

WE ARE  
EVERYWHERE...



# ...DELIVERING MORE FOR YOU.

Genesis Energy is now much more than an energy company for the people. With more than 50,000 New Zealand shareholders who are now firmly part of us, that's more people to champion what we can do. Making better choices, creating new offers that open up fresh opportunities. In 2014, there are more of us, putting more in, to get more out.

That's Genesis Energy, right now.

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FROM  
THE TOP  
OF NEW  
ZEALAND...

TO  
HUNTLY  
POWER STATION

TO OUR  
CONTACT CENTRE  
IN HAMILTON

TO TONGARIRO

TO KUPE

TO  
HAU NUI  
WIND FARM

TO OUR  
WAIKAREMOANA  
CATCHMENT



WE'RE  
DOING  
MORE

TO DELIVER  
MORE OF WHAT  
NEW ZEALANDERS  
NEED FROM AN  
ENERGY COMPANY

TO  
CHRISTCHURCH

TO TEKAPO  
TO TE ANAU

...AND  
EVERYWHERE  
IN BETWEEN...

## MORE FOCUSED RESULTS.



1  
**1.97**  
*Total recordable  
injury frequency rate,  
down 16%*



2  
**647,047**  
*Total customer accounts  
amidst fierce retail  
competition*



3  
**#1**  
*Energy Online won the  
Roy Morgan Customer  
Satisfaction Award for  
Electricity Provider in 2013*

4  
**TEKAPO CANAL  
REMEDiation**  
*Work completed under  
budget and 18 days ahead  
of schedule*



5  
**68,000**  
*New shareholders on 17 April  
2014 after a highly successful  
Initial Public Offering of shares  
in Genesis Energy*





6



7



9



8



10

6

436

*Protected pairs of whio on our rivers thanks to the Whio Forever programme and the Department of Conservation*

8

\$308m

**EBITDAF**

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

10

ZERO

*We took a stand against door-to-door sales in March. Zero doors knocked since then*

7

44,000

*Customers using the MyMeter app to track their energy use hourly or daily*

9

↓34.0%

*Reduction in greenhouse gas emissions (tCO<sub>2</sub>e) from electricity generation*

# LETTER TO SHAREHOLDERS.

More focus on service has resulted in more benefits for all our customers.



***“This year has provided challenging market conditions for your company, but the diversification of the Company’s assets has allowed us to withstand these conditions.”***

## **Dear Shareholders**

**In this first Annual Report since Genesis Energy became a listed company, I am pleased to report that your company has successfully completed a milestone year. From the listing on the New Zealand and Australia stock exchanges, the completion of the Tekapo Canal remediation works programme ahead of time and within budget, to the delivery of forecast returns for our new shareholders, this has been a challenging but rewarding year.**

Genesis Energy utilised its diverse portfolio and disciplined management to successfully deliver financial results for the year ending 30 June 2014 that are consistent with the prospective financial information (PFI) published in the Company’s March 2014 share offer Prospectus.

At the time of setting the PFI forecasts in early 2014, the Company was aware of challenging and competitive market conditions in both its wholesale and retail markets. However, a sharp focus on controlling expenditure enabled the Company to improve its financial performance in the last quarter of the year.

The Company has produced a net profit after tax (NPAT) result ahead of that forecast for the year ended 30 June 2014 of \$49 million, compared to \$105 million in the same period last year. Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses (EBITDAF) were \$308 million, also ahead of forecasts in the Prospectus, compared to \$337 million in FY2013.

In many ways, the past financial year has provided a test for the Company and proved Genesis Energy's resilience to a wide variety of market conditions in both our generation and retail business segments.

Genesis Energy, as New Zealand's largest energy retailer, has continued a relentless focus on simplifying services for our customers, particularly in the online environment. This focus has resulted in a 100 per cent increase in earnings from its Customer Experience business segment, despite a three per cent drop in the number of total customer accounts.

An abundance of water in hydro storage lakes for 10 months of the year, combined with flat domestic demand due to warmer weather, significantly impacted our ability to utilise our generally more expensive thermal generation, and resulted in both reduced revenue as well as decreased EBITDAF.

The diversity of the Company's business activities, however, proved its strategic importance as our share of the Kupe oil and gas field provided a \$107 million EBITDAF contribution. The Company's share of oil sales from Kupe was seven per cent higher than the PFI due to greater than expected production from the Kupe oil and gas field and higher spot oil prices.

#### PROGRESS AGAINST STRATEGIC OBJECTIVES

In the 2014 fiscal year, we were able to successfully transition to listed company status while keeping a sharp eye on driving the Company toward achieving our strategic objectives.

Genesis Energy has been successfully pursuing a strategy of diversification and customer focus for several years. Integration of upstream assets such as gas reserves and diversified electricity generation has helped to mitigate the risk of operating in a competitive retail market, while being exposed to volatile wholesale electricity prices.

Over the past three years we have invested considerably in acquiring new hydroelectricity generation at Tekapo in the South Island and bringing that asset up to a highly serviceable standard.

At the time of acquisition of the Tekapo Power Scheme we said we would invest in remediation work on the canal and generators to ensure the asset met the Company's needs for the future. I am delighted to report that your company has successfully completed the Tekapo Canal Remediation Works, below budget and 18 days ahead of schedule. We expect the canal to provide many more decades of valuable service to the Company.

Since the acquisition of the Tekapo Power Scheme in June 2011, the Company has been concentrating on acquiring new electricity and LPG customers in the South Island. By June 2014 Genesis Energy had 82,000 electricity customers in the South Island. In the North Island the Company focused on converting existing electricity or gas customers to dual fuel with gas or LPG and electricity, and on acquiring new dual-fuel customers.

#### SHAREHOLDER RETURN

Genesis Energy's dividend policy is unchanged. By managing its exposure to volatility and with disciplined expenditure, Genesis Energy intends to pay Shareholders a consistent, reliable and attractive dividend, even in periods of business-cycle downturn.

The Company declared a final dividend of \$66 million for the 2014 financial year, in line with our Prospectus estimates but ahead of the \$57 million final dividend declared in 2013. Coupled with the interim dividend of \$64 million, this brings the total dividend declared in FY2014 to \$130 million. Based on the Company's market capitalisation of \$1,800 million on 30 June 2014, this represents a net yield of 7.2 per cent.

#### GOVERNANCE

We asked a great deal of our people this year to complete a successful Initial Public Offering, and they certainly delivered. I would like to thank my fellow directors, the Chief Executive and the management team for their exemplary contribution to the Company. A special thanks to Andrew Clements who will be retiring by rotation from the board at the Annual General Meeting in October.

With the retirement also of Alison Andrew in late 2013 to accept the Chief Executive position at Transpower, the board had two vacancies. We were delighted to appoint two very experienced directors, Mark Cross and Doug McKay, in June 2014.

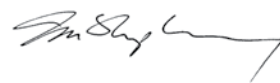
In the Executive team, Mike Fuge, our Chief Operating Officer, and Sheridan Broadbent, GM Strategy and Business Technology, left the Company to accept Chief Executive positions with other entities. These two departures resulted in a number of changes within the Executive Team, with Dean Schmidt, GM Corporate Affairs, adding Strategy to his responsibilities, and Andrew Steele, GM Corporate Services, taking on Information Technology. Chris Jewell, GM Trading and Portfolio Management, and Tracey Hickman, GM Generation, joined the Executive team. In July we also welcomed David Goadby, GM Retail, to the Company from a senior role in Australia.

#### OUTLOOK

For the coming year, the board has confirmed our Prospectus forecasts of growth in EBITDAF from the current year. The Prospectus forecasts were based on a return to long-term average hydrological conditions and a full year of service from the Tekapo Power Scheme. The forecasts at the time of the Initial Public Offering also anticipated a 25.0 per cent increase in fully imputed dividends from 12.8cps to 16.0cps for FY2015. Based on our share price at 30 June 2014, this represents a gross yield of 9.9 per cent for 2015.

We will be providing guidance on our expected performance in FY2015 at the Shareholders' Meeting on 28 October 2014. This first meeting will provide you an opportunity to meet the Board of Directors and Executive team. Part of our commitment to you is to ensure that all of our communications, and opportunities we have to meet, are both relevant and useful to you.

With the successful public listing behind us, the board and management of Genesis Energy are now firmly focused on exceeding our customers' expectations and improving our business and operational processes to meet market challenges. Above all, your board is determined to provide a consistent and reliable return on your investment in Genesis Energy.



**DAME JENNY SHIPLEY, DNZM**  
CHAIRMAN

# PUT MORE IN, GET MORE OUT.

Our diversified assets and a focus on reduced operating expenses have delivered a consistent result.



***“Retail electricity sales were boosted by a strong effort by our business team to acquire new industrial and commercial customers.”***

**This financial year, Genesis Energy has delivered a strong earnings and business performance that is consistent with our forecasts made for the April 2014 Share Offer. We have delivered this result against a backdrop of challenging conditions in both the wholesale and retail energy markets.**

Management's focus in the past year was twofold: firstly, to continue to deliver reliable and consistent earnings irrespective of market conditions; and, secondly, prepare for and successfully deliver an Initial Public Offering of shares in the Company.

Supporting these objectives were our determination to drive greater efficiency throughout the Company's business activities, our commitment to customers and our efforts to create a zero-harm culture with a second-to-none health and safety record.

