195.5</b>	<b>225.3</b>	<b>184.5</b>	<b>213.5</b>

Trade payables and accruals consist mainly of amounts owing to suppliers for goods and services supplied in the ordinary course of business, and amounts owing to NZX Limited for wholesale electricity purchases from the market.

## 28. Borrowings

	Group and Parent	
	2014 \$million	2013 \$million
Revolving credit and money market	357.9	189.5
Wholesale term notes	320.5	321.4
Retail term notes	106.8	228.7
Capital Bonds	202.6	279.7
Finance lease liabilities	1.6	5.6
<b>Total</b>	<b>989.4</b>	<b>1,024.9</b>
Current	12.3	412.9
Non-current	977.1	612.0
<b>Total</b>	<b>989.4</b>	<b>1,024.9</b>

### Revolving credit and money market

Money market	6.1	14.0
Revolving credit drawn down	350.0	175.0
Accrued interest	1.8	0.5
<b>Total revolving credit and money market</b>	<b>357.9</b>	<b>189.5</b>

### Revolving credit

Expiring 2015	-	200.0
Expiring 2016	125.0	125.0
Expiring 2017	75.0	150.0
Expiring 2018	75.0	-
Expiring 2019	350.0	-
<b>Total available revolving credit facility</b>	<b>625.0</b>	<b>475.0</b>
Revolving credit drawn down (excluding accrued interest)	350.0	175.0
<b>Total undrawn revolving credit facility</b>	<b>275.0</b>	<b>300.0</b>

### Refinancing of revolving credit

During the year, the Parent restructured its revolving credit arrangements, increasing its revolving credit facilities from \$475 million to \$625 million and extending their maturity profile.

## 28. Borrowings continued

	<b>Group and Parent</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$million</b>	<b>\$million</b>
<b>Wholesale term notes</b>		
Expiring 2017	<b>125.0</b>	125.0
Expiring 2020	<b>120.0</b>	120.0
Expiring 2023	<b>70.0</b>	70.0
Fair value interest rate risk adjustment	<b>1.4</b>	2.4
Accrued interest	<b>4.5</b>	4.5
Capitalised issue costs	<b>(0.4)</b>	(0.5)
<b>Total wholesale term notes</b>	<b>320.5</b>	321.4
<b>Retail term notes</b>		
Expiring 2014	<b>-</b>	120.0
Expiring 2016	<b>105.0</b>	105.0
Accrued interest	<b>2.4</b>	4.9
Capitalised issue costs	<b>(0.6)</b>	(1.2)
<b>Total retail term notes</b>	<b>106.8</b>	228.7
<b>Capital Bonds</b>		
Expiring 2014	<b>-</b>	275.0
Expiring 2042	<b>200.0</b>	-
Accrued interest	<b>2.6</b>	4.9
Capitalised issue costs	<b>-</b>	(0.2)
<b>Total Capital Bonds</b>	<b>202.6</b>	279.7

The Parent completed a modification process for the Capital Bonds on 15 July 2013. Effective from 15 July 2013 the principal amount of Capital Bonds outstanding reduced from \$275 million to \$200 million and the interest rate was reduced from 8.5 per cent to 6.2 per cent. As at 30 June 2014 the total \$200 million of Capital Bonds was classified as term, expiring on 15 July 2041.

The Parent 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 which is 16 July 2018. On the first reset date and every five years thereafter, the interest rate will reset to be the sum of the five-year swap rate on the relevant reset date plus a margin of 2.4 per cent. 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.

### Finance lease liabilities

The Parent leases certain equipment relating to the importation of coal situated at the Port of Tauranga under a finance lease arrangement. The lease has a term of eight years with a renewal option for a further three terms of five years. The Parent does not have any right to purchase the leased assets at the end of the lease. There are no restrictions imposed by this lease, such as those concerning dividend distributions, additional debt financing and further leasing arrangements.

### Security

Except for finance leases, all of the Parent and Group's borrowings are unsecured. The Parent and Group borrow under a negative pledge arrangement, which does not permit the Parent or Group to grant any security interest over its assets, unless it is an exception permitted within the negative pledge.

Finance lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

## 29. Provisions

### Rehabilitation and restoration

The rehabilitation and restoration provision relates to the Meremere generation site, the Huntly ash ponds, and Kupe production facilities. 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.

The assumptions used to estimate the rehabilitation and restoration provision requires balanced judgement as there are a range of possible assumptions that could be used in estimating the carrying value of these obligations. The key assumption that could have a material impact on the Meremere generation site rehabilitation estimate relates to the extent of rehabilitation required at the end of the lease. The extent of rehabilitation depends on the effectiveness of the historical rehabilitation work and the rehabilitation obligations under the lease.

## 29. Provisions continued

The current assumption is that the current remediation work with some further tidy-up at the end of the lease in 2017 is sufficient. If future monitoring indicates that the clay caps need further remediation work the provision would need to increase by up to \$1.8 million. The site is monitored regularly and the rehabilitation plan amended as necessary.

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 was capped in situ, then the provision could decrease by \$7.5 million. The rehabilitation work on the ash ponds is estimated to be completed within the next 12 years.

The key assumptions that could have a material impact on the Kupe production facilities 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 US 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 \$16.5 million. Also affecting the provision are regulations around the removal of the subsea pipeline. Currently there are no regulations around this and, as such, the provision assumes the subsea pipeline will be flushed and left in situ. The rehabilitation is estimated to be completed in approximately 11 years.

### Contractual arrangements

The contractual arrangements provision relates 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 between 10 and 35 years.

### Other provisions

Other provisions represent the present value of the customer loyalty programme 'Brownie Points', onerous contract provision associated with changes to contractual arrangements and other minor provisions. A provision has been recognised for 60 per cent of the full liability of the Brownie Points programme as this reflects the estimated redemption rate. The timing of the outflows is dependent on customers redeeming their points after achieving a minimum rewards points balance. Unredeemed rewards points expire after a period of three years. A provision has been recognised during the year for onerous contracts based on the cash flows associated with the contracts. The timing of the outflows is expected to occur over the next seven years.

	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
<b>Rehabilitation and restoration</b>				
Balance at 1 July	66.5	59.9	13.9	12.5
Provisions made during the year	6.4	7.9	6.4	5.2
Provisions reversed during the year	(2.7)	(0.4)	(2.7)	(0.4)
Provisions used during the year	(4.0)	(3.8)	(4.0)	(3.8)
Time value of money adjustment	3.4	2.9	0.6	0.4
<b>Balance at 30 June</b>	<b>69.6</b>	<b>66.5</b>	<b>14.2</b>	<b>13.9</b>
<b>Contractual arrangements</b>				
Balance at 1 July	55.7	54.8	55.8	54.8
Provisions made during the year	1.4	3.5	1.4	3.5
Provisions reversed during the year	(0.5)	(0.1)	(0.5)	(0.1)
Provisions used during the year	(4.3)	(4.6)	(4.3)	(4.5)
Time value of money adjustment	2.1	2.1	2.1	2.1
<b>Balance at 30 June</b>	<b>54.4</b>	<b>55.7</b>	<b>54.5</b>	<b>55.8</b>
<b>Other provisions</b>				
Balance at 1 July	7.9	8.5	7.9	8.5
Provisions made during the year	14.8	4.5	14.8	4.5
Provisions reversed during the year	(2.7)	(3.3)	(2.7)	(3.3)
Provisions used during the year	(3.7)	(1.8)	(3.7)	(1.8)
Time value of money adjustment	0.2	-	0.2	-
<b>Balance at 30 June</b>	<b>16.5</b>	<b>7.9</b>	<b>16.5</b>	<b>7.9</b>
<b>Total</b>	<b>140.5</b>	<b>130.1</b>	<b>85.2</b>	<b>77.6</b>
Current	13.6	12.4	13.6	12.4
Non-current	126.9	117.7	71.6	65.2
<b>Total</b>	<b>140.5</b>	<b>130.1</b>	<b>85.2</b>	<b>77.6</b>

### 30. 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 and options
- Foreign exchange swaps and options
- Electricity swaps and options
- Oil swaps and options.

#### Net carrying value of derivatives

	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
<b>Cash flow hedges designated at fair value through profit or loss</b>				
Foreign exchange swaps	3.3	(3.0)	(0.1)	(3.1)
Interest rate swaps and options	(3.3)	(4.1)	(3.3)	(4.1)
Electricity swaps	(5.5)	(6.3)	(5.5)	(6.3)
Oil swaps	(4.4)	1.3	-	-
<b>Fair value hedges designated at fair value through profit or loss</b>				
Interest rate swaps and options	1.4	2.4	1.4	2.4
<b>Derivatives not designated as hedges</b>				
Foreign exchange options	1.4	-	1.0	-
Electricity swaps and options	(0.7)	(4.7)	(0.7)	(4.7)
Oil swaps and options	-	(0.3)	-	-
<b>Total</b>	<b>(7.8)</b>	<b>(14.7)</b>	<b>(7.2)</b>	<b>(15.8)</b>
<b>Carrying value of derivatives by balance sheet classification</b>				
Current assets	19.9	19.2	23.4	19.8
Non-current assets	8.0	5.6	8.9	5.6
Current liabilities	(22.5)	(17.5)	(24.2)	(18.9)
Non-current liabilities	(13.2)	(22.0)	(15.3)	(22.3)
<b>Total</b>	<b>(7.8)</b>	<b>(14.7)</b>	<b>(7.2)</b>	<b>(15.8)</b>

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



### 30. Derivatives continued

#### Change in carrying value of derivatives

		Group				
	Note	Oil swaps and options \$million	Interest rate swaps and options \$million	Foreign exchange swaps and options \$million	Electricity swaps and options \$million	Total \$million
<b>Balance as at 1 July 2012</b>		3.1	(6.7)	1.1	(34.9)	(37.4)
Total change recognised in electricity and petroleum revenue		(2.4)	-	-	36.4	34.0
- Net change in derivatives not designated as hedges		(2.6)	(0.5)	-	36.9	33.8
- Net change in fair value hedges		-	(1.0)	-	-	(1.0)
<b>Total change recognised in the change in fair value of financial instruments</b>	10	(2.6)	(1.5)	-	36.9	32.8
Gain (loss) recognised in other comprehensive income		0.5	6.0	(0.5)	18.2	24.2
Settlements		2.4	-	(3.6)	(23.5)	(24.7)
Sales (option fees)		-	-	-	(44.1)	(44.1)
Purchases (option fees)		-	0.5	-	-	0.5
<b>Balance as at 30 June 2013</b>		1.0	(1.7)	(3.0)	(11.0)	(14.7)
Total change recognised in electricity		-	-	-	32.6	32.6
- Net change in derivatives not designated as hedges		-	-	0.2	3.8	4.0
- Net change in fair value hedges		-	(1.0)	-	-	(1.0)
- Ineffective gain (loss) on cash flow hedges		(1.6)	-	(0.1)	(1.8)	(3.5)
<b>Total change recognised in the change in fair value of financial instruments</b>	10	(1.6)	(1.0)	0.1	2.0	(0.5)
Gain (loss) recognised in other comprehensive income		(6.8)	0.7	4.9	14.4	13.2
Settlements		3.0	0.1	1.5	(12.1)	(7.5)
Sales (option fees)		-	-	-	(32.1)	(32.1)
Purchases (option fees)		-	-	1.2	-	1.2
<b>Balance as at 30 June 2014</b>		<b>(4.4)</b>	<b>(1.9)</b>	<b>4.7</b>	<b>(6.2)</b>	<b>(7.8)</b>

	Note	Parent			Total \$million
		Interest rate swaps and options \$million	Foreign exchange swaps and options \$million	Electricity swaps and options \$million	
<b>Balance as at 1 July 2012</b>		(6.7)	(1.0)	(34.9)	(42.6)
Total change recognised in electricity revenue		-	-	36.5	36.5
- Net change in derivatives not designated as hedges		(0.5)	-	36.9	36.4
- Net change in fair value hedges		(1.0)	-	-	(1.0)
<b>Total change recognised in the change in fair value of financial instruments</b>	10	(1.5)	-	36.9	35.4
Gain (loss) recognised in other comprehensive income		6.0	(1.4)	18.2	22.8
Settlements		-	(0.7)	(23.6)	(24.3)
Sales (option fees)		-	-	(44.1)	(44.1)
Purchases (option fees)		0.5	-	-	0.5
<b>Balance as at 30 June 2013</b>		(1.7)	(3.1)	(11.0)	(15.8)
Total change recognised in electricity revenue		-	-	32.6	32.6
- Net change in derivatives not designated as hedges		(0.1)	0.2	3.8	3.9
- Net change in fair value hedges		(1.0)	-	-	(1.0)
- Ineffective gain (loss) on cash flow hedges		-	-	(1.8)	(1.8)
<b>Total change recognised in the change in fair value of financial instruments</b>	10	(1.1)	0.2	2.0	1.1
Gain (loss) recognised in other comprehensive income		0.7	0.2	14.4	15.3
Settlements		0.1	2.9	(12.1)	(9.1)
Sales (option fees)		-	-	(32.1)	(32.1)
Purchases (option fees)		0.1	0.7	-	0.8
<b>Balance as at 30 June 2014</b>		<b>(1.9)</b>	<b>0.9</b>	<b>(6.2)</b>	<b>(7.2)</b>

### 30. Derivatives continued

#### Reconciliation of movements in the cash flow hedge reserve

	Group				
	Oil swaps and options \$million	Interest rate swaps and options \$million	Foreign exchange swaps \$million	Electricity swaps \$million	Total \$million
<b>Balance as at 1 July 2012</b>	0.5	(7.3)	1.0	3.0	(2.8)
Total reclassified from the cash flow hedge reserve to profit or loss	-	-	(1.5)	(28.5)	(30.0)
Total reclassified from the cash flow hedge reserve to the cost of assets	-	-	(2.4)	-	(2.4)
Effective gain (loss) on cash flow hedges recognised directly in the cash flow hedge reserve	0.5	6.0	(0.5)	18.2	24.2
<b>Total change in cash flow hedge reserve</b>	0.5	6.0	(4.4)	(10.3)	(8.2)
Income tax on change in cash flow hedge reserve	(0.1)	(1.7)	1.2	2.9	2.3
<b>Balance as at 30 June 2013</b>	0.9	(3.0)	(2.2)	(4.4)	(8.7)
Total reclassified from the cash flow hedge reserve to profit or loss	2.8	0.1	0.3	(12.1)	(8.9)
Total reclassified from the cash flow hedge reserve to the cost of assets	-	-	0.7	-	0.7
Effective gain (loss) on cash flow hedges recognised directly in the cash flow hedge reserve	(6.8)	0.7	4.9	14.4	13.2
<b>Total change in cash flow hedge reserve</b>	(4.0)	0.8	5.9	2.3	5.0
Income tax on change in cash flow hedge reserve	1.1	(0.2)	(1.7)	(0.6)	(1.4)
<b>Balance as at 30 June 2014</b>	<b>(2.0)</b>	<b>(2.4)</b>	<b>2.0</b>	<b>(2.7)</b>	<b>(5.1)</b>

	Parent			
	Interest rate swaps and options \$million	Foreign exchange swaps \$million	Electricity swaps \$million	Total \$million
<b>Balance as at 1 July 2012</b>	(7.2)	(0.6)	3.0	(4.8)
Total reclassified from the cash flow hedge reserve to profit or loss	-	1.4	(28.5)	(27.1)
Total reclassified from the cash flow hedge reserve to the cost of assets	-	(2.1)	-	(2.1)
Effective gain (loss) on cash flow hedges recognised directly in the cash flow hedge reserve	6.0	(1.4)	18.2	22.8
<b>Total change in cash flow hedge reserve</b>	6.0	(2.1)	(10.3)	(6.4)
Income tax on change in cash flow hedge reserve	(1.8)	0.7	2.9	1.8
<b>Balance as at 30 June 2013</b>	(3.0)	(2.0)	(4.4)	(9.4)
Total reclassified from the cash flow hedge reserve to profit or loss	0.1	1.8	(12.1)	(10.2)
Total reclassified from the cash flow hedge reserve to the cost of assets	-	0.7	-	0.7
Effective gain (loss) on cash flow hedges recognised directly in the cash flow hedge reserve	0.7	0.2	14.4	15.3
<b>Total change in cash flow hedge reserve</b>	0.8	2.7	2.3	5.8
Income tax on change in cash flow hedge reserve	(0.2)	(0.8)	(0.6)	(1.6)
<b>Balance as at 30 June 2014</b>	<b>(2.4)</b>	<b>(0.1)</b>	<b>(2.7)</b>	<b>(5.2)</b>

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

### 31. Financial risk-management

#### Risk-management

The Group's overall risk-management programme focuses on the unpredictability of financial markets and seeks to minimise financial risk to the Group. The Board of Directors (the 'Board') has established policies which 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. Trading in financial instruments, including derivatives, for speculative purposes is not permitted by the Board. Interest rate, foreign exchange and oil price exposures are managed by the central Treasury function ('Treasury') and electricity exposures are managed by the risk-management Group ('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 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. 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 the counterparty the right to exercise a call option and electricity cap contracts.

The aggregate notional face value of the outstanding electricity swaps and options at balance date was \$1,666.2 million (2013: \$1,858.6 million).

#### Light crude oil sales

The Group manages price risk in respect of oil sales by entering into oil options which provide a minimum price for future oil sales or oil price swap contracts which 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 75 per cent for the first 12 months to between 25 per cent and 50 per cent for months 13 to 24.

The aggregate notional value of the outstanding oil swaps and options at balance date was USD 50.3 million (2013: USD 51.4 million).

The value of electricity and oil swaps and options are sensitive to changes in forward prices, and oil swaps and options are also sensitive to movements in foreign exchange rates. The table below summarises the impact an increase/decrease in these assumptions 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 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.

	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
<b>Electricity swaps and options</b>				
Post-tax impact on profit or loss				
+10%	(3.9)	(9.4)	(3.9)	(9.4)
-10%	2.9	7.6	2.9	7.6
Post-tax impact on cash flow hedge reserve (equity)				
+10%	(1.2)	3.4	(1.2)	3.4
-10%	1.2	(3.4)	1.2	(3.4)
<b>Oil swaps and options</b>				
Post-tax impact on profit or loss				
+10%	(1.7)	(0.8)	-	-
-10%	1.7	0.8	-	-
Post-tax impact on cash flow hedge reserve (equity)				
+10%	(2.7)	(3.1)	-	-
-10%	2.8	3.1	-	-

#### Foreign currency risk

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

The Group uses foreign exchange swaps and options to manage foreign exchange risk. 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 NZD \$500,000 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 from between 50 per cent and 80 per cent for the first 12 months to between 25 per cent and 50 per cent for months 13 to 24.

### 31. Financial risk-management continued

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

Currency of contract	Foreign amount		Group Face value		Fair value	
	2014	2013	2014	2013	2014	2013
	million	million	\$million	\$million	\$million	\$million
United States dollar	(87.9)	(23.6)	(109.2)	(31.0)	6.5	-
Japanese yen	1,259.8	1,251.1	16.5	19.4	(1.5)	(2.7)
Other	2.9	8.1	3.5	10.6	(0.3)	(0.3)
<b>Total foreign exchange swaps and options</b>			<b>(89.2)</b>	<b>(1.0)</b>	<b>4.7</b>	<b>(3.0)</b>

Currency of contract	Foreign amount		Parent Face value		Fair value	
	2014	2013	2014	2013	2014	2013
	million	million	\$million	\$million	\$million	\$million
United States dollar	(48.9)	(7.1)	(59.6)	(9.3)	2.7	(0.1)
Japanese yen	1,259.8	1,251.1	16.5	19.4	(1.5)	(2.7)
Other	2.9	8.1	3.5	10.6	(0.3)	(0.3)
<b>Total foreign exchange swaps and options</b>			<b>(39.6)</b>	<b>20.7</b>	<b>0.9</b>	<b>(3.1)</b>

The value of foreign exchange swaps and options are sensitive to changes in the forward prices of currencies. 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. 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	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
Post-tax impact on profit or loss					
United States dollar	+10%	2.6	-	1.9	-
	-10%	(1.0)	-	(0.7)	-
<b>Total foreign exchange swaps and options</b>	+10%	<b>2.6</b>	<b>-</b>	<b>1.9</b>	<b>-</b>
<b>Total foreign exchange swaps and options</b>	-10%	<b>(1.0)</b>	<b>-</b>	<b>(0.7)</b>	<b>-</b>
Post-tax impact on cash flow hedge reserve (equity)					
United States dollar	+10%	3.6	2.0	1.6	0.6
	-10%	(4.5)	(2.5)	(1.9)	(0.8)
Japanese yen	+10%	(0.9)	(1.1)	(0.9)	(1.1)
	-10%	1.1	1.3	1.1	1.3
Other	+10%	(0.2)	(0.6)	(0.2)	(0.6)
	-10%	0.3	0.8	0.3	0.8
<b>Total foreign exchange swaps and options</b>	+10%	<b>2.5</b>	<b>0.3</b>	<b>0.5</b>	<b>(1.1)</b>
<b>Total foreign exchange swaps and options</b>	-10%	<b>(3.1)</b>	<b>(0.4)</b>	<b>(0.5)</b>	<b>1.3</b>

#### Interest rate risk

The Group is exposed to interest rate risk as a portion of borrowings have 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 which 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 60 per cent for projected debt with an age profile of greater than 5 years.

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

	Group and Parent					
	Average contracted fixed interest rates		Notional principal amount		Fair value	
	2014 %	2013 %	2014 \$million	2013 \$million	2014 \$million	2013 \$million
Not later than one year	-	3.75	-	200.0	-	1.7
Later than one year and not later than two years	3.67	-	50.0	-	-	-
Later than two years and not later than five years	5.05	8.10	145.0	25.0	1.3	2.4
Later than five years	5.33	5.25	185.0	180.0	(3.2)	(5.8)
	5.01	4.69	380.0	405.0	(1.9)	(1.7)

### 31. Financial risk-management continued

The value of interest rate swaps and options 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. 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.

	Group and Parent	
	2014 \$million	2013 \$million
Post-tax impact on profit		
+1%	(0.4)	(0.7)
-1%	0.4	0.5
Post-tax impact on cash flow hedge reserve (equity)		
+1%	6.3	5.8
-1%	(6.8)	(4.7)

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

A bond is held as collateral from post paid electricity customers where their 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 \$4.2 million (2013: \$4.4 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 liquidity risk arises from its ability to readily attract cost-effective funding, which 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 table below 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. The amounts in the table are the undiscounted contractual cash flows. Where the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the internally generated forward price curves existing at balance date. As the amounts included in the tables are contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed in the balance sheet.

### 31. Financial risk-management continued

As at 30 June 2014	Group					Total contractual cash flows \$million
	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	
<b>Non-derivative financial liabilities</b>						
Trade and other payables	<b>Non-bearing</b>	<b>(193.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(193.1)</b>
Revolving credit and money market	<b>5.2</b>	<b>(24.5)</b>	<b>(18.5)</b>	<b>(386.5)</b>	<b>-</b>	<b>(429.5)</b>
Wholesale term notes	<b>6.6</b>	<b>(19.5)</b>	<b>(20.8)</b>	<b>(167.9)</b>	<b>(213.3)</b>	<b>(421.5)</b>
Retail term notes	<b>8.0</b>	<b>(8.0)</b>	<b>(113.0)</b>	<b>-</b>	<b>-</b>	<b>(121.0)</b>
Capital Bonds	<b>6.2</b>	<b>(12.4)</b>	<b>(12.4)</b>	<b>(37.1)</b>	<b>(478.6)</b>	<b>(540.5)</b>
Finance lease payable	<b>7.1</b>	<b>(1.8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.8)</b>
		<b>(259.3)</b>	<b>(164.7)</b>	<b>(591.5)</b>	<b>(691.9)</b>	<b>(1,707.4)</b>
<b>Derivative assets (liabilities)</b>						
<b>Net-settled derivatives</b>						
Interest rate swaps and options (cash flow hedges)		<b>(0.8)</b>	<b>0.1</b>	<b>(2.6)</b>	<b>(0.4)</b>	<b>(3.7)</b>
Interest rate swaps and options (fair value hedges)		<b>0.5</b>	<b>0.3</b>	<b>0.7</b>	<b>-</b>	<b>1.5</b>
Electricity swaps (cash flow hedges)		<b>(0.7)</b>	<b>(1.1)</b>	<b>(3.7)</b>	<b>(0.1)</b>	<b>(5.6)</b>
Electricity swaps and options (not designated as hedges)		<b>(0.3)</b>	<b>1.2</b>	<b>(1.5)</b>	<b>-</b>	<b>(0.6)</b>
Oil swaps (cash flow hedges)		<b>(3.6)</b>	<b>(1.0)</b>	<b>-</b>	<b>-</b>	<b>(4.6)</b>
<b>Gross-settled derivatives</b>						
Foreign exchange swaps (cash flow hedges)						
- Inflows		<b>2.2</b>	<b>3.1</b>	<b>-</b>	<b>-</b>	<b>5.3</b>
- Outflows		<b>(1.4)</b>	<b>(0.4)</b>	<b>-</b>	<b>-</b>	<b>(1.8)</b>
Foreign exchange options (not designated as hedges)						
- Inflows		<b>0.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.9</b>
		<b>(3.2)</b>	<b>2.2</b>	<b>(7.1)</b>	<b>(0.5)</b>	<b>(8.6)</b>

The foreign exchange swaps cash flows above include \$0.6 million inflow in the less-than-one-year category in relation to capital projects which would not be recognised in profit or loss.