A combination of warm weather and high rainfall suppressed wholesale electricity prices and encouraged the Company to run its South Island hydro assets harder and buy from the market rather than run our more-expensive-to-operate thermal units.

In the Customer Experience segment, general flat domestic demand for energy – driven by warmer winters and, to a lesser extent, the ongoing take up of more energy-efficient appliances – suppressed residential sales. However, our overall retail electricity sales were grown by a strong effort from our business team to acquire new industrial and commercial customers.

Considering the flat domestic demand, new low cost to run renewable generation operated by others, and the increasing cost to operate our thermal plant, the Company made the decision to store a second 250MW dual-fuelled Rankine unit at Huntly Power Station. This unit is now in long-term dry storage and while it retains its certification, it will only be returned to service in exceptional circumstances. A consequence of this decision was the termination of a coal supply agreement to import coal. The cessation of the imported coal contract was followed by a contract with Solid Energy to extend coal supplies to June 2017.





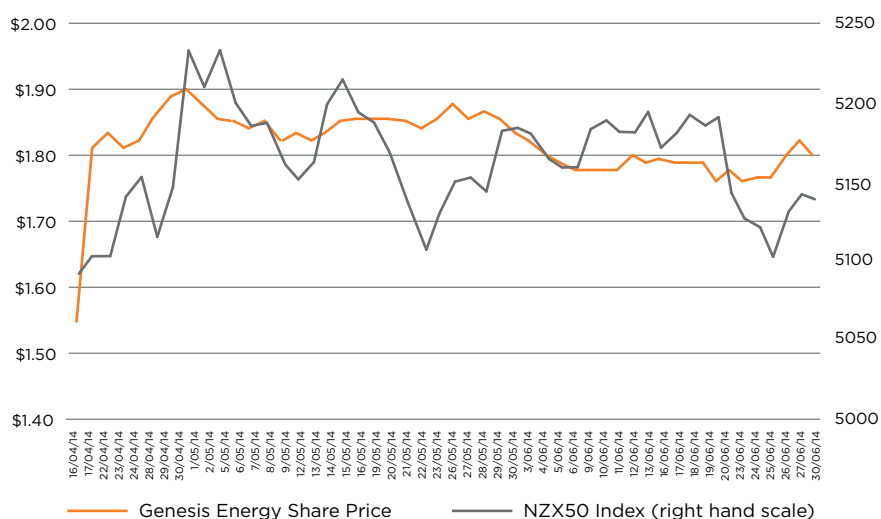
A 150MW hedge agreement signed with Meridian Energy in July 2014 does not necessarily require the stored unit to support the calling of the hedge agreement.

While we have achieved significant efficiencies throughout the Company in the past year, we took two substantial steps towards consolidating the many engineering services the Company procures. Our intention was to reduce the number of engineering consultancies and contractors we used, and, at the same time, achieve better value and operational outcomes for Genesis Energy.

Based on a robust technical and commercial evaluation process, we awarded a total engineering consultancy services contract to AECOM. In addition, Sinclair Knight Merz (SKM) were retained for geothermal consultancy. Retaining both AECOM and SKM as strategic partners will present Genesis Energy with the opportunity to tap into two of the world's largest and technically leading engineering consultants.

At the time of publication, the Company was concluding negotiations for an integrated services contract with two preferred suppliers for a wide range of currently outsourced engineering, cleaning, security and ancillary services for its North and South Island power stations and other sites. The two contracts will replace 80 contracts

#### GENESIS ENERGY SHARE PRICE PERFORMANCE



previously managed by the Company and will offer substantial value and operational, including health and safety, benefits to Genesis Energy.

#### BECOMING A LISTED PUBLIC COMPANY

Genesis Energy was pleased to welcome 68,000 new shareholders following the Company's successful listing on the NZX and ASX on 17 April 2014.

As part of the promotion of the Company's Initial Public Offering to potential investors, the Chief

Financial Officer, Investor Relations Manager and I travelled through February, March and April 2014 to visit market participants in New Zealand and offshore.

We presented the Genesis Energy investment story and answered questions on topics ranging from the start-up times of the Rankine units at Huntly, to customer switching rates in the North Island versus South Island. We found a useful depth of understanding of the Company's business model in many investment markets.

Genesis Energy's successful listing marked the completion of the Government's mixed ownership model process, and a new chapter for the Company. Post listing, Genesis Energy was greeted positively in the market with strong interest from institutional and retail investors. This enabled the New Zealand Government to sell down the maximum stake in the Company at the upper end of its indicative price range.

Since listing, the Genesis Energy share price has traded within a relatively narrow range indicating good investor support.

**ALBERT BRANTLEY**  
CHIEF EXECUTIVE

#### APRIL 2014 SHARE OFFER FACTS:



60

*Presentations*



48

*One-on-one meetings*



90+

*Institutional investors met*



170+

*New Zealand-based broker advisors presented to*



## MORE ENGAGED

WITH TAILORED  
INFORMATION AND  
GREATER ACCESS



## MORE ONLINE

WITH  
STREAMLINED  
SERVICES  
THAT FIT OUR  
CONSUMERS'  
LIVES



# WE ARE RE-SHAPING THE RETAIL BUSINESS IN LINE WITH CONSUMER DEMANDS, IN WAYS PEOPLE WANT.

Efficiency is essential to success, with the right focus put in the right channels.

## 647,047

Total customer accounts

## SALES VOLUMES INCREASE IN COMPETITIVE MARKET

**Following a period of relative stable customer numbers with a switching rate well below the industry average, increased retail competition impacted Genesis Energy's performance from September 2013 through to June 2014.**

Competition for customers was particularly strong in the North Island, where established retailers and new entrants offered combined product and price deals or highly discounted prices. As a result, Genesis Energy's North Island electricity accounts were down 4.4 per cent to 441,000 (FY2013: 461,000) at the end of June 2014. However, our electricity customer numbers were stable and unchanged at 82,000 in the South Island.

Customer satisfaction surveys are undertaken monthly; the annualised customer satisfaction score was 92 per cent for FY2014.

Customer uptake of fixed price and fixed term offers was strong and is expected to positively impact churn levels. Genesis Energy continues to be the largest energy retailer in New Zealand with a 26.1 per cent share of the retail electricity market and a 42.3 per cent share of the gas market.

A tariff increase in March 2014 was required to cover significant cost increases from transmission and distribution as well as an adjustment for our own overhead increases. Sector power price changes and invoice transparency resulted in an Electricity Authority review of the public communications on power prices from all electricity retailers.

Despite the lower customer numbers, total retail electricity sales volumes were one per cent higher in FY2014 at 5,391 GWh compared to FY2013. This was due to a 67.0 per cent increase in Time of Use (TOU) sales more than offsetting a five per cent 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.

Customer Experience: 12 months to 30 June 2014	2014	PFI 2014	Diff vs PFI %	2013	Annual Change %
Electricity Customer Accounts	523,278	541,920	-3	543,774	-4
Gas Customer Accounts	111,966	118,949	-6	115,003	-3
<b>Total Customer Accounts excluding LPG<sup>1</sup></b>	<b>635,244</b>	<b>660,869</b>	-4	658,777	-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	668,485	-3
Total Advanced Meters Installed	367,882	N/A	-	327,721	12
Average Customer Switching Rate <sup>2</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>3</sup>	69.80	68.57	2	76.88	-9
LWAP/GWAP ratio <sup>4</sup>	99%	95%	4	102%	-3
<b>Customer Experience EBITDAF (\$m)</b>	<b>82.5</b>	<b>-</b>	-	40.9	101

1 Based on Genesis Energy's customer records, excluding vacant accounts and defined by number of connections.

2 Based on the number of ICPs (or points of connection).

3 Excludes settlements from electricity derivatives.

4 The ratio of average retail electricity purchase price to average price received for generation.

## COMMERCIAL SALES SUCCESS

**In a hotly contested market, FY2014 saw the Commercial Sales portfolio grow by over 80 per cent during 2013.**

A successful 'All Of Government' campaign was highlighted by winning the tender for national supply for all Government-agency reticulated gas. Along with gas, the Company also was awarded the Christchurch City Council TOU load of 70GWh of electricity per annum. This was the first time in over a decade that Christchurch City Council moved away from its current supplier. The Company retained three large government department customers: the Department of Conservation, Department of Internal Affairs and Department of Corrections. All three stated that the high levels of customer service received from Genesis Energy played a part in their decision to stay with the Company.

In conjunction with the Ministry of Education and Ministry for Business, Innovation and Employment, the Commercial and Industrial Sales team rolled out a 'Gas for Schools' initiative to all New Zealand schools. More than 40 schools registered for the gas offer in the first week.

***"High levels of customer service contribute to decisions to stay with Genesis Energy."***

Outside of the Government procurement tranches, the Commercial Sales team added Oceana Gold, Vodafone and an extension to a supply agreement with Farmlands Co-operative Society. After 12 months of discussion, the Yashili Dairy Company chose Genesis Energy for both gas and electricity for its new state-of-the-art dairy factory near Pokeno, North Waikato.

## EXITING DOOR SALES

**After consulting with customers, Genesis Energy decided in May 2014 to call a halt to door-to-door sales.**

Feedback from customers indicated how unpopular they found the sales practice to be. Further public research commissioned by Genesis Energy showed that 81 per cent of Kiwis don't like door-to-door salespeople coming to their home.

The move to exit door-to-door selling was publicised through the media, direct mail to customers with 133,000 'don't knock' stickers, significant advertising and a social media campaign. As an alternative, Genesis Energy offers a range of ways for customers to find out about the Company's products and services, including advertising, its website and information available from the call centre. Energy Online also stopped door-to-door sales.

## MYMETER AND ONLINE UPDATE

**Since its launch, there have been 44,000 downloads of the MyMeter application.**

The Company responded to customer feedback by introducing two new features to the 'app': presenting energy usage in dollars and kWh; and adding a comparison function which shows where a customer's consumption sits in the average consumption range for a variety of household sizes.

# 44,000

***Downloads of the MyMeter app since launch***

## ADVANCED METERING

**More than 360,000 Genesis Energy customers have been upgraded to Advanced Meters. This means around 70 per cent of our customers now have Advanced Meters with smart services installed.**

Many data and technical solutions have been implemented by Genesis Energy and Advanced Metering Services (AMS) over the past year. Several of the issues that had previously restricted the installation of an Advanced Meter have now been overcome. These new ideas and processes are being applied to the Energy Online Advanced Meter upgrade project. Deployment began in March 2014 and more than 13,000 Energy Online customers were upgraded to Advanced Metering by the end of June.

## TOMORROW STREET

**After 18 months, Genesis Energy's Tomorrow Street programme of testing innovative products and services with 15 households came to a successful conclusion.**

# 15

***Households tested in Tomorrow Street***

The Tomorrow Street initiative provided quality information on customer experience with a range of products such as energy management tools and multi-rate tariffs. Genesis Energy used this quality information in product and service design and in a marketing campaign to help our customers save energy from smart appliances, home insulation and using the MyTime tariff.





## GENESIS ENERGY HOME SOLAR

**Genesis Energy is taking a leadership role in the future of solar generation in New Zealand.**

Over the past 18 months, the Company has been trialling a new business model with solar power. A New Zealand first, this offer provides Genesis Energy customers with solar panels at no charge. They then purchase the solar power at a discounted rate from the Company. More than 50 homes across Auckland are taking part in the trial where Genesis Energy installed photovoltaic (PV) solar panel systems onto customer homes. The Company retains ownership of the solar panels and our customers purchase the solar power produced. This unique offering incorporates integrated billing of both grid-provided energy and solar energy, allowing the customer one combined bill for their energy needs. Because Genesis Energy owns the system, our customers enjoy the benefits of solar power while avoiding the significant cost to install a solar system themselves.

## ACCESS TO ENERGY

**Genesis Energy continues to offer a range of services to our customers to improve or maintain access to electricity, gas and support services.**

The Company is rolling out a significant online/mobile program to improve the customer experience.

***“Genesis Energy is committed to look at ways to support vulnerable customers.”***

Our Customer Contact Centre in Hamilton offers an interpretation service for customers who speak English as a second language.

We offer a broad range of payment options, including EvenPay, which gives customers certainty over 12 months of even payments.

In order to help our customers who have budgeting and credit issues,



we work closely with Work and Income New Zealand and the New Zealand Federation of Family Budgeting Services. The Company is part of an electricity retailers' forum working to further reduce the number of disconnections. This will look at ways to support vulnerable customers, particularly those undergoing hardship.

Several initiatives have already been implemented to improve communication with customers in the Company's credit cycle. Genesis Energy also promotes efficiency products and fixed pricing offers to help customers save power and money, and stay connected.

As a result, disconnections for non-payment have declined from a high of 1.3 per cent of total residential 'points of connection' in Q3 2013, to 0.8 per cent in the three months to 30 June 2014.

## ENERGY ONLINE TARGETED NEW REGIONS

**Our long-time North Island challenger brand Energy Online crossed the Cook Strait for the first time in April 2014 and offered a competitive package to residents of Nelson and Tasman districts.**

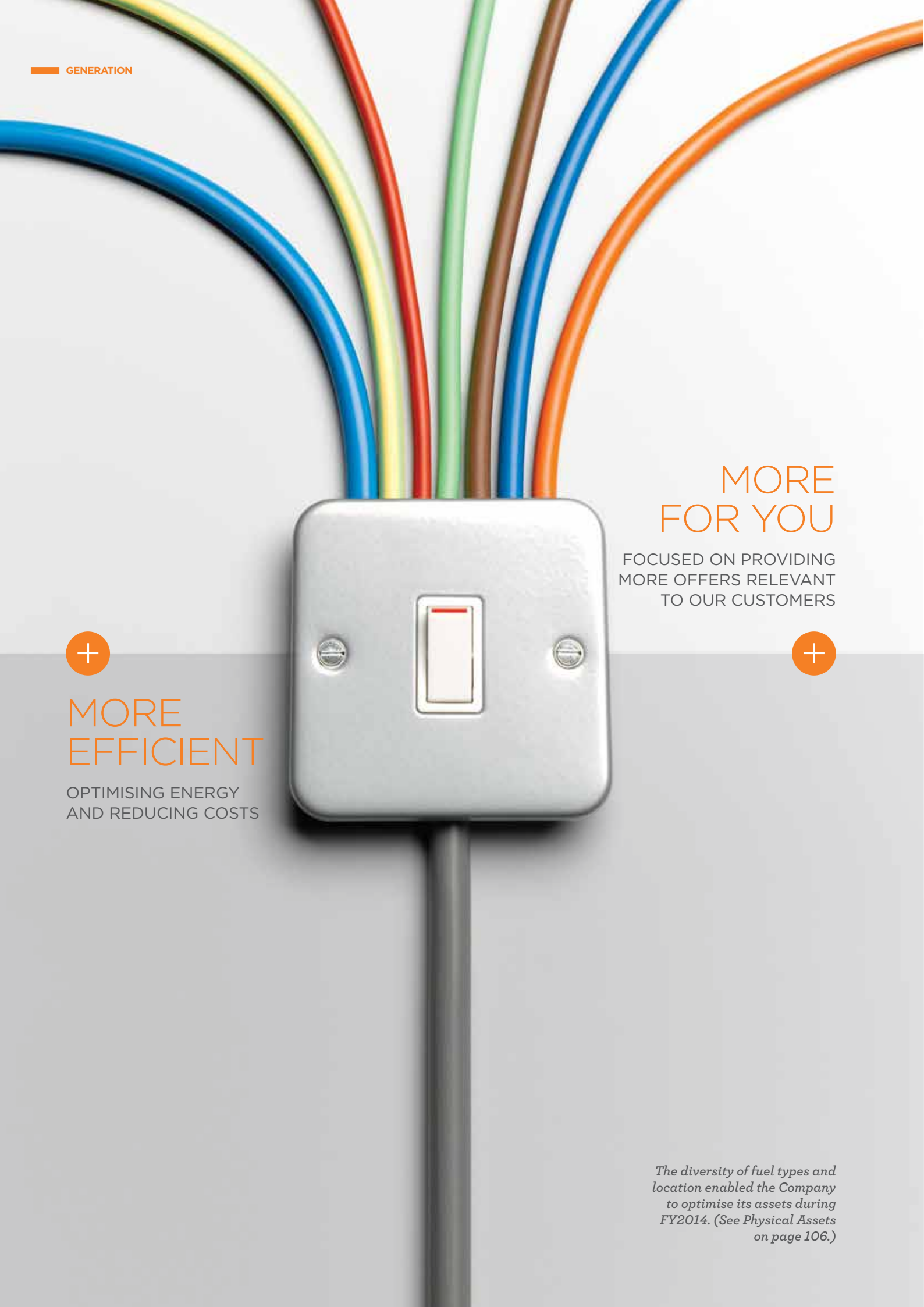
Early success in this region then encouraged the brand to challenge other electricity incumbents in Tauranga and central Auckland with high-profile marketing campaigns.

The Auckland customer acquisition campaign utilised a fake UFO in order to create a stir in an already crowded and fragmented market. The campaign, featuring a remote-controlled 'octocopter' kitted with flashing lights, used a mix of traditional and contemporary promotional channels. The mainstream channels included a public competition, radio promotion,

a 'wrapped' bus, back-of-bus advertising, Adshel posters, footpath stickers, press inserts, media statements and letterbox drops. In addition, a social media campaign was fully optimised with hundreds of images, videos and posts uploaded and shared online by members of the public. The campaign ran from mid-May to 30 June 2014.

Energy Online also won the Roy Morgan Customer Satisfaction Award for Electricity Provider for 2013. This accolade is significant as customers, not an industry body, determine the winner of this award.





## MORE EFFICIENT

OPTIMISING ENERGY  
AND REDUCING COSTS

## MORE FOR YOU

FOCUSED ON PROVIDING  
MORE OFFERS RELEVANT  
TO OUR CUSTOMERS



*The diversity of fuel types and  
location enabled the Company  
to optimise its assets during  
FY2014. (See Physical Assets  
on page 106.)*

# OUR GOAL IS TO REDUCE THE COST TO SERVE, AND FOCUS OUR ENERGY ON MORE WAYS TO BENEFIT ALL CUSTOMERS.

Genesis Energy operates a diverse mix of generation assets including hydro, thermal and wind. Our renewable assets are located in both the North and South Islands of New Zealand.