<b>As at 30 June 2013</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	Non-bearing	(223.0)	-	-	-	(223.0)
Revolving credit and money market	4.3	(21.6)	(82.0)	(103.6)	-	(207.2)
Wholesale term notes	6.7	(19.8)	(21.1)	(155.3)	(234.3)	(430.5)
Retail term notes	7.8	(136.7)	(16.7)	(121.1)	-	(274.5)
Capital Bonds	9.1	(277.0)	-	-	-	(277.0)
Finance lease payable	7.1	(4.3)	(1.8)	-	-	(6.1)
		(682.4)	(121.6)	(380.0)	(234.3)	(1,418.3)
<b>Derivative assets (liabilities)</b>						
<b>Net-settled derivatives</b>						
Interest rate swaps and options (cash flow hedges)		(1.0)	(0.7)	(2.9)	(1.2)	(5.8)
Interest rate swaps and options (fair value hedges)		0.7	0.6	1.1	-	2.4
Electricity swaps (cash flow hedges)		(4.2)	(0.7)	(2.5)	1.1	(6.3)
Electricity swaps and options (not designated as hedges)		6.8	(8.2)	(3.3)	-	(4.7)
Oil swaps (cash flow hedges)		1.0	0.3	-	-	1.3
Oil swaps and options (not designated as hedges)		(0.3)	-	-	-	(0.3)
<b>Gross-settled derivatives</b>						
Foreign exchange swaps (cash flow hedges)						
- Inflows		0.4	0.2	-	-	0.6
- Outflows		(3.5)	(0.1)	-	-	(3.6)
		(0.1)	(8.6)	(7.6)	(0.1)	(16.4)

The foreign exchange swaps and options cash flows above include \$0.7 million outflow in the less-than-one-year category in relation to capital projects which would not be recognised in profit or loss.

The Parent completed a modification process for the capital bonds on 15 July 2013. In the prior year, the modified \$200 million was classified as term, expiring 15 July 2041. Refer to note 28 for further details.

### 31. Financial risk-management continued

The net liquidity risk position under one year is positive when taking into account non-derivative financial assets and undrawn revolving credit facility.

As at 30 June 2014	Parent					Total contractual cash flows \$million
	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	
<b>Non-derivative financial liabilities</b>						
Trade and other payables	<b>Non-bearing</b>	<b>(182.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(182.1)</b>
Revolving credit and money market	<b>5.2</b>	<b>(24.5)</b>	<b>(18.5)</b>	<b>(386.5)</b>	<b>-</b>	<b>(429.5)</b>
Wholesale term notes	<b>6.6</b>	<b>(19.5)</b>	<b>(20.8)</b>	<b>(167.9)</b>	<b>(213.3)</b>	<b>(421.5)</b>
Retail term notes	<b>8.0</b>	<b>(8.0)</b>	<b>(113.0)</b>	<b>-</b>	<b>-</b>	<b>(121.0)</b>
Capital Bonds	<b>6.2</b>	<b>(12.4)</b>	<b>(12.4)</b>	<b>(37.1)</b>	<b>(478.6)</b>	<b>(540.5)</b>
Finance lease payable	<b>7.1</b>	<b>(1.8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.8)</b>
		<b>(248.3)</b>	<b>(164.7)</b>	<b>(591.5)</b>	<b>(691.9)</b>	<b>(1,696.4)</b>
<b>Derivative assets (liabilities)</b>						
<b>Net-settled derivatives</b>						
Interest rate swaps and options (cash flow hedges)		<b>(0.8)</b>	<b>0.1</b>	<b>(2.6)</b>	<b>(0.4)</b>	<b>(3.7)</b>
Interest rate swaps and options (fair value hedges)		<b>0.5</b>	<b>0.3</b>	<b>0.7</b>	<b>-</b>	<b>1.5</b>
Electricity swaps (cash flow hedges)		<b>(0.7)</b>	<b>(1.1)</b>	<b>(3.7)</b>	<b>(0.1)</b>	<b>(5.6)</b>
Electricity swaps and options (not designated as hedges)		<b>(0.3)</b>	<b>1.2</b>	<b>(1.5)</b>	<b>-</b>	<b>(0.6)</b>
<b>Gross-settled derivatives</b>						
Foreign exchange swaps (cash flow hedges)						
- Inflows		<b>2.2</b>	<b>3.1</b>	<b>-</b>	<b>-</b>	<b>5.3</b>
- Outflows		<b>(2.7)</b>	<b>(2.7)</b>	<b>-</b>	<b>-</b>	<b>(5.4)</b>
Foreign exchange options (not designated as hedges)						
- Inflows		<b>0.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.9</b>
- Outflows		<b>(0.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.3)</b>
		<b>(1.2)</b>	<b>0.9</b>	<b>(7.1)</b>	<b>(0.5)</b>	<b>(7.9)</b>

The foreign exchange swaps and options cash flows above include \$0.6 million inflow in the less-than-one-year category in relation to capital projects which would not be recognised in profit or loss.

<b>As at 30 June 2013</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	Non-bearing	(211.1)	-	-	-	(211.1)
Revolving credit and money market	4.3	(21.6)	(82.0)	(103.6)	-	(207.2)
Wholesale term notes	6.7	(19.8)	(21.1)	(155.3)	(234.3)	(430.5)
Retail term notes	7.8	(136.7)	(16.7)	(121.1)	-	(274.5)
Capital Bonds	9.1	(277.0)	-	-	-	(277.0)
Finance lease payable	7.1	(4.3)	(1.8)	-	-	(6.1)
		(670.5)	(121.6)	(380.0)	(234.3)	(1,406.4)
<b>Derivative assets (liabilities)</b>						
<b>Net-settled derivatives</b>						
Interest rate swaps and options (cash flow hedges)		(1.0)	(0.7)	(2.9)	(1.2)	(5.8)
Interest rate swaps and options (fair value hedges)		0.7	0.6	1.1	-	2.4
Electricity swaps (cash flow hedges)		(4.2)	(0.7)	(2.5)	1.1	(6.3)
Electricity swaps and options (not designated as hedges)		6.8	(8.2)	(3.3)	-	(4.7)
<b>Gross-settled derivatives</b>						
Foreign exchange swaps (cash flow hedges)						
- Inflows		3.9	0.3	-	-	4.2
- Outflows		(7.0)	(0.1)	-	-	(7.1)
		(0.8)	(8.8)	(7.6)	(0.1)	(17.3)

The foreign exchange swaps and options cash flows above include \$0.7 million outflow in the less-than-one-year category in relation to capital projects which would not be recognised in profit or loss.



## 31. Financial risk-management continued

### 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 28, cash and cash equivalents and equity attributable to the shareholders of Genesis Energy Limited, comprising issued capital, reserves and retained earnings as disclosed in the balance sheet. During 2013, the Parent issued wholesale term notes which are included in the borrowings disclosed in note 28.

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 (2013: nil).

## 32. 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, dealer, broker, industry group, pricing service or 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 and options, foreign exchange swaps and options, and oil swaps and options and electricity derivatives which are valued using observable 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 internally generated electricity price paths.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of 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 (2013: nil).

### Valuation of Level Two

Fair value of level two derivatives is determined using a discounted cash flow model. The key assumptions and judgements in the valuation model were:

Derivative	Valuation input
Interest rate swaps and options	Forward interest rate price curve
Foreign exchange swaps and options	Forward foreign exchange rate curves at balance date
Oil swaps and options	Forward oil price and foreign exchange rate curves
Electricity swaps (not designated as hedges)	ASX forward price curve

### Items carried at fair value

	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
<b>Recurring fair value measurements</b>				
<b>Level Two</b>				
<i>Derivatives</i>				
Interest rate swaps and options	(1.9)	(1.7)	(1.9)	(1.7)
Foreign exchange swaps and options	4.7	(3.0)	0.9	(3.1)
Oil swaps and options	(4.4)	1.0	-	-
Electricity swaps (not designated as hedges)	0.5	(1.9)	0.5	(1.9)
	(1.1)	(5.6)	(0.5)	(6.7)

### Valuation of Level Three

#### Valuation processes of the Group

The Group's finance department includes a team who 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 to inputs to the Board in the monthly Finance report and any changes to the valuation methodology are reported to the Audit Committee through update papers when any changes are anticipated or have been made due to changes in the business.

### 32. Fair value continued

#### Valuation method of the Group

The valuation of electricity swaps in level three is based on a forecast internally generated electricity price path. 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 fair value of these derivatives. The key unobservable inputs driving potential changes to the forecast internally generated price path are changes in demand, hydrology and new generation build. Any one of these factors could result in a change to the price path and therefore the fair value of electricity swaps and options for level three. The electricity 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 79 years of historical hydrological inflow data. New generation build assumptions are based on announcements to the New Zealand market.

The electricity price path requires several inputs derived from third parties. These inputs include discount rates, demand, new build, planned outages, latest hydrology and several others which are checked and signed off by senior management who are responsible for the price path that is output for use across the Group. These inputs are obtained from reputable institutions and are checked by the business for reasonableness as well as ensuring they align with the requirements of NZ IFRS.

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 on a time-weighted basis range from \$70 per MWh to \$113 per MWh over the period from July 2014 to 31 December 2025.

#### Valuation of electricity swaps and options

If the price path increased by 10 per cent while holding the discount rate consistent, this would result in the carrying value of the electricity derivatives increasing to \$13.7 million liability (2013: \$16.6 million liability). If the price path decreased by 10 per cent while holding the discount rate constant, the carrying value would decrease to \$1.1 million liability (2013: \$4.1 million asset).

The valuation of electricity options is based on a discounted cash flow model over the life of the agreement. The key assumptions in the model are: the callable volumes, strike price and option fees outlined in the agreement, the forecast internally generated electricity price path, day one gains and losses, emission credits and the discount rate. The options are deemed to be called when the internally generated price path is higher than the strike prices after taking into account obligations relating to the specific terms of each contract. The discount rate used in the model was 3.4 per cent to 5.5 per cent (2013: 2.5 per cent to 4.8 per cent) and the emission credit price used ranged between \$6.00 and \$26.00 (2013: \$7.92 and \$15.43).

#### Valuation of generation assets

Refer to note 20 for the valuation of generation assets.

#### Items carried at fair value

	Group and Parent	
	2014 \$million	2013 \$million
<b>Recurring fair value measurements</b>		
<b>Level Three</b>		
<i>Derivatives</i>		
Electricity swaps (cash flow hedges)	(5.5)	(6.3)
Electricity swaps and options (not designated as hedges)	(1.2)	(2.8)
	(6.7)	(9.1)
<i>Property, plant and equipment</i>		
Generation assets	2,689.9	2,708.5

	Group and Parent	
	2014 \$million	
<b>Reconciliation of Level Three derivatives</b>		
<b>Balance as at 1 July 2013</b>		(9.1)
– Electricity revenue		32.7
– Change in fair value of financial instruments		(0.5)
Total gain (loss) in profit or loss		32.2
Total gain (loss) recognised in cash flow hedge reserve		9.2
Settlements (gain) loss		(6.9)
Sales		(32.1)
<b>Balance as at 30 June 2014</b>		(6.7)

Refer to note 20 for a reconciliation of movements in generation assets.

Change in fair value of financial instruments for the year included an unrealised loss of \$0.8 million relating to level three derivatives that are measured at fair value at the end of each reporting period.