**This diversity of fuel type and location enabled the Company to utilise its assets during the varied weather and market conditions of FY2014 to achieve the best operational outcomes.**



## ↑25%

*Increase in output at Tekapo Hydro Power Scheme*

Apart from March and April 2014 when rainfall sharply declined, national hydro storage was well above 80-year averages and, with the resulting low wholesale electricity prices, the Company avoided running the dual-fuelled Rankine units at the Huntly Power Station.

**“National hydro storage was well above average.”**

Coal-fuelled generation for the full year was down 57 per cent to 977GWh from 2,259GWh in the previous year. Gas generation for the year was up seven per cent to 2,930GWh from 2,732GWh. Carbon dioxide emissions from

electricity generation were therefore greatly reduced compared with the previous year – see chart on page 17.

An additional factor during the year was the seven week outage of the Tekapo Power Scheme to enable the second phase of remediation works at the Tekapo Canal.

October 2013 was the wettest October in the South Island hydro catchments since records began. Stored generation as a whole increased by approximately 1,250GWh, well clear of the previous record increase of 1,179GWh recorded in 1988, and repeatedly lapping the average October rise over the last 87 years of 201GWh.

## HYDRO OUTPUT INCREASES

**Despite the Tekapo Canal outage and other work at the Tekapo scheme, the 12-month generation output from the scheme and from all hydro schemes was up substantially on the previous year: 2,520GWh (2,221GWh).**

Tekapo itself was up 25 per cent to 979GWh, from 781GWh, as the canal outage was shorter than that of the previous year.

Hydro inflows and storage levels during the 12-month period ending 30 June 2014, combined with reduced demand, led to wholesale electricity prices that were lower than for the year before but above the forecast in the PFI. The average Huntly reference price for FY2014 was \$69.69/MWh compared to \$73.40/MWh in the previous year. Prices were significantly higher in the second half of FY2014 (\$86.35/MWh) versus the first half of the year (\$53.30/MWh).

Generation: 12 months to 30 June	2014	PFI 2014	Diff 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	4,991	-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	2,221	13
<b>Total Generation (GWh)</b>	<b>6,427</b>	<b>6,667</b>	-4	7,212	-11
Average Price Received for Generation (\$/MWh) <sup>1</sup>	70.53	71.95	-2	75.60	-7
<b>Energy Management EBITDAF (\$m)</b>	<b>168.9</b>	<b>-</b>	<b>-</b>	223.4	-24

<sup>1</sup> Excludes settlements from electricity derivatives.

## OIL AND GAS

**Genesis Energy's 31 per cent 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 compared to FY2013.**

Oil production was up 10 per cent to 535,254 barrels to take advantage of higher international oil prices. Although total oil revenues in FY2014 were 68 per cent hedged, the remaining exposure to the spot price provided an opportunity to crystallise additional revenues during the year. There was a corresponding 26 per cent increase in gas volumes from 5.6 petajoules (PJ) in FY2013 to 7.1PJ in FY2014, which was four per cent ahead of the PFI. LPG sales were up 24 per cent 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. While this was two per cent lower than

last year, the FY2013 contribution to EBITDAF benefited by \$18.6 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 per cent higher than last year and contributed 35 per cent of Group's EBITDAF.

On 24 June 2014, the board approved the sale of 27PJ of gas to Contact Energy between 2015 and 2020. The sale reduces Genesis Energy's over supply of gas during the period of the agreement and will result in less

# ↑26%

### *Increase in Kupe gas sales*

gas being available for electricity generation in the dual-fuelled Rankine units at Huntly over the next six years.

On 1 July 2014, after balance date, the Company reached a settlement with New Zealand Oil and Gas regarding a long-standing issue over the payment of overriding royalties from the Kupe oil and gas field.

Oil and Gas: 12 months to 30 June	2014	PFI 2014	Diff 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 (\$m)</b>	<b>107.0</b>	<b>-</b>	<b>-</b>	109.2	-2

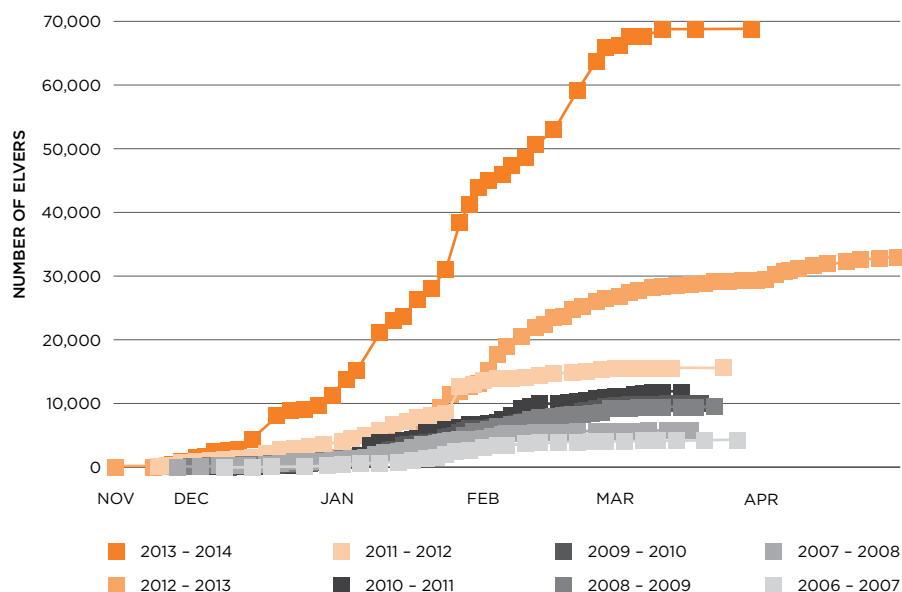
## PIRIPAU ELVER NUMBERS KEEP GROWING

**Tuna (eel) passage is a resource consent requirement at the Waikaremoana Power Scheme. Elvers (baby eels) are trapped below Piripaua Power Station in a purpose built trap and carefully transferred to upstream tributaries.**

This work has been on-going since 1998, under the guidance of NIWA Tuna Scientist Dr Jacques Boubée.

For the last four years the elver trap and transfer has been undertaken under contract by the Lake Waikaremoana Hapu Restoration Trust as part of a wider Hapu-based tuna management programme. Since Trust staff took over, the elver numbers have grown year-on-year breaking new records for the past two years.

### PIRIPAU POWER STATION





## TEKAPO CANAL REMEDiation

**Following the acquisition of the Tekapo Power Scheme in June 2011, Genesis Energy embarked on a project to remediate known leaks in the Tekapo Canal, and enhance the seismic resilience of sections of the canal as well as numerous bridges crossing the canal.**

The canal remediation work in 2013 and 2014 required a combination of expertise from around the world as well as internationally-proven civil engineering practices. The manner in which the project was undertaken – its project management and tight budget and time control – was also critical, as all generation from the Tekapo Hydro Scheme ceased during the canal outage. The final cost was \$136 million, well under the previous forecast of between \$145–\$155 million.

Nearly one third of the 25-kilometre-long canal was lined with a specialised PVC membrane material; and embankments and culverts were repaired. Three farm bridges as well as the State Highway 8 bridge over the canal were also structurally enhanced.

More than 500 people were provided with safety inductions to work on the site, with a maximum workforce of 300 from New Zealand and Europe on site at any one time.

Health and safety was embedded into the project at its outset through international concepts of ‘safety through design’. These considerations significantly altered the design, construction practices and measures for safe operation and maintenance of the works in the future. The extensive planning process was reflected in the excellent safety record for the construction work with zero lost-time injuries and no injuries requiring medical treatment despite the 243,896 man-hours required to complete the project. The majority of those man-hours was compressed into two, three-month periods in the summers of 2012/2013 and 2013/2014.

In a similar manner, environmental effects were incorporated into the planning and design of the works. This included support for the fishery that had evolved in the canal. With the support of several stakeholder groups, the dewatered sections were cleared of sport and native fish before the relining work took place.



A wide range of stakeholders were impacted by the project. They included neighbouring landowners, a commercial salmon farm using the canal, Meridian Energy which has a water supply agreement with Genesis Energy, Ngai Tahu Runanga, anglers who fished the canal, the Lake Tekapo community, Environment Canterbury, Mackenzie District Council, Transpower as the System Operator, New Zealand Transport Authority, Department of Conservation and the South Island branch of Fish and Game.

International standards for quality assurance throughout the design, material manufacture, transportation and construction were deeply embedded into the contract arrangements. This attention to quality provided the assurance that the technical performance objectives have been met and contributed in no small measure to the completion of works on time and within budget. The canal returned to service on 26 February 2014, ahead of the planned return date of 17 March, at a total cost of \$136 million, well within the budget set for the project.

# \$136m

*Final cost was well within budget for the Tekapo Canal remediation works*

## TEKAPO CANAL ROAD ACCESS

**The length of the Tekapo Canal Road has been opened for access to pedestrians and cyclists following the completion of the Tekapo Canal Remediation Project.**

Public vehicles retain access to the upper seven kilometres and to the lower four kilometres of the Tekapo Canal Road. Genesis Energy has incorporated improved signage, parking and toilet facilities at the southern end of the Tekapo Canal.

# ZERO

*Injuries requiring medical attention during the Tekapo Canal work programme*

## REDUCED GREENHOUSE GAS EMISSIONS

**The Company's carbon dioxide emissions (Scope 1, 2 and 3) produced from its electricity generation and other activity were down significantly (34 per cent) during the 2014 financial year.**

A 34 per cent reduction in emissions from the Company's electricity generation activity was the key driver of the overall fall. Emissions from road transport were up 58 per cent, largely due to increased road usage associated with the Tekapo Canal remediation work.

Electricity generation emissions fell to the lowest point since the establishment of Genesis Energy in 1999, as a result of a substantial decrease in coal-fuelled generation and market changes.

At times of the year when wholesale market prices were low due to high hydro inflows, it was more economical to purchase from the wholesale market

rather than generate our own electricity to meet our customer electricity requirements. This is consistent with our previously stated strategy of sourcing electricity for our customers at the lowest possible price and only generating when it makes economic sense to do so.

Total generation was down 11% to 6,427 gigawatt hours in 2014 from 7,212 gigawatt hours in 2013. Within the thermal generation there was a preference for gas-fired generation over coal generation given the increased gas off-take volumes from Kupe.

During 2014, the Company used 10.6 PJ of coal (24.2 PJ in FY2013) and 23.1 PJ of gas (21 PJ) for electricity generation.



## ENVIRONMENTAL MANAGEMENT

Genesis Energy is committed to achieving excellence in environmental and stakeholder management, and to ensuring that environmental and social awareness are the cornerstones of its business activities. Achieving full regulatory compliance is considered the minimum standard that the Company strives to achieve in our operations.

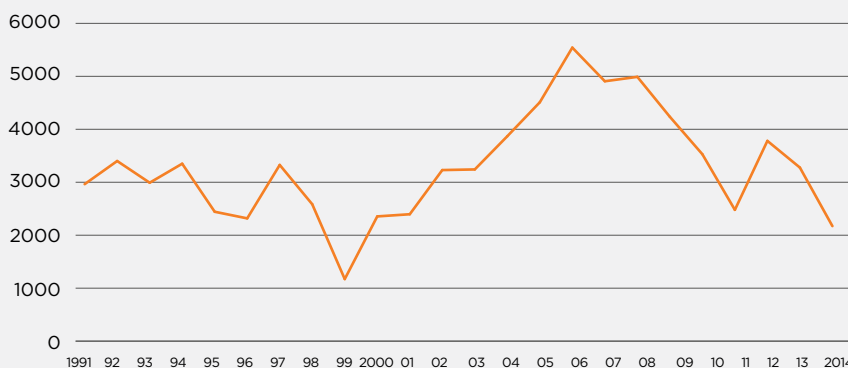
### MOAWHANGO LOG JAM

One of the outcomes of the Moawhango River Willow Control Programme within the Tongariro Power Scheme since 2006 is the increasing amount of dead willow wood now in the stream channel.

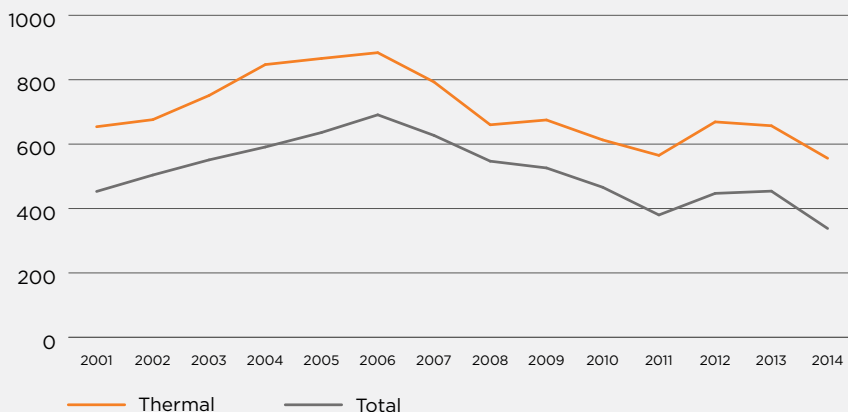
Approximately 1,000m<sup>3</sup> of willow wood became lodged in a tight gorge following a large flood event in October 2013.

Professional arborists, with the assistance of explosives and a hydraulic winch, were needed to successfully clear the blockage which required intense focus on the significant health and safety risks the project involved.

### CARBON DIOXIDE EMISSIONS (ktCO<sub>2</sub>) AT HUNTLY



### CARBON INTENSITY (ktCO<sub>2</sub>/GWh)



## PROTECTING OUR WILDLIFE

### Pukaha Mount Bruce National Wildlife Centre is conserving some of New Zealand's most rare and endangered wildlife.

These include kokako, takahe, kiwi, kakariki, hihi, Campbell Island teal, shore plover and tuatara. Covering 940ha in the Wairarapa/Tararua districts, Pukaha Mount Bruce is New Zealand's only completely unfenced wildlife sanctuary (other than small islands).

Genesis Energy has been supporting the predator control activities at Pukaha Mount Bruce since July 2011. Consistent trapping activities over the last year have strengthened the number of kokako, with 19 new birds being identified as living within the wildlife sanctuary.

### GENESIS ENERGY 2013/2014 INDIRECT ENERGY (ELECTRICITY) CONSUMPTION BY PRIMARY SOURCE

Primary source of electricity generation	NZ electricity generation by primary source (%) <sup>1</sup>	Genesis Energy electricity consumption by primary source (GJ)
Hydro	54.5	5,203
Gas	19.4	1,847
Coal	5.4	511
Geothermal	14.5	1,380
Wind	4.8	455
Bioenergy	1.4	135
Other thermal	0.1	10
<b>Total</b>	<b>100.0</b>	<b>9,541</b>

<sup>1</sup> Source: Energy in New Zealand 2013 Calendar Year Edition from the Ministry of Business Innovation and Employment: Table 4 Yearly Electricity Generation, Consumption and Lines Losses (PJ).

### GENESIS ENERGY EMISSIONS PROFILE 2013/2014

	FY2012	FY2013	FY2014	Change %
<b>Scope 1: Direct GHG emissions (tCO<sub>2</sub>e)</b>				
Generation <sup>3</sup>	3,736,488	3,276,467	<b>2,172,373</b>	-34
Petrol (fleet fuel use)	193	228	<b>217</b>	-5
Diesel (fleet fuel use)	144	145	<b>140</b>	-3
<b>Total Scope 1</b>	<b>3,736,826</b>	<b>3,276,840</b>	<b>2,172,730</b>	-34
<b>Scope 2: Indirect GHG emissions from consumption of purchased electricity (tCO<sub>2</sub>e)</b>				
Purchased electricity – generation facilities	173	131	<b>77</b>	-41
Purchased electricity – offices	363	337	<b>371</b>	10
<b>Total Scope 2</b>	<b>536</b>	<b>468</b>	<b>448</b>	-4
<b>Scope 3: Other indirect GHG emissions (tCO<sub>2</sub>e)</b>				
Air travel	415	488	<b>328</b>	-33
Rental cars and mileage	48	93	<b>147</b>	58
<b>Total Scope 3</b>	<b>463</b>	<b>581</b>	<b>475</b>	-18
<b>Total Scope 1, 2 and 3<sup>2</sup></b>	<b>3,737,824</b>	<b>3,277,889</b>	<b>2,173,653</b>	-34

<sup>1</sup> SF6, methane (CH<sub>4</sub>) and nitrous oxide (NO<sub>x</sub>) are not included in our emissions profile.

<sup>2</sup> Note that all of the emissions in this inventory are on an operational control basis. There are no relevant emissions to be identified by Genesis Energy on an equity basis.

<sup>3</sup> Generation emissions for 2013/2014 have been restated from those published in the Company's Q4 2014 Quarterly Report.



MORE  
SAFETY

AND  
PRODUCTIVITY  
FOR ALL OUR  
PEOPLE



MORE  
CARE

IN OUR  
WORKPLACES



*Our safety behaviour  
and attitude is propelling  
the Company to the top of  
the safety leaderboard in  
New Zealand.*



# A TOTAL FOCUS ON HEALTH, SAFETY AND WELL-BEING IS PAYING OFF WITH MASSIVE REDUCTIONS IN INJURIES.

A relentless focus on health, safety and well-being, at work and at home, is paying off for Genesis Energy.

**This focus has led to significant reductions in injuries and heightened awareness of risks.**

For all Genesis Energy employees and contractors, getting home each night safely and uninjured is the top priority. This attitude is propelling the Company to the top of the safety leaderboard in New Zealand.

The Company's injury frequency rate (injuries per million hours worked) of 1.97 at 30 June 2014 is amongst the lowest of all Australasian companies in the energy, utility and mining sectors. This is a great achievement towards creating a zero-harm workplace environment.

At Genesis Energy, workplace health and safety is non-negotiable. The Company wants to ensure that workplace health, safety and well-being becomes embedded in the DNA of our people, the contractors we employ and the public. All employees and contractors (1,060) received relevant health and safety training in FY2014.

We recognise that excellence in health, safety and well-being is integral to excellence in other business parameters, such as quality, productivity and profitability. It is also vital to Genesis Energy's people and to our people strategy: we want Genesis Energy to be 'the place where talent wants to work'.