### 32. Fair value continued

#### Deferred 'day one' gains (losses)

Where the Group estimates fair values of derivatives using forecasted internally generated future price paths, as is the case with electricity derivatives, the instrument is fair-valued at inception and the difference arising between the estimated fair value and its cost (nil) is a deferred day one gain (loss). For electricity options, the valuation adjustment is effectively amortised based on expected call volumes over the term of the contract. The carrying value of derivatives is disclosed net of the day one adjustments.

The following table details the movements and amounts of deferred 'day one' gains (loss) included in the fair value of electricity derivatives held at balance date:

	Group and Parent	
	2014 \$million	2013 \$million
<b>Balance at 1 July</b>	<b>26.0</b>	40.2
Deferred day one gains (losses) on new derivatives	<b>0.1</b>	3.6
Deferred day one gains (losses) realised during the year	<b>(13.2)</b>	(17.8)
<b>Balance at 30 June</b>	<b>12.9</b>	26.0

#### Items disclosed at fair value

	Group and Parent			
	Carrying value		Fair value	
	2014 \$million	2013 \$million	2014 \$million	2013 \$million
<b>Recurring fair value measurements</b>				
<b>Level one</b>				
Retail term notes	<b>(106.8)</b>	(228.7)	<b>(111.8)</b>	(241.4)
Capital Bonds	<b>(202.6)</b>	(279.7)	<b>(198.2)</b>	(275.0)
<b>Level two</b>				
Wholesale term notes	<b>(320.5)</b>	(321.4)	<b>(327.5)</b>	(333.4)

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 4.3 per cent to 6.5 per cent.

**33. Comparison to prospective financial information ('PFI')****Consolidated comprehensive income statement**

	Group	
	2014 Actual \$million	2014 PFI \$million
<b>Operating revenue</b>		
Electricity revenue	1,661.1	1,691.3
Gas revenue	251.3	261.0
Petroleum revenue	84.4	81.3
Other revenue	8.2	7.0
	<b>2,005.0</b>	<b>2,040.6</b>
<b>Operating expenses</b>		
Electricity purchases, transmission and distribution	(897.7)	(912.8)
Gas purchases and transmission	(249.8)	(257.2)
Petroleum production, marketing and distribution	(30.6)	(30.1)
Fuels consumed	(191.3)	(203.1)
Employee benefits	(89.2)	(87.0)
Other operating expenses	(238.6)	(245.2)
	<b>(1,697.2)</b>	<b>(1,735.4)</b>
<b>Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses</b>	<b>307.8</b>	<b>305.2</b>
Depreciation, depletion and amortisation	(156.7)	(157.8)
Impairment of non-current assets	(10.1)	(9.5)
Change in fair value of financial instruments	0.4	(3.9)
Other gains (losses)	(1.6)	(0.3)
	<b>(168.0)</b>	<b>(171.5)</b>
<b>Profit before net finance expense and income tax</b>	<b>139.8</b>	<b>133.7</b>
Finance revenue	0.9	0.4
Finance expense	(69.1)	(71.5)
<b>Profit before income tax</b>	<b>71.6</b>	<b>62.6</b>
Income tax (expense)	(22.4)	(20.8)
<b>Net profit for the year</b>	<b>49.2</b>	<b>41.8</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Change in cash flow hedge reserve	5.0	1.0
Income tax credit relating to items that may be reclassified	(1.4)	(0.3)
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>3.6</b>	<b>0.7</b>
<b>Total other comprehensive income for the year</b>	<b>3.6</b>	<b>0.7</b>
<b>Total comprehensive income for the year</b>	<b>52.8</b>	<b>42.5</b>
<b>Earnings per share from operations attributable to shareholders of the Parent:</b>		
Basic and diluted earnings per share (cents)	<b>4.92</b>	<b>4.20</b>

Electricity and gas revenue was lower than PFI due to reduced electricity generation, and lower than expected energy consumption as a result of a decline in customer numbers and warmer winter temperatures. Petroleum revenue was higher than PFI due to greater than expected production from the Kupe oil and gas field and higher spot oil prices. Significant hydro inflows, combined with the unseasonable warm conditions, depressed wholesale electricity prices, which, together with lower electricity demand, led to lower electricity purchase, transmission and distribution costs. Gas purchases and transmission were below PFI, in line with the reduced gas sales volumes. The lower wholesale electricity prices drove the reduction in overall electricity generation and a preference for hydro over thermal generation. Consequently fuel costs were lower than PFI and other operating expenses benefited from less maintenance and costs associated with running the thermal fleet.

### 33. Comparison to prospective financial information ('PFI') continued

#### Consolidated statement of changes in equity

	Group	
	2014 Actual \$million	2014 PFI \$million
<b>Balance as at 1 July 2013</b>	<b>1,949.8</b>	<b>1,949.7</b>
Net profit for the year	49.2	41.8
<b>Other comprehensive income</b>		
Change in cash flow hedge reserve	5.0	1.0
Income tax (expense) credit relating to other comprehensive income	(1.4)	(0.3)
<b>Total comprehensive income for the year</b>	<b>52.8</b>	<b>42.5</b>
Acquisition of Treasury shares	(0.9)	-
Dividends	(121.0)	(121.0)
<b>Balance as at 30 June 2014</b>	<b>1,880.7</b>	<b>1,871.2</b>

Total equity was slightly higher than PFI due to a better than PFI net profit after tax and an increase in cash flow hedge reserves.

#### Consolidated balance sheet

<b>Current assets</b>		
Cash and cash equivalents	23.3	24.5
Receivables and prepayments	216.4	281.1
Inventories	93.8	69.9
Intangible assets	3.9	2.3
Derivatives	19.9	13.3
<b>Total current assets</b>	<b>357.3</b>	<b>391.1</b>
<b>Non-current assets</b>		
Property, plant and equipment	2,758.8	2,782.1
Oil and gas assets	342.1	341.1
Intangible assets	128.2	118.2
Inventories	34.1	48.2
Receivables and prepayments	0.9	1.0
Derivatives	8.0	3.4
<b>Total non-current assets</b>	<b>3,272.1</b>	<b>3,294.0</b>
<b>Total assets</b>	<b>3,629.4</b>	<b>3,685.1</b>
<b>Current liabilities</b>		
Payables and accruals	194.8	235.4
Tax payable	3.4	1.6
Borrowings	12.3	11.3
Provisions	13.6	11.8
Derivatives	22.5	21.9
<b>Total current liabilities</b>	<b>246.6</b>	<b>282.0</b>
<b>Non-current liabilities</b>		
Payables and accruals	0.7	0.6
Borrowings	977.1	1,007.5
Provisions	126.9	130.2
Deferred tax liability	384.2	380.9
Derivatives	13.2	12.7
<b>Total non-current liabilities</b>	<b>1,502.1</b>	<b>1,531.9</b>
<b>Total liabilities</b>	<b>1,748.7</b>	<b>1,813.9</b>
<b>Shareholder's equity</b>		
Share capital	539.7	540.6
Reserves	1,341.0	1,330.6
<b>Total equity</b>	<b>1,880.7</b>	<b>1,871.2</b>
<b>Total equity and liabilities</b>	<b>3,629.4</b>	<b>3,685.1</b>

### 33. Comparison to prospective financial information ('PFI') continued

Current assets were lower than PFI due to a reduction in revenue combined with an improvement in debtor days, partially offset by an increase in the coal stockpile due to lower than expected coal-fired generation. Non-current assets were lower than PFI due to reduced capital expenditure. Payables and accruals were significantly below PFI due to lower electricity purchases. Net debt was significantly better than PFI due to the reduced capital expenditure, better debtor collection, lower finance expense and better than expected operating expenses.

#### Consolidated cash flow statement

	Group	
	2014 Actual \$million	2014 PFI \$million
<b>Cash flows from operating activities</b>		
Cash was provided from:		
Receipts from customers	2,055.1	2,020.7
Interest received	0.9	0.4
	2,056.0	2,021.1
Cash was applied to:		
Payments to suppliers and related parties	1,649.7	1,625.1
Payments to employees	89.1	87.2
Tax paid	13.3	15.5
	1,752.1	1,727.8
<b>Net cash inflows from operating activities</b>	<b>303.9</b>	<b>293.3</b>
<b>Cash flows from investing activities</b>		
Cash was provided from:		
Proceeds from disposal of property, plant and equipment	0.4	0.1
Proceeds from disposal of oil and gas assets	0.1	-
	0.5	0.1
Cash was applied to:		
Purchase of property, plant and equipment	66.5	85.1
Purchase of oil and gas assets	1.2	4.0
Purchase of intangibles (excluding emission units)	15.7	8.5
	83.4	97.6
<b>Net cash (outflows) from investing activities</b>	<b>(82.9)</b>	<b>(97.5)</b>
<b>Cash flows from financing activities</b>		
Cash was provided from:		
Proceeds from borrowings	167.1	197.1
	167.1	197.1
Cash was applied to:		
Repayment of borrowings	195.0	195.0
Interest paid and other finance charges	66.6	71.1
Repayment of principal on finance lease liabilities	4.0	4.0
Dividends	121.0	121.0
Acquisition of Treasury shares	0.9	-
	387.5	391.1
<b>Net cash (outflows) from financing activities</b>	<b>(220.4)</b>	<b>(194.0)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>0.6</b>	<b>1.8</b>
Cash and cash equivalents at 1 July	22.7	22.7
<b>Cash and cash equivalents at 30 June</b>	<b>23.3</b>	<b>24.5</b>

Operating cash flows were ahead of PFI due to an improvement in debtor collections and reduced payments to suppliers and related parties. Lower than expected purchases of property, plant and equipment and intangible assets were the main driver of investing cash outflows being lower than PFI. Consistent with the lower levels of debt on the balance sheet, financing cash flows benefited from lower than PFI proceeds from borrowings.

### 34. Commitments

#### Capital commitments

	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
Not later than one year	8.3	36.1	7.4	36.1
Later than one year but not later than five years	4.1	4.7	4.1	4.7
<b>Total capital commitments</b>	<b>12.4</b>	<b>40.8</b>	<b>11.5</b>	<b>40.8</b>

The capital commitments disclosed above include \$1.0 million in relation to Kupe Joint Venture (2013: nil).

#### Operating lease commitments

##### Where the Group is lessee

The Group leases building accommodation for its offices, and land for its generation sites under operating lease arrangements. 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 up to 20 years. In some cases, renewal rights exist with market review clauses. The Group does not have any options to purchase the leased assets at the expiry of the lease period.

	Group 2014 \$million	Group 2013 \$million	Parent 2014 \$million	Parent 2013 \$million
Not later than one year	11.7	9.1	11.4	8.4
Later than one year but not later than five years	26.0	29.9	25.2	27.9
Later than five years	16.5	22.8	16.5	20.1
<b>Total operating lessee commitments</b>	<b>54.2</b>	<b>61.8</b>	<b>53.1</b>	<b>56.4</b>

Lease commitments are disclosed exclusive of GST.

### 35. Contingent assets and liabilities

The Group and Parent had contingent assets and liabilities at 30 June 2014 in respect of:

#### Land claims, law suits and other claims

The Parent acquired interests in land and leases from 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 Maori 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 affected by the Crown under the Public Works Act 1981 and compensation would be payable to the Parent.

The Board of Directors cannot reasonably estimate the adverse effect (if any) on the Parent if any of the foregoing claims are ultimately resolved against it, or 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 (2013: nil).

### 36. Events occurring after balance date

Subsequent to balance date the following events occurred:

- The Parent declared a final fully imputed dividend of \$66.0 million (6.6 cents per share);
- Kinleith Cogeneration Limited and GP No. 1 Limited were amalgamated into the Parent; and
- The Parent entered into a swaption with Meridian Energy to provide dry year cover for four years from 1 January 2015. The 150MW swaption follows on from the existing 200MW swaption between Genesis Energy and Meridian Energy which expires in October 2014.

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



# INDEPENDENT AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF GENESIS ENERGY LIMITED AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The Auditor-General is the auditor of Genesis Energy Limited (the company) and group. The Auditor-General has appointed me, Andrew Dick, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the company and group, on her behalf.

We have audited the financial statements of the company and group on pages 1 to 43, that comprise the balance sheet as at 30 June 2014, the comprehensive income statement, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

### Opinion

#### Financial statements

In our opinion the financial statements of the company and group on pages 1 to 43:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the company and group's:
  - financial position as at 30 June 2014; and
  - financial performance and cash flows for the year ended on that date.

#### Other legal requirements

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

Our audit was completed on 26 August 2014. This is the date at which our opinion is expressed.

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

### Basis of opinion

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

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

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

An audit also involves evaluating:

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

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

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

### Responsibilities of the Board of Directors

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

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

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

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

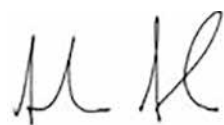
### Responsibilities of the Auditor

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

### Independence

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

In addition to the audit we have carried out assignments in the areas of the prospectus, trustee reporting and review of the Global Reporting Initiative Report, which are compatible with those independence requirements. Principals and employees of our firm also deal with Genesis Energy Limited on arm's length terms within the ordinary course of trading activities of the company. Other than the audit and these assignments, we have no relationship with or interests in Genesis Energy Limited or any of its subsidiaries.



**Andrew Dick**  
Deloitte  
On behalf of the Auditor-General  
Auckland, New Zealand

**Deloitte.**



# GENESIS ENERGY

FY2014 Results Presentation



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The past performance information provided in this presentation may not be a reliable indication of future performance. This presentation may also contain or refer to forward looking statements and comments about future events, including expectations about the performance of Genesis Energy's business. The words "prospective", "PFI", "forecast", "estimate", "anticipate", "expect", "intend", "should", "could", "may" and "outlook" and similar expressions are intended to identify such forward looking statements. Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such forward looking statements will not be achieved. A number of important factors could cause Genesis Energy's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements.

Where non-GAAP financial measures are used in this presentation, you should not consider these in isolation from, or as a substitute for, the information provided in the audited consolidated financial statements which are available at [www.genesisenergy.co.nz](http://www.genesisenergy.co.nz).

This presentation does not constitute financial advice, financial product advice, legal or taxation advice.



# 2014 HIGHLIGHTS

Albert Brantley  
Chief Executive



# FY2014 a Milestone Year

- Listed on the NZX and ASX on 17 April 2014
  - 68,000 new shareholders at listing
- Genesis Energy relied on three key business activities to manage the impact of volatility in New Zealand's electricity market on its earnings, achieve the prospective financial information (PFI), and enable the Company to pay an increased dividend
- Key financial metrics were all better than prospective financial information
  - EBITDAF of \$307.9m was 1% ahead of the PFI forecast
  - NPAT of \$49.2m was 18% higher than PFI
  - Total dividends declared of 13.0cps is 2% higher than the PFI

**1**  
**NZ'S LARGEST  
RETAILER  
OF ELECTRICITY  
AND GAS**

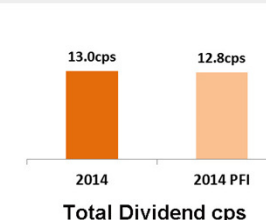
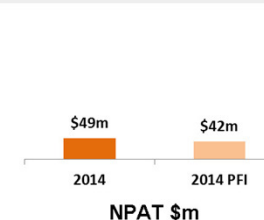
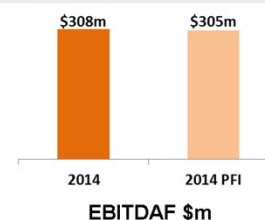
**2**  
**DIVERSE AND  
FLEXIBLE  
ELECTRICITY  
GENERATION**

**3**  
**OIL AND GAS  
DIVERSIFICATION**

**FY2014 Dividend  
Yield**  
(based on share price at  
30 June 2014)

**10.0%**  
Gross Dividend Yield

**7.2%**  
Cash Dividend Yield



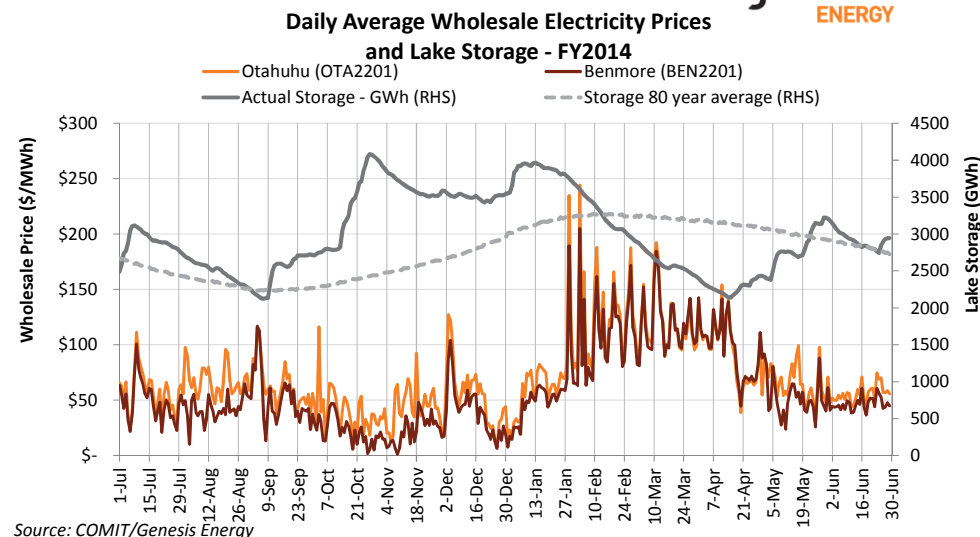


# Strategic Highlights

- Improved on delivery of our commitment to Health and Safety and achieving a zero harm work place
- Completed remediation work on the Tekapo Canal ahead of schedule, under budget and with no lost time injuries or major incidents recorded
- Placed second Huntly 250MW coal/gas Rankine unit into long term storage in December 2013
- Restructured coal supply contracts to reflect future thermal strategy
- Signed a new gas supply contract with Contact Energy
- Post balance date signed a four year swaption agreement with Meridian Energy

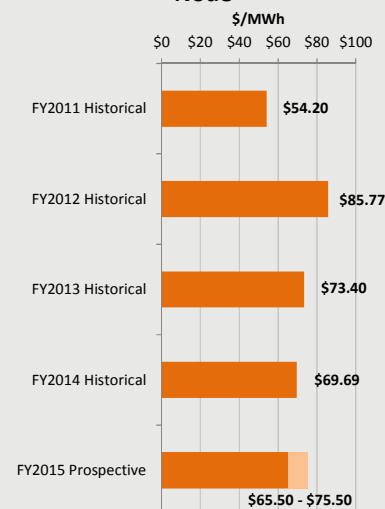


# Wholesale Electricity Market



- Three distinct periods of hydrological conditions which affected wholesale electricity prices
  - Storage above average for first seven months of the year
  - January 2014 until mid April 2014 dry sequence, inflows declined and national storage levels reduced
  - Wholesale prices dropped sharply from mid April to the end of the year due to significant rainfall and above average temperatures
- Lake Tekapo storage not affected by mid-year dry sequence due to Tekapo A and B outage for canal remediation
- Waikaremoana storage significantly below long run average at beginning and end of year, above average mid year

**Average Wholesale Electricity Price at Huntly Node**



# Customer Experience Performance

12 months to June 30	2014	2014 PFI	Difference vs PFI %	2013	% change
Electricity Customers	523,278	541,920	-3%	543,774	-4%
Gas Customers	111,966	118,949	-6%	115,003	-3%
<b>Total Customers ex LPG</b>	<b>635,244</b>	<b>660,869</b>	<b>-4%</b>	<b>658,777</b>	<b>-4%</b>
LPG Customers	11,803	12,708	-7%	9,708	22%
<b>Total Customer Accounts</b>	<b>647,047</b>	<b>673,577</b>	<b>-4%</b>	<b>668,485</b>	<b>-3%</b>
Total Advanced Meters Installed	367,882	-	-	327,721	12%
12 months annualised churn rate	21.2%	-	-	15.6%	36%
Retail Electricity Sales (GWh)	5,391	5,497	-2%	5,354	1%
Retail Electricity Purchases (GWh)	5,729	5,814	-1%	5,693	1%
Retail Gas Sales (PJ)	6.1	6.3	-3%	5.0	23%
Retail Gas Purchases (PJ)	6.1	6.3	-3%	5.0	21%
Retail LPG Sales (tonnes)	3,018	3,000	1%	2,445	23%
Average Retail Electricity Purchase Price (\$/MWh)	\$69.80	\$68.57	2%	\$76.88	-9%
LWAP/GWAP ratio	99%	95%	4%	102%	-3%

- Retail electricity and gas markets continue to be extremely competitive
- Total retail electricity and gas sales volumes up 1% and 23% respectively on last year, but behind PFI estimates
  - Both benefitting from increases in Time of Use (TOU) sales volumes
- Electricity and gas customer numbers are both lower than last year and both lower than PFI forecasts
- LWAP\* higher than PFI, but 9% lower than FY2013



\*LWAP is the Load Weighted Average Price or the average price Genesis Energy paid to purchase electricity to supply its customers

GWAP is the Generation Weighted Average Price or the average price Genesis Energy received on the wholesale market for the electricity it generated



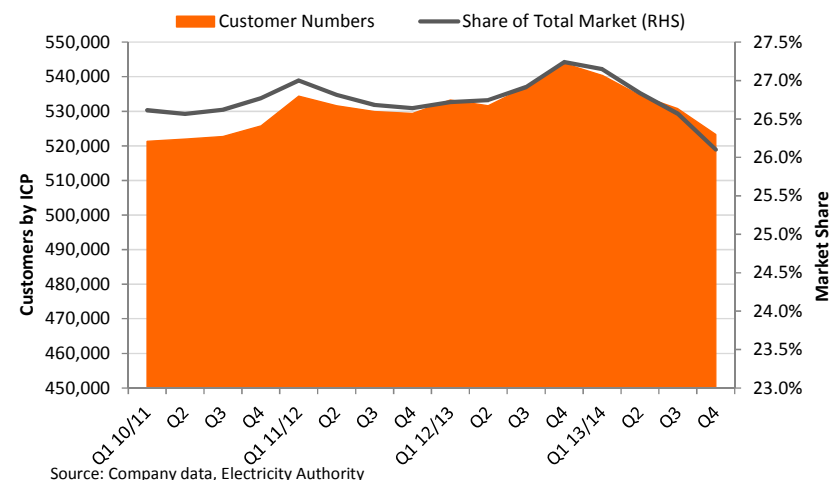


# Electricity Customers

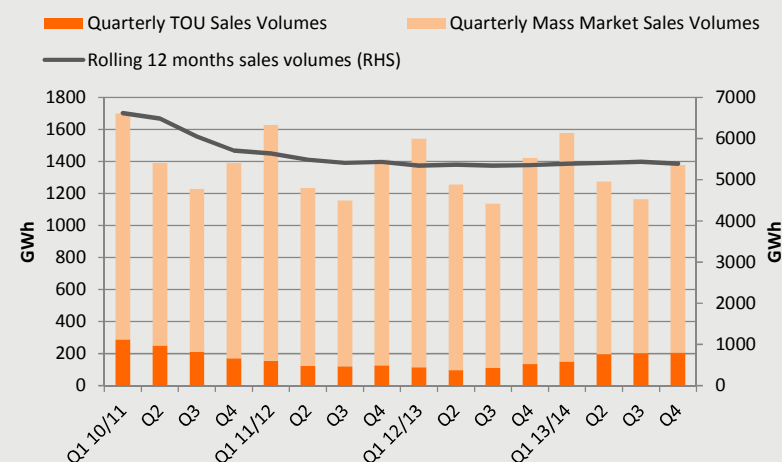
- Genesis Energy maintains its position as New Zealand's largest electricity retailer
- Total electricity customers of 523,278
- Market share reduced to 26.1% of ICPs reflecting:

- Increased switching rates
- Heightened competition from smaller niche retailers
- Bundled offerings from established competitors
- Despite lower customer numbers, total retail electricity sales volumes 1% higher in FY2014 reflecting:
  - A 67% increase in TOU sales offsetting a 5% decline in mass market sales volumes
  - Rolling 12 month total sales volumes show a flat trend over last two years
- A strategy is being implemented to halt the decline in customers and leverage the momentum in the TOU market to increase sales volumes