## 1.97

*Total recordable injury frequency rate, down 16%*

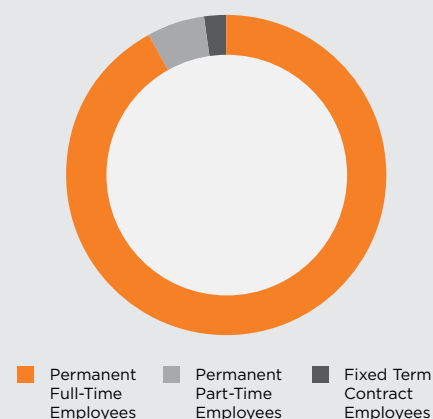
## HEALTH AND SAFETY METRICS

Total Injuries	FY2010	FY2011	FY2012	FY2013	FY2014
Workforce Injury Rate <sup>1</sup> (Injuries/100 employees)	20.63	18.38	14.27	8.28	<b>4.92</b>
Occupational Disease Rate (Occupational disease/100 employees)	-	-	-	-	-
Per cent lost days (Lost days/total days worked)	0.02%	0.01%	0.01%	0.01%	<b>0.01%</b>
Per cent absent days (Absentee days/total days worked)	4.16%	5.09%	4.50%	4.53%	<b>3.57%</b>
Lost Time Injury Frequency Rate (LTIFR) (Lost-time injuries x 1,000,000/actual hours worked)	9.87	4.35	3.66	1.18	<b>0.98</b>
Total Recordable Injury Frequency Rate (TRIFR) ((Lost-time injuries + Restricted work injuries + Medically treated injuries) x 1,000,000/actual hours worked)	33	31	7.32	2.36	<b>1.97</b>

<sup>1</sup> The data reported includes all minor self-treatment first-aid injuries.

<sup>2</sup> 'Workforce' is defined as permanent and fixed term employees. Employees as at 30 June 2014.

## WORKFORCE BY EMPLOYMENT TYPE



## GREENLANE BUILDING MOVE

The Company moved into a new Central Park headquarters in September 2014, following a decision to relocate after a 14-year occupancy in the previous building, which would have required a major refit. The move to a new office was more cost-effective than refitting the old office premises.

At the heart of the Central Park design was the intention to create a flexible office which provided a sense of continuity between critical business activities. The space has been designed to offer an environment where people can engage easily with each other, customers and clients, and to implement new technology solutions.

Similar design features were also used for a new office in Bryce Street, Hamilton, which was leased and refitted for office-based staff relocated from Huntly Power Station. The Bryce Street site was opened on 12 May with a blessing held by Pokaia Nepia (Waikato-Tainui Kaumatua).



The ceremony included a karanga (kuia calling), karakia (prayers) and the chanting of Ka Mate Ka Mate and Toia Mai.

### PROPERTY AWARDS

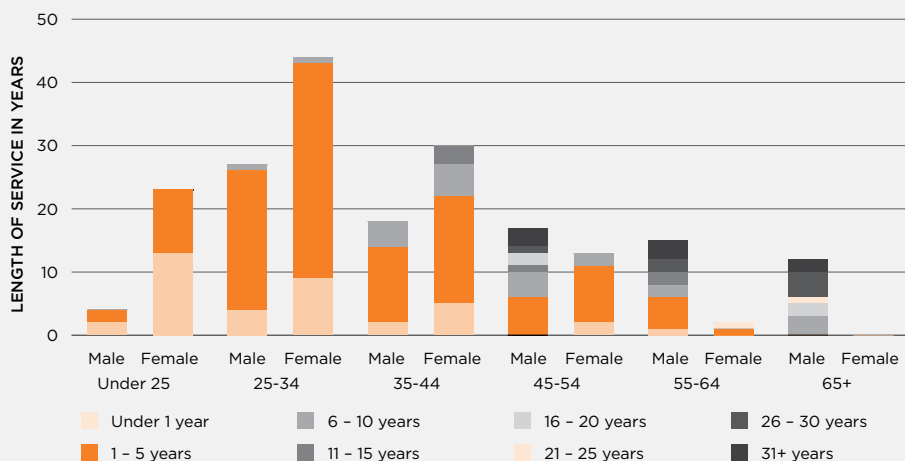
The Central Park office received a Merit award in the Commercial Building Category at the Property Council New Zealand's Property Industry Awards in April.

The evaluation criteria included economic and financial factors, project vision and

innovation, design and construction, owner and user satisfaction, and sustainability and efficiency of operation.

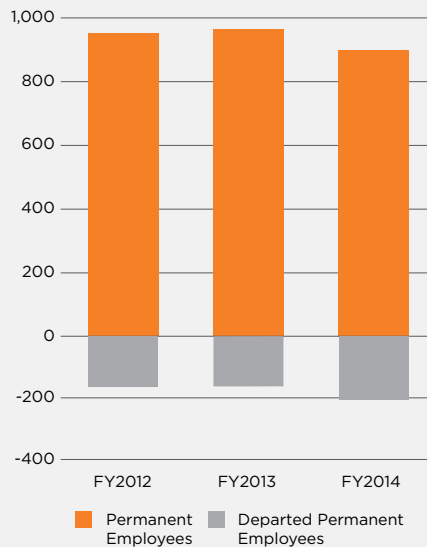
Genesis Energy's Property and Facilities Manager Fiona Towers won the CoreNet Corporate Real Estate Executive of the Year 2014. This prestigious award was won for the excellent work she has been involved in, through the Genesis Energy fit-outs for both the Auckland and Hamilton sites.

### TURNOVER OF PERMANENT STAFF - VOLUNTARY AND NON-VOLUNTARY



NOTE: Employee turnover, gender and age profile graphs are provided as part of this Annual Report's preparation under the Global Reporting Index and ASX guidelines.

### TURNOVER OF PERMANENT STAFF - VOLUNTARY AND NON-VOLUNTARY



## DIVERSITY IN THE WORKPLACE

**Genesis Energy is committed to creating a diverse and inclusive workplace where all individuals are valued, respected, treated fairly and with dignity; where potential and talent is optimised; and where we leverage this diversity to achieve better outcomes for our Company and Shareholders, our customers, our communities and our people.**

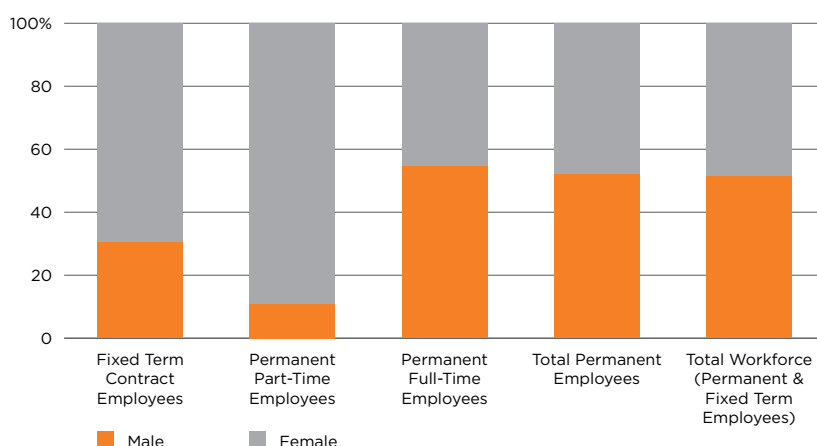
Genesis Energy is made up of a richly diverse workforce. Our people come from many different backgrounds – different cultures and beliefs, age groups and genders – and collectively bring a wealth of diverse ideas, experiences and perspectives. The Company recognises this diversity as a source of strength which we need to leverage.

In addition, New Zealand, and therefore Genesis Energy's customer base, is increasingly more diverse.

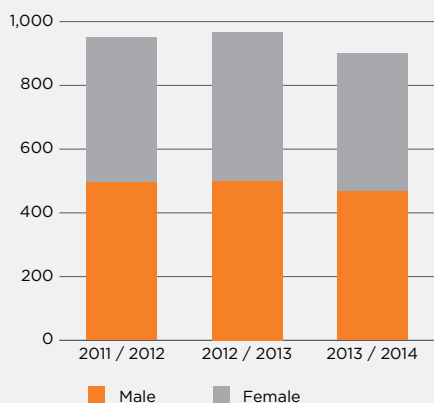
The Company needs to reflect the diversity of our customer base in order to truly understand our customers, engage with them effectively and to deliver customer-centric products

and services. Genesis Energy also recognises that diversity of thought leads to better decision-making and greater innovation, resulting in increased value for all stakeholders.