## Electricity Customers and Market Share



## Electricity Sales Volumes (GWh)

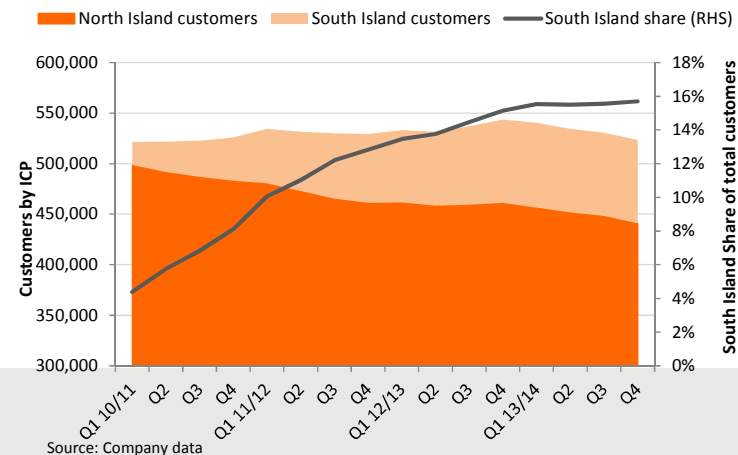




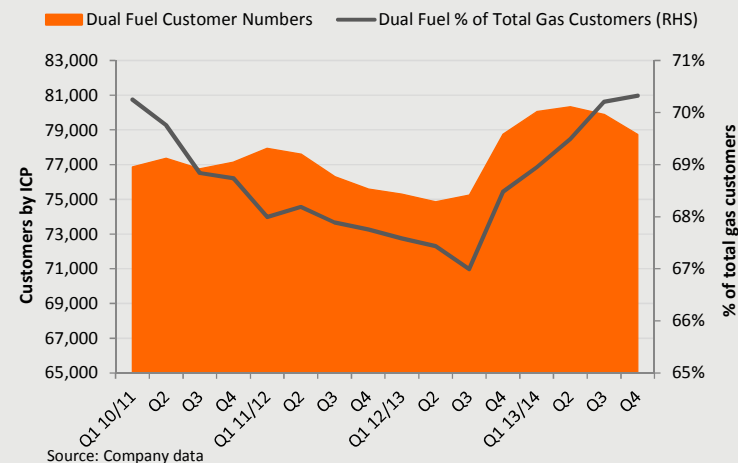
# Retaining Electricity Customers

- South Island customers steady at 82,171, representing 16% of total customers by ICPs
- Over 70% of gas customers also take electricity from Genesis Energy.
- There were 40,088 Advanced Meters installed in 2014
  - Total active meters now at 367,882, or 70% of electricity customers
- Use of the meters continues to grow:
  - Access usage and billing information through “MyMeter”
  - Utilise “MyEnergyCoach” for planning energy use
  - Delivery of multi-rate tariffs where lines companies facilitate the tariff
- Growth in contracted customers

## Geographic Split of Electricity Customers



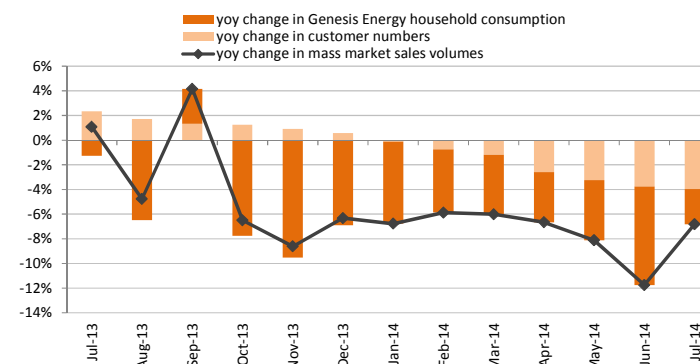
## Dual Fuel Customer Base



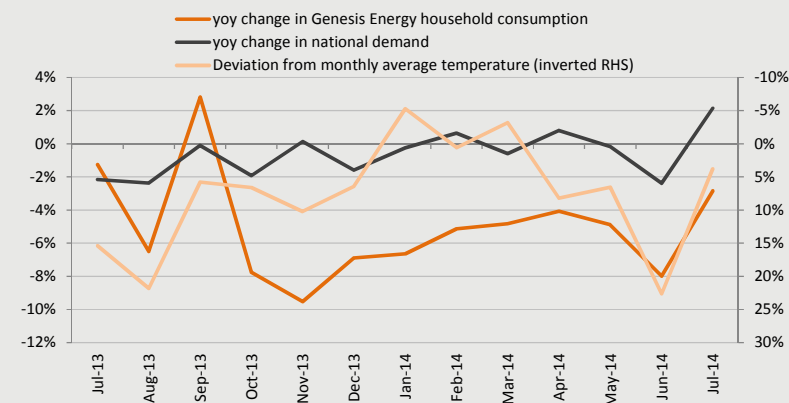
# Drivers of Electricity Sales Volumes

- Year on year decreases in customer numbers is a significant contributor to year on year declines in mass market electricity sales volumes
- Decreases in average household consumption of Genesis Energy customers consistent with broader industry trend
- Above average temperatures also a contributor to lower demand

**Contribution to year on year growth in mass market electricity sales volumes**



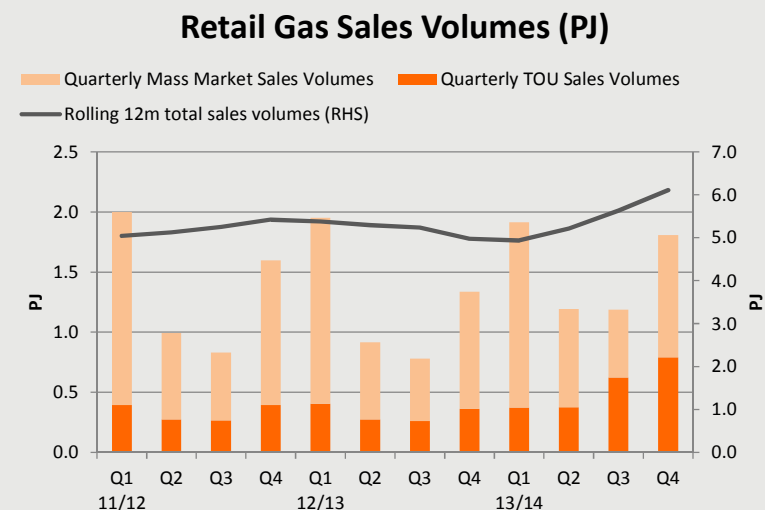
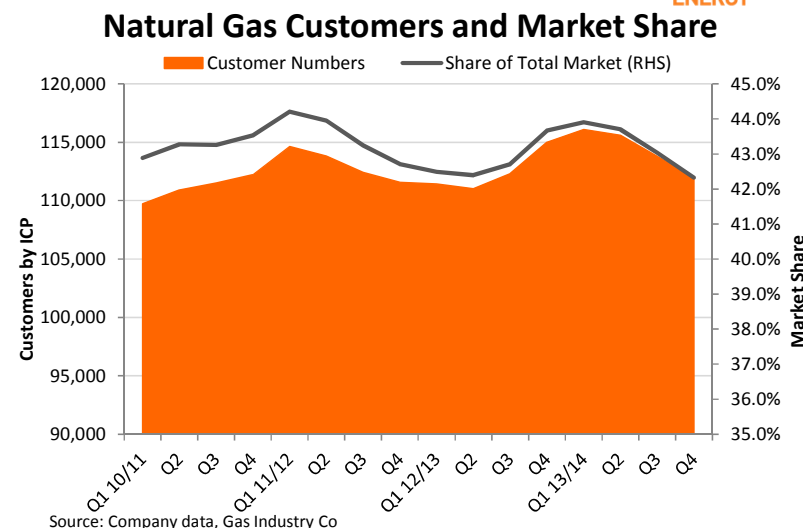
**Underlying change in Genesis Energy mass market sales volumes vs national demand**





# Gas Customers

- 111,966 gas customers at 30 June 2014, representing a 42% share of the market by ICPs
  - 3,037 fewer customers than a year ago
- Natural gas market continues to be competitive with new entrants and established retailers bundling products
- Total retail gas sales volumes up 23% in FY2014 to 6.1PJ compared to 5.0PJ in FY2013
  - Driven by TOU gas sales which are up 66%
  - Gained “All of Government” contract to supply gas across a number of departments, including a schools initiative
- 11,803 LPG customers, up 22% on FY2013
  - Continues to be demand for bottled LPG in both North and South Island
  - Able to take advantage of LPG offtake volumes from Kupe



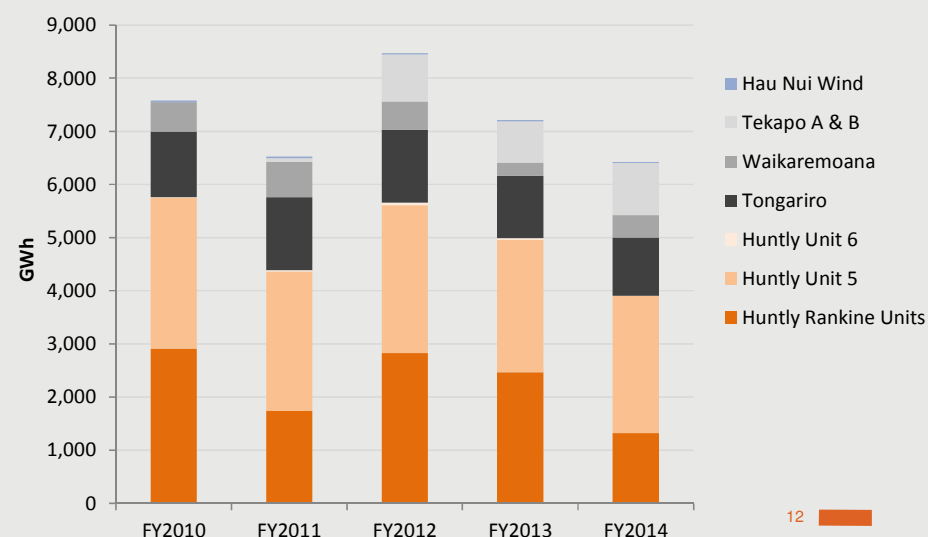
12 Months to 30 June	2014	2014 PFI	Difference vs PFI %	2013	% change
Gas (GWh)	2,930	2,780	5%	2,732	7%
Coal (GWh)	977	1,317	-26%	2,259	-57%
<b>Total Thermal (GWh)</b>	<b>3,907</b>	<b>4,097</b>	-5%	<b>4,991</b>	<b>-22%</b>
Hydro (GWh)	2,497	2,543	-2%	2,200	13%
Wind (GWh)	23	27	-15%	21	9%
<b>Total Renewable (GWh)</b>	<b>2,520</b>	<b>2,570</b>	-2%	<b>2,221</b>	<b>13%</b>
<b>Total Generation (GWh)</b>	<b>6,427</b>	<b>6,667</b>	-4%	<b>7,212</b>	<b>-11%</b>
Average Price Received for Generation (\$/MWh)	\$70.53	\$71.95	-2%	\$75.60	-7%

## Generation Performance

Total generation down 11% from FY2013 to 6,427 GWh, 4% lower than PFI, as a result of:

- A wetter end to the year resulting in reduced opportunity to run thermal fleet
- Preference for gas-fired over coal-fired generation given increased gas offtake volumes from Kupe
- Reduction in generation from the Huntly Rankine units due to placing a second 250MW unit into long term storage, plus lower peaking requirement
- Hydro generation up 13% versus FY2013 due to shorter outage of Tekapo A and B during canal remediation
  - Catchment diversity offset significantly below average North Island inflows

Annual Generation Profile

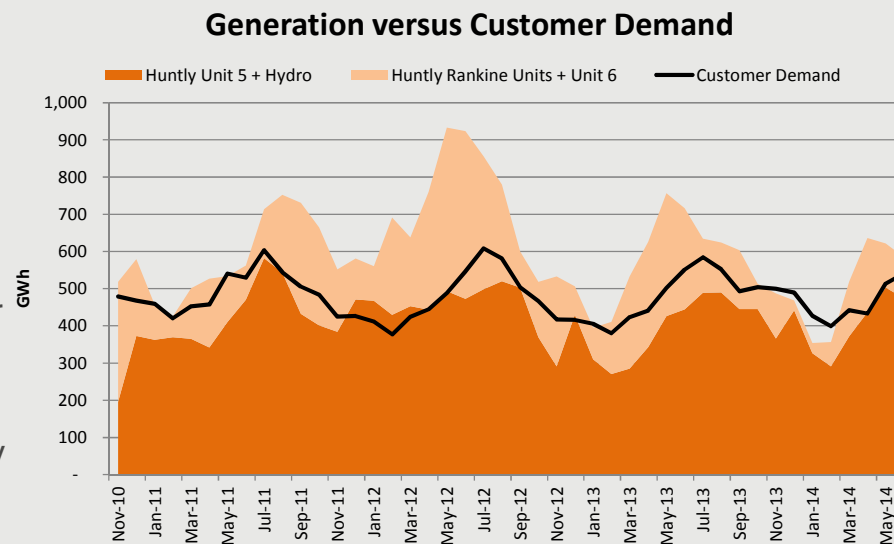


# Generation Versus Customer Demand



Customer demand continues to be matched broadly by generation output from Huntly Unit 5 plus the hydro stations

- Some periods throughout the year where demand not matched by generation
  - Emphasises the appropriateness of strategy of going short generation when prices are lower
- In January and February 2014 generation was lower due to Tekapo A and B not being available during the Tekapo Canal remediation works
- With only two Rankine units in use, peaking capacity reduced, but utilisation of individual units higher





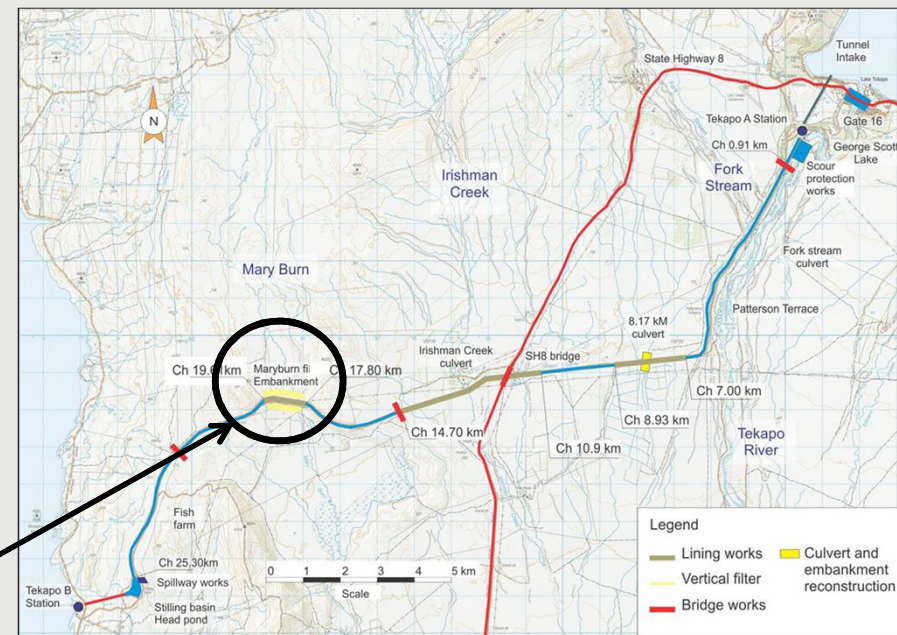
# Tekapo Canal Remediation



Work on the remediation of Tekapo Canal concluded in FY2014

- Second season of canal outage was for 8 weeks with Tekapo B station generating by 26 February 2014
- No lost time injuries over 243,000 man hours of work, over two seasons
- Estimated \$11.5m impact on FY2014 EBITDAF due to lost generation in line with PFI
- Total capital expenditure of \$136m under \$145m to \$155m guidance

Focus of second season of work

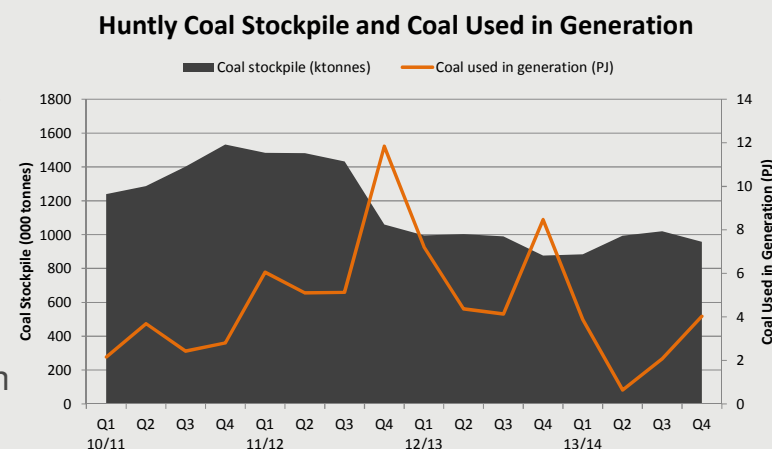


Fuel management: 12 Months to 30 June	2014	2014 PFI	Difference vs PFI %	2013	% change
Wholesale Gas Sales (PJ)	15.8	15.7	1%	12.6	26%
Total Gas Purchases (PJ)	45.0	45.7	-2%	38.6	17%
Gas Used in Internal Generation. (PJ)	23.1	23.7	-3%	21.0	10%
Wholesale Coal Sales (PJ)	0.0	-		1.3	-100%
Coal Purchases (PJ)	12.4	12.0	3%	21.5	-42%
Coal Used in Internal Generation (PJ)	10.6	11.2	-5%	24.2	-56%
Coal Stockpile (kilotonnes)	958	910	5%	877	9%

## Fuel Management

Management of gas and coal remains a key feature of Genesis Energy's portfolio

- Increased wholesale gas sales due to Methanex's ramping up production
- Gas used in internal generation increased 10% versus FY2013 due to Unit 5 outage in FY2013, but was 3% behind PFI due to lower than expected thermal generation burn in Q4
- Coal purchases reduced 42% since FY2013 reflecting termination of offshore supply contract plus re-profiling of domestic supply contract
- Coal stockpile reduced in Q4 to 958,000 tonnes but higher than at June 2013 and PFI due to reduced coal burn in Q3
- Six year contract to supply Contact Energy with 27PJ of gas





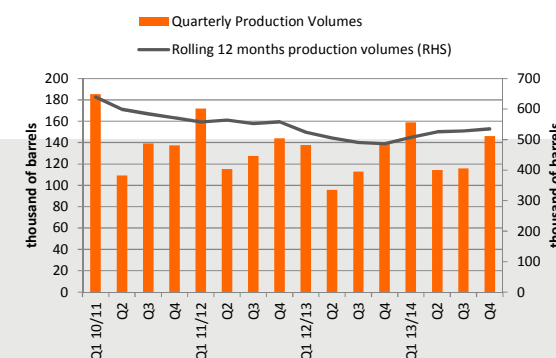
Kupe: 12 Months to 30 June	2014	2014 PFI	Difference vs PFI %	2013	% change
Gas Sales (PJ)	7.1	6.9	3%	5.6	26%
Oil Production (kbbbl)	535.3	515.1	4%	485.8	10%
Oil Sales (kbbbl)	531.5	497.9	7%	509.1	4%
LPG Sales (kilotonnes)	29.8	29.6	1%	24.0	24%
<b>Oil and Gas EBITDAF</b>	<b>107.0</b>			<b>109.2</b>	<b>-2%</b>

# Kupe

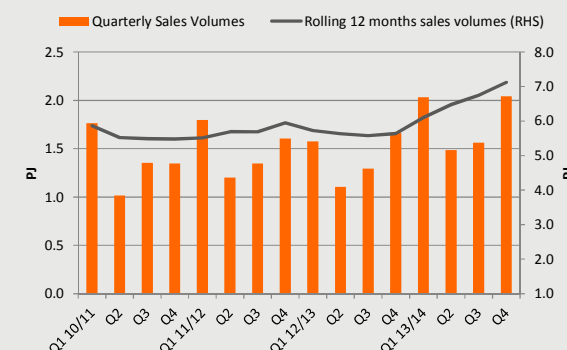
Kupe continues to be a consistent source of earnings

- Natural gas, oil and LPG volumes all up on FY2013 and compared to PFI
- Increased earnings reflect attractive price for oil in export markets plus opportunity to accelerate gas offtake for fuel and gas sales
- Decisions around field development and future capital expenditure unlikely to be made in short term

**Kupe Oil Production Volumes (kbbbl)**



**Kupe Gas Sales Volumes (PJ)**



# People, Health and Safety

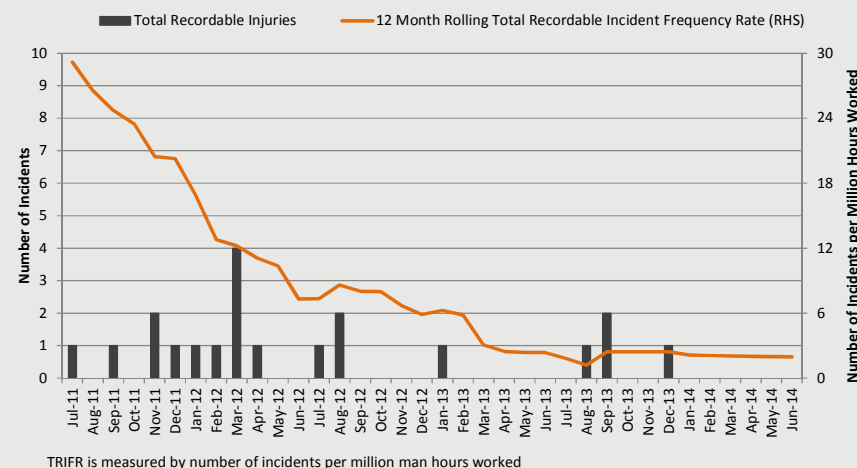


The safety of our employees and workplace remains a priority

- Genesis Energy is committed to a zero harm work environment
- Only 2 lost time incidents in FY2014 (2 in FY2013) and no serious incidents
- TRIFR\* of 1.97 was 17% lower than FY2013
- Near miss reporting 13% higher
- Genesis Energy was the recent winner of Excellence in Health and Safety award at Deloitte Energy Excellence Awards

\*Total Recordable Injury Frequency Rate per million man hours

## Genesis Energy Safety Statistics



TRIFR is measured by number of incidents per million man hours worked



# 2014 FINANCIAL PERFORMANCE

Andrew Donaldson  
Chief Financial Officer



# Results Summary

- EBITDAF, NPAT, free cash flow (FCF), dividends and net debt are better than the PFI
- EBITDAF of \$307.8m down 9% on FY2013 but 1% ahead of PFI
  - Reduced operating expenses more than offset lower revenue – purchasing electricity from the market cheaper than generating

- Also reduced fuel costs with lower generation
- NPAT down 53% on FY2013, but 18% higher than PFI
  - Benefitted from lower net interest charge, positive fair value changes and marginally lower than expected depreciation, depletion and amortisation
- Better than expected conversion of EBITDAF into FCF
  - Higher FCF means that the payout % is not as high as predicted in PFI even though final dividend has increased

\$m	2014	2014 PFI	Difference vs PFI %	2013	% change
<b>Revenue</b>	<b>2,005.0</b>	<b>2,040.6</b>	-2%	<b>2,070.3</b>	-3%
Total operating expenses <sup>(1)</sup>	1,697.2	1,735.4	-2%	1,733.7	-2%
<b>EBITDAF <sup>(2)</sup></b>	<b>307.8</b>	<b>305.2</b>	1%	<b>336.6</b>	-9%
Depreciation depletion & amortisation	156.7	157.8	-1%	135.0	16%
Impairment	10.1	9.5	6%	6.6	53%
Revaluation of generation assets	-	-	-	1.0	-100%
Fair value change (gains)/losses	-0.4	3.9	-111%	-30.5	-99%
Other (gains)/losses	1.6	0.3	472%	1.6	1%
<b>Earnings before interest and tax</b>	<b>139.8</b>	<b>133.7</b>	5%	<b>224.9</b>	-38%
Interest	68.3	71.1	-4%	78.5	-13%
Tax	22.4	20.8	8%	41.8	-46%
<b>Net profit after tax</b>	<b>49.2</b>	<b>41.8</b>	18%	<b>104.5</b>	-53%
Earnings per share (cents per share)	4.9	4.2	18%	10.5	-53%
Stay in business capital expenditure	54.5	60.1	-9%	59.8	-9%
<b>Free cash flow</b>	<b>161.8</b>	<b>152.8</b>	6%	<b>155.5</b>	4%
Dividends declared	130.0	128.0	2%	114.0	14%
Dividends per share (cents per share)	13.0	12.8	2%	11.4	14%
Dividends declared as a % of FCF	80.4%	83.8%	-4%	73.3%	10%
<b>Net debt</b>	<b>966.0</b>	<b>994.3</b>	-3%	<b>1,002.2</b>	-4%