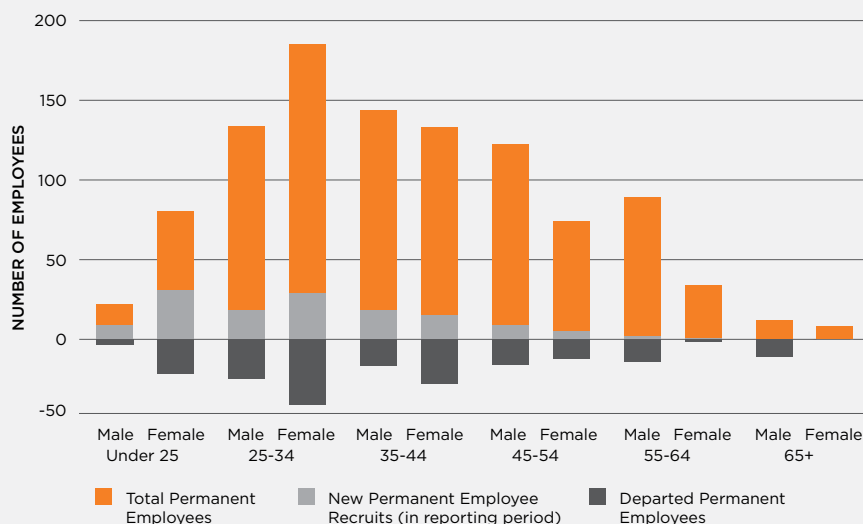
### GENDER DIVERSITY – WORKFORCE EMPLOYMENT TYPE



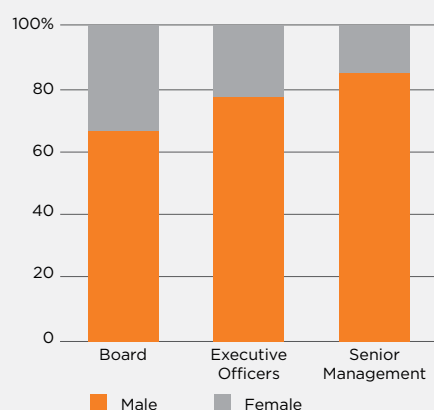
### GENDER DIVERSITY – TOTAL PERMANENT EMPLOYEES



### AGE AND GENDER PROFILE OF WORKFORCE



### GENDER DIVERSITY – MANAGEMENT





## MORE INSPIRED

NEW ENERGY  
THINKING IN  
NEW ZEALANDERS



## MORE INVOLVED

ON THE GROUND  
IN OUR COMMUNITIES



*Schoolgen grows  
awareness of energy  
use and new forms of  
power generation.*



# OUR SCHOOLGEN PROGRAMME IS WHERE MORE INVOLVEMENT GROWS AND INSPIRES YOUNG MINDS.

We are a company that's committed to putting money into communities and supporting initiatives for the long term.

## 16

*New schools on board with the Schoolgen programme*



## SCHOOLGEN GATHERS MOMENTUM

**After funding the installation of photovoltaic (PV) panels single handed for several years, the Schoolgen programme received a substantial boost in FY2014 with funding support from Wellington City Council which agreed to pay half of the costs of panels for 16 more schools. The Rotary chapter in Geraldine and Temuka also half-funded two more Schoolgen schools in its district.**

In Wellington, 10 schools joined in FY2014 and six more will join by December 2015. All 10 schools raised further funding to match the 2kW system provided by Schoolgen with another 2kW array. In the South Canterbury group, two schools gained a 4kW system. The Company recruited a Clifton Terrace Model School teacher for a school term to assist the Schoolgen team to roll out the programme to 10 new schools in just three months.

At the end of June 2014, 66 schools from Lake Tekapo to Whangarei had PV panels installed by Genesis Energy and many more schools were engaged with the learning resources of the Schoolgen programme.

### Schoolgen Facts:

**595,380**kWh

*Total electricity generation to date*

**115.9**tonnes

*Carbon dioxide saved*

**2,923**kWh

*Most generation (from 2kW system) in past 12 months: Whakatane Intermediate School*

## SUPPORTING OUR COMMUNITIES

**Genesis Energy focuses our sponsorship and community investment into projects that deliver positive outcomes for communities and environments in which we operate.**

Our goal with funding projects is to build long-term capacity so that projects or organisations become sustainable and to secure funding from a wide range of sources. This long-term aim is being realised to a certain extent with the Schoolgen programme, which has attracted substantial support from other funding bodies such as the Wellington City Council. Funding from Genesis Energy for the Whio Recovery programme not only supports a national Department of Conservation priority, but also enables a number of community volunteer groups to progress their local whio projects.

## WHIO FOREVER

**The whio is a nationally threatened endemic species. It is a unique river specialist that lives on pristine mountain streams where it is an 'indicator species' of river health.**

Less than 3,000 whio remain and they continue to decline as a result of habitat loss and introduced predators (stoats, cats, dogs), wherever these threats are not managed.

The Whio Recovery programme aims to turn this tide, by securing more whio in the wild. This is being achieved by growing the remaining natural populations and ensuring New Zealanders understand and value whio as an icon of New Zealand's river systems.

The programme is the product of relationships built up over many years between Genesis Energy, the Department of Conservation, and the Royal Forest and Bird Protection Society.

As a result of the work undertaken since the inception of the project, the Whio Forever Recovery programme

## LAKE TEKAPO COMMUNITY FUND

**The second and final round of the Lake Tekapo Community Fund was completed at the beginning of October 2013.**

The Lake Tekapo Community Fund was established to recognise the support of the community during the Tekapo Canal Remediation Works. Ten Lake Tekapo community groups applied for and received funding for local projects.

All projects benefited the community in the areas of education and environmental enhancement, and the majority of the projects were undertaken by voluntary labour.



has now been fast-tracked and it is expected that the key goal of increasing the security of whio through predator control at priority locations will be achieved three years ahead of schedule. The latest results show an increase of 117 whio breeding pairs under protection since the programme's inception in 2011.

Whio Security Sites, the highest priority for protection, now expect to achieve their target numbers of 400 protected whio pairs by 2016, rather than 2019. In addition, the target number of whio to be protected at Recovery Sites has been increased from 100 pairs to 200 pairs.

Public awareness has increased and relationships with various community groups, iwi and individuals involved in whio conservation have been developed and strengthened. Investment in predator control has been a key focus with 14 whio protection sites receiving support to better manage stoats and other predators. Over 1,600 traps have been purchased and deployed at these sites over the last year, which brings the total of number of traps purchased under this programme to 5,200.

# 436

*Protected pairs of whio in the North and South Islands*



## COMMUNITY INVESTMENT FACTS

### CURTAIN BANKS

#### Households with new curtains:

235 Vision West, Auckland

498 Sustainability Trust, Wellington

531 Community Energy Action Trust, Christchurch

### FOUNDATION FOR YOUTH DEVELOPMENT

1,530 children attended Kiwi Can programmes in the Waikato



## WHIO WINS GREEN RIBBON AWARDS

**In June 2014, the Whio Forever recovery programme won the Ministry for the Environment's Green Ribbon Award for protecting New Zealand's biodiversity.**

The Green Ribbon Awards recognise the outstanding contributions of individuals, organisations, businesses and communities to protecting and enhancing New Zealand's environment. The credit for winning the award has to go to the large community of people nationwide who are dedicated to the protection of the whio. Schoolgen was also selected as a finalist in the Green Ribbon Awards.

## GREAT WHIO ADVENTURE WINNERS SEARCH FOR THE ELUSIVE WHIO IN TE ANAU

**The two families who won the Great Whio Adventure competition in March 2013 had a great time in January 2014 searching for the ever-elusive whio in the high-country rivers around Te Anau (above, and below).**





# THE BOARD.

ALL DIRECTORS ARE INDEPENDENT AND NON-EXECUTIVE.

01

## **Chairman of the Board – Rt Hon Dame Jenny Shipley DNZM**

**Appointed 1 November 2009**

Dame Jenny Shipley has been Chairman of Genesis Energy since November 2009. She is the Chairman of the Company's Nominations Committee and is also a member of the Company's Audit and Risk Committee and Human Resources and Remuneration Committee. Dame Jenny is Chairman of Momentum Holdings Limited, Seniors Money International Limited, China Construction Bank (New Zealand) Limited and the Financial Services Council of New Zealand. She is also a director of Trans-Tasman Resources Limited.

Dame Jenny was Prime Minister of New Zealand from 1997 to 1999 and in the preceding seven years she was a Minister in the New Zealand Government and responsible for various portfolios including Minister for State Owned Enterprises. In both roles,

she was involved in the split of ECNZ and the sell-down of the shares in Contact Energy Limited. Dame Jenny is a member of the Canterbury Earthquake Recovery Authority review panel, Chair of NZ Global Women, Co-Chair of Women Corporate Directors and a member of the World Women's Leadership Council.

Dame Jenny resides in Auckland, New Zealand.

02

## **Deputy Chairman of the Board – Joanna Perry MNZM, MA Econ (Cantab), FCA**

**Appointed 1 May 2007**

Joanna Perry joined the Genesis Energy board in May 2007 and was appointed Deputy Chairman in May 2009. She is Chairman of the Audit and Risk Committee and a member of the Nominations Committee.

Joanna is a professional director whose current governance appointments include TradeMe Group Limited, Partners Life Holdings Limited, Kiwi Income Property Limited, The Co-operative Bank, Rowing New Zealand and Sport New Zealand.

Joanna is an independent advisor to the Board of Tainui Group Holdings Limited, Chairman of the Investment Advisory Panel of the Primary Growth Partnership and Chairman of the IFRS Council.

She was previously a member of IFRS Interpretations Committee, partner in the international accountancy and consultancy firm KPMG, a member, then Chairman, of the New Zealand Financial Reporting Standards Board and a member of the Securities Commission. Joanna resides in Auckland, New Zealand.

03

## **Andrew Clements BCom**

**Appointed 16 July 2012**

Andrew Clements, known as Clem, was appointed to the Genesis Energy board in July 2012 and chairs the Company's Human Resources and Remuneration Committee. Clem is an investor and professional director. He is the Chairman of the New Zealand Football Foundation and in September 2014, he will retire as Chairman and director of Orion Corporation Limited and director of NZX listed Ryman Healthcare Limited. He was previously director of Emerald Capital Limited, a Canadian-owned investment company, until 2008. Prior experience includes nine years with Goodman Fielder Wattie in various financial and general management positions in New Zealand and Asia, following corporate money market and foreign exchange positions in New Zealand and London. Clem will retire as a director of Genesis Energy at the 2014 Annual Shareholder Meeting and will not be standing for re-election. Clem resides in Auckland, New Zealand.