<sup>(1)</sup> Includes cost of electricity purchases

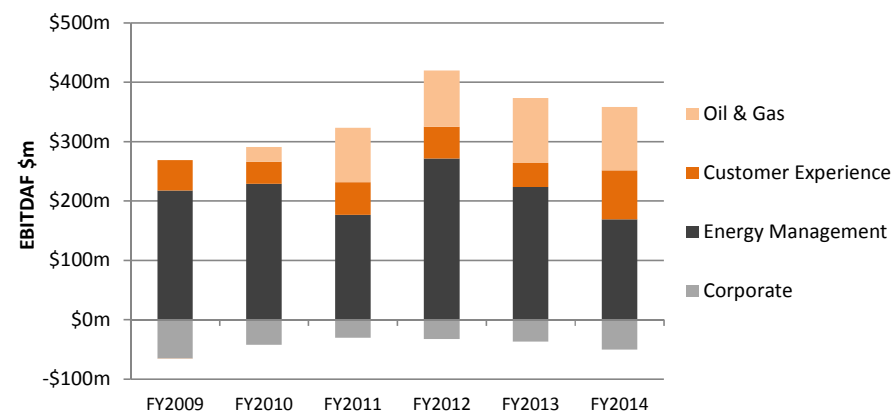
<sup>(2)</sup> Earnings before net finance expense, tax, depreciation, amortisation, fair value changes and other gains and losses

# Segmental Detail

FY2014 EBITDAF composition changed materially from FY2013

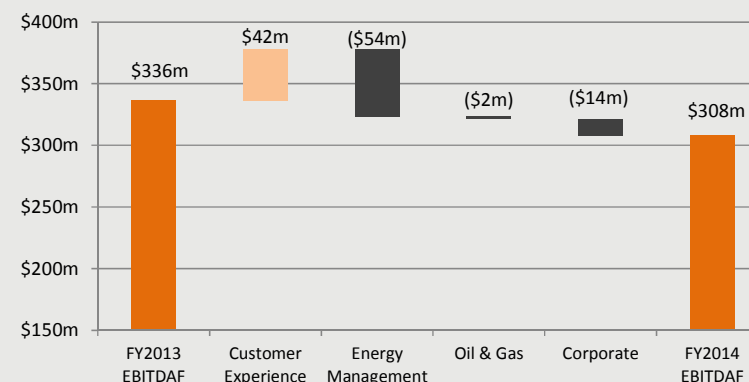
- \$42m increase in Customer Experience EBITDAF primarily due to
  - Improvements in pass through of distribution and transmission charges
  - Impact of increases in energy component of electricity customer bills
- Energy Management EBITDAF reduced 24% to \$169m
  - Lower generation revenues
  - Impact of Tekapo outage
  - One-off costs associated with terminating coal supply contract
- Kupe's FY2014 EBITDAF of \$107m represents 35% of Group EBITDAF
- Corporate overheads increased due to costs associated with IPO and employee restructuring

## Genesis Energy Contribution to EBITDAF



Source: Genesis Energy

## EBITDAF bridge from FY2013 to FY2014



Significant items: \$m	2014	2014 PFI	Relative to PFI	2013	% change
<b>EBITDAF</b>	<b>307.8</b>	<b>305.2</b>	<b>ahead</b>	<b>336.6</b>	<b>-9%</b>
Tekapo Power Scheme outage	11.5	8 to 12	in line	20 to 25	-49%
Offer costs	9.8	10.0	in line	0.6	1533%
Coal supply contract termination fee and related onerous contracts	16.8	16.2	larger	-	-
Abnormal under-recovery of lines charges	-	-	-	7.7	-100%
Insurance compensation and related costs	-	-	-	(18.5)	-100%
<b>Total impact on EBITDAF</b>	<b>38.1</b>	<b>34.2 to 38.2</b>	<b>in line</b>	<b>9.8 to 14.8</b>	<b>210%</b>
Tax effect of the above	(7.0)	(6.8) to (7.9)	in line	(2.6) to (4.0)	112%
<b>Total impact on NPAT</b>	<b>31.1</b>	<b>27.4 to 30.3</b>	<b>larger</b>	<b>7.2 to 10.8</b>	<b>246%</b>

## One-off and Significant Items

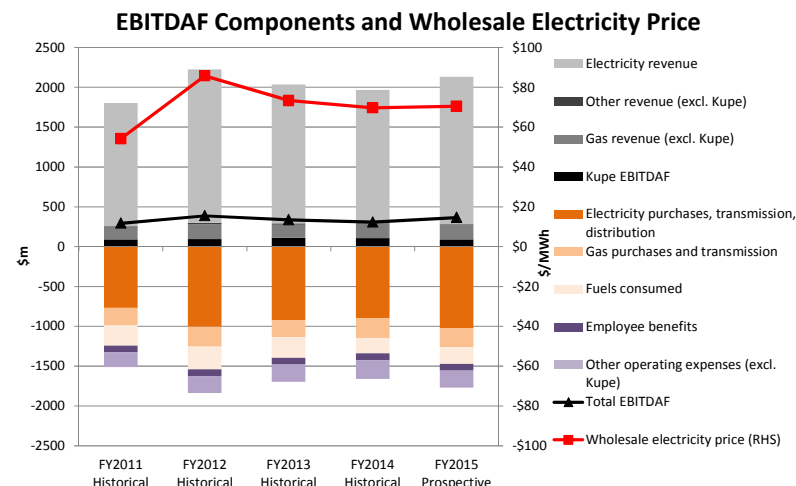
There were a number of one off items during FY2014 and FY2013 that impacted EBITDAF and NPAT

- FY2014 impacts in line with PFI except for onerous contracts related to coal supply contract
- Lower generation at Tekapo due to Canal Remediation work
- IPO costs
- When impact each year added back, FY2013 and FY2014 EBITDAF very similar



# Managing Volatility

- FY2014 results reinforce ability of Genesis Energy's portfolio to manage volatility in the wholesale electricity price
- Average wholesale price of \$69.69/MWh in FY2014 still within the \$30/MWh to \$75/MWh range where EBITDAF exhibits low correlation with annual average wholesale electricity prices



# Balance Sheet

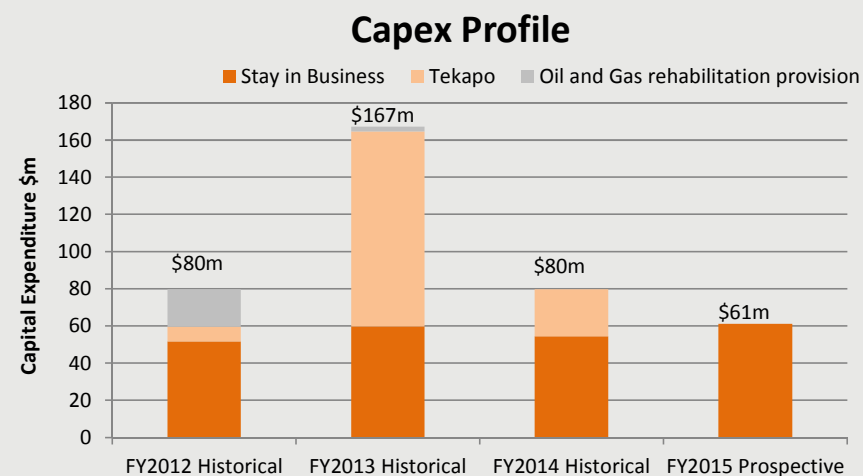
- Despite increased dividend and capital expenditure associated with Tekapo Canal remediation, net debt is down 4% to \$966m
  - Net debt remains within the target range
  - Gearing is flat at 34.5%, but ahead of PFI
- EBITDAF interest cover improved since last year given reduction in interest costs

As at 30 June (\$m)	2014	2014 PFI	Difference vs PFI %	2013	% change
Cash and cash equivalents	23.3	24.5	-5%	22.7	3%
Other current assets	333.9	366.6	-9%	370.8	-10%
Non-current assets	3,272.1	3,294.0	-1%	3,357.8	-3%
Total assets	3,629.4	3,685.1	-2%	3,751.2	-3%
Total borrowings	989.3	1,018.7	-3%	1,024.9	-3%
Other liabilities	759.3	795.2	-5%	776.5	-2%
Total equity	1,880.7	1,871.2	1%	1,949.8	-4%
<b>Net debt</b>	<b>966.0</b>	<b>994.3</b>	<b>-3%</b>	<b>1,002.2</b>	<b>-4%</b>
Gearing	34.5%	35.3%	-2%	34.5%	0%
EBITDAF interest cover	5.3	5.3	1%	6.3	-15%
Net debt: EBITDAF	3.1	3.3	-4%	3.0	5%
Net Assets	1,880.7	1,871.2	1%	1,949.8	-4%

\$m	2014	2014 PFI	Difference vs PFI %	2013	% change
Net operating cashflow	303.9	293.3	4%	298.4	2%
Net investing cashflow	-82.9	-97.6	-15%	-172.6	-52%
Net financing cashflow	-220.4	-193.9	14%	-127.9	72%
<b>Net increase (decrease) in cash</b>	<b>0.6</b>	<b>1.8</b>	-65%	<b>-2.1</b>	-131%
Stay in business capex	54.5	60.1	-9%	59.8	-9%
<b>Total capex</b>	<b>79.8</b>	<b>92.5</b>	-14%	<b>167.2</b>	-52%
<b>Free cash flow</b>	<b>161.8</b>	<b>152.8</b>	6%	<b>155.5</b>	4%

# Cashflow and Capital Expenditure Summary

- Operating cashflows increased 2% vs FY2013 and 4% versus PFI
- Investing cashflows better than expected due to lower stay in business capital expenditure and lower Tekapo Canal remediation cost
- Final season of Tekapo Canal remediation also cost less than expected at \$25.3m
  - Tekapo Canal final capital expenditure of \$136m versus guidance of \$145m to \$155m
- Improvement in cashflows helped to reduce net debt
- Free cash flow higher than PFI and FY2013



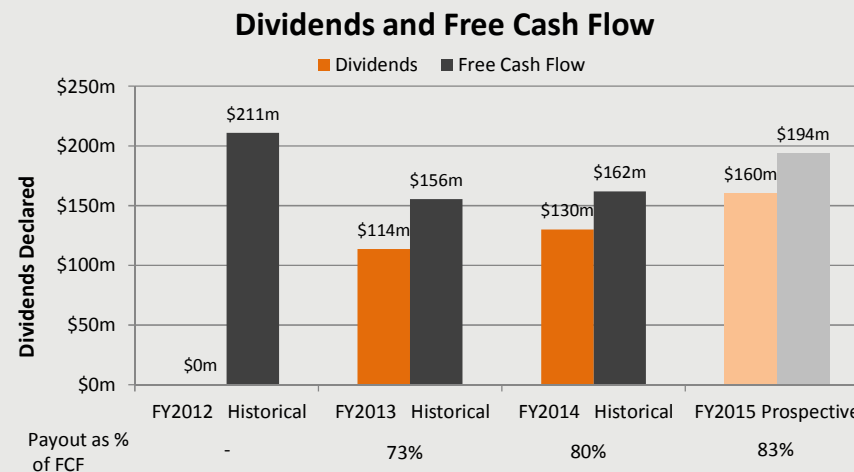


# Dividends

Dividend policy remains unchanged:

- Intention is to pay a dividend that provides shareholders with a consistent, reliable and attractive dividend even in periods of business-cycle downturn
- Expected that year on year dividends will be at least maintained in real terms

- Final dividend of 6.6cps takes total dividends declared in FY2014 to 13.0cps
  - 14% ahead of FY2013
  - 2% ahead of the PFI
  - Fully imputed
  - Equates to a net yield of 7.2% based on share price at 30 June 2014
- FY2014 dividends equate to 80% of Free Cash Flow
  - Compares to 73% in FY2013
  - 84% estimated payout in PFI
- FY2015 PFI dividends of \$160m, 23% higher than FY2014





Download the new  
Genesis Energy  
Investor App



## Summary and Outlook

- In the face of challenging retail and wholesale electricity markets, Genesis Energy has delivered FY2014 results better than the April 2014 PFI
- Opportunities to improve on the Company's 2014 results, especially in Customer Experience, have been identified
- The Company is focused on delivering the FY2015 PFI forecasts

### Outlook

- Continuation of heightened retail competition in the electricity and natural gas markets, warmer temperatures and elevated hydro storage levels in the near terms
- However, given the Company's portfolio of assets and its ability to manage volatility in the electricity market, Genesis Energy retains its FY2015 PFI forecasts:
  - EBITDAF of \$363.4m
  - NPAT of \$95.4m.
  - Dividend of 16cps



THANK  
YOU