04

## **John Dell BCom (Hons), CA**

**Appointed 1 May 2010**

John Dell was appointed to the Genesis Energy board in May 2010 and is a member of the Company's Audit and Risk Committee and Human Resources and Remuneration Committee. John is a professional director, with current appointments including Higgins Group Holdings Limited, Viridian Glass GP Limited and Unimarket Holdings Limited. He has experience in executive finance and strategic management having previously held executive positions as Chief Financial Officer and Chief Executive Officer of Tenon Limited (formerly Fletcher



Challenge Forests Limited) and as Chief Financial Officer of Air New Zealand Limited. Prior to his corporate roles, John worked for KPMG. John resides in Auckland, New Zealand.

05

**John Leuchars** *ME, BCA, FIPENZ*

**Appointed 16 July 2012**

John Leuchars joined the Genesis Energy board in July 2012 and is a member of the Company's Audit and Risk Committee. He is a professional company director. John was a consulting engineer who held director and managing director positions in international consulting engineering companies for 30 years. These included managing director of Connell Wagner (NZ) Limited (now Aurecon) and of Connell Mott MacDonald, London. He has experience in a broad range of industries including the design of power generation projects in a hands-on design role or at a governance level. John is currently a director of KiwiRail Holdings Limited and Wellington Gateway General Partner companies (Transmission Gully Motorway). John resides in both Melbourne, Australia and Auckland, New Zealand.

06

**Graeme Milne** *ONZM, BTEch (Biotech) Hons*

**Appointed 1 May 2009**

Graeme Milne was appointed to the Genesis Energy board in May 2009 and is a member of the Company's Nominations Committee. He is a professional director and is the Chairman of a number of New Zealand-based entities, including Synlait Milk Limited, New Zealand Pharmaceuticals Limited, John's Disease Research Limited, TerraCare Fertilisers Limited, Rimaniui Farms Limited and Pacific T&R Limited, and holds directorships in the Alliance Group Limited and Farmers Mutual Group.

Graeme was a director of NZX-listed distribution company Horizon Energy Distribution Limited for seven years prior to joining the board of Genesis Energy. Graeme resides in Cambridge, New Zealand.

07

**Rukumoana Schaafhausen** *LLB*

**Appointed 16 May 2010**

Rukumoana Schaafhausen was appointed to the Genesis Energy board in May 2010 and is a member of the Company's Audit and Risk Committee. She serves as a director and executive member on a number of boards including Regional Facilities Auckland Limited, Te Waharoa Investments Limited and Waikato-Tainui Te Kauhanganui Incorporated (the Trustee of the Waikato Raupatu Lands Trust and Waikato Raupatu River Trust). Rukumoana chairs Te Kauhanganui Incorporated's Group Audit and Risk Committee. She has practised as a lawyer for a number of years in the areas of governance and property and previously worked as Group Counsel for a large-scale property development company. Rukumoana is of Waikato-Tainui descent.

Rukumoana resides in Auckland, New Zealand.

08

**Mark Cross** *BBS, CA*

**Appointed 24 June 2014**

Mark Cross, who joined the Genesis Energy board in June 2014, has extensive financial markets experience, both as a professional director and consultant and during his earlier investment banking career. Mark is currently Chairman of MFL Mutual Fund Limited and Superannuation Investments Limited, and a director of Argosy Property Limited, Milford Asset Management Limited and Triathlon NZ Inc.

and of other private companies in which he is an investor. In his investment banking career, Mark provided corporate finance advice to companies and governments and he has had significant experience advising companies in the utilities sector in Australia, United Kingdom and Europe across generation, distribution and retail activities in electricity, water and gas. Mark held senior positions at Deutsche Bank in Australia, then more recently in the United Kingdom, and prior to that at Lloyds Corporate Finance/Southpac Corporation in New Zealand and Australia. Mark resides in Auckland, New Zealand.

09

**Douglas McKay** *BA, AMP (Harvard)*

**Appointed 24 June 2014**

Doug McKay, who joined the Genesis Energy board in June 2014, is an experienced commercial executive and director across a range of industries. He was the inaugural chief executive of the amalgamated Auckland Council until the end of 2013 and has directorships with BNZ and IAG, in addition to being a director of Griffin's Foods. Doug is also a director of NZ Institute of Chartered Accountants and director-designate of Chartered Accountants ANZ. Doug began his career with Procter & Gamble working in a number of roles both in New Zealand and overseas, and subsequently he has worked in managing director and chief executive roles with Lion Nathan, Carter Holt Harvey, Goodman Fielder, Sealord and Independent Liquor, where he was also chairman.

Doug resides in Auckland, New Zealand.

**Alison Andrew** *BE (Hons), MBA*

**Appointed 16 July 2012,**

**Resigned 24 September 2013**





# THE EXECUTIVE TEAM.

01

## **Chief Executive – Albert Brantley**

*BSC, PGEOL, FAUSIMM*

Albert Brantley is responsible for the leadership, strategic direction and management of all of Genesis Energy's business interests. Appointed in 2008, Albert has an in-depth knowledge of the oil and gas industry, minerals extraction and processing sector and the power generation sector from long-standing experience, both internationally and in New Zealand, in technical, operational and senior management positions. He has had considerable experience leading businesses requiring political, regulatory and environmental management, both in New Zealand and overseas. Albert has operated at the managing director or Chief Executive level for most of the past 20 years.

02

## **Chief Financial Officer – Andrew Donaldson**

*BMS, CA*

As Chief Financial Officer, Andrew Donaldson is responsible for directing all financial aspects of Genesis Energy. He was appointed in 2010 and brings significant national and international experience and expertise to the Company.

Andrew has served as a director on a number of companies and, prior to joining Genesis Energy, was Chief Executive of SmartPay, a NZX-listed company and an electronic commerce leader throughout Australasia. Before that, he was the Managing Director of Brightstar NZ. Andrew has significant experience in executive finance having been Finance Director for multinationals such as Tiscali UK and Atlas Venture UK and at New Zealand Telecom Retail with the accountability for all New Zealand fixed, mobile and broadband customers.

03

## **General Counsel and Company Secretary – Maureen Shaddick**

*LLB, BA*

As General Counsel, Maureen is responsible for management of the provision of legal services to Genesis Energy and legal compliance and regulatory support. She is the Company Secretary of Genesis Energy and Deputy Chair of the Genesis Oncology Trust.

Prior to joining Genesis Energy in 1999, Maureen worked as a commercial and construction lawyer in both private practice and in-house corporate roles in Wellington, Dubai and London.



04

#### General Manager Strategy and Corporate Affairs – Dean Schmidt

BA (Hons)

As General Manager Strategy and Corporate Affairs, Dean Schmidt leads Genesis Energy's corporate strategy and commercial development functions along with managing corporate communications, government and regulatory affairs, public relations and community investment programmes. Having joined Genesis Energy in August 2012, he brings political, private sector and SOE experience to the Company. Dean served as Head of Corporate Affairs at Television New Zealand, Group Corporate Affairs Manager for New Zealand Post Group and Head of Government and Community Relations at Telecom NZ Ltd.

05

#### General Manager Portfolio Management – Chris Jewell

BE (Hons), MEM, CIMA

Chris Jewell is responsible for all aspects of wholesale energy and fuel trading, sales of energy to our larger customers, managing the Company's hedge portfolio and oversight of Genesis Energy's investment in the Kupe asset. Chris has broad experience in commercial management, energy trading, infrastructure investment, and asset operations. He joined

Genesis Energy in February 2013 after almost a decade with Mighty River Power in a variety of management roles. He has also worked in a variety of telecommunications and infrastructure roles in New Zealand and the United Kingdom.

06

#### General Manager Corporate Services – Andrew Steele

BCom

Andrew leads the People and Capability, Health, Safety and Quality, Internal Communications, Information Technology and Property and Administration teams at Genesis Energy. Before joining the Company, Andrew has worked in a variety of executive roles across New Zealand and Australia. He has worked in a range of companies including QSuper, Suncorp, Fonterra and Telecom NZ Ltd. Andrew also managed his own consulting business for three years, building up a set of blue-chip clients across Australia including those in the utility and electricity sectors. He has also spent time in the electricity sector in New Zealand and the United Kingdom.

07

#### General Manager Generation – Tracey Hickman

MBA (Hons)

Tracey is responsible for the Company's electricity generation assets which include:

the Huntly Thermal Power Station; the Tongariro, Waikaremoana and Tekapo Hydro Power Schemes; and the Hau Nui Wind Farm. Her role includes health and safety, asset management (including strategy, planning and plant performance), engineering, projects delivery, maintenance and operations and environmental management, and community engagement.

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

08

#### General Manager Retail – David Goadby

BSc

David Goadby was appointed to the newly created role of General Manager Retail on 25 June 2014. He leads the Customer Experience operations, sales, and marketing teams.

David has held a number of senior sales and marketing roles in Australia, the United Kingdom and Europe across both the energy and FMCG sectors, bringing valuable international experience. His most recent role was as the General Manager Retail of an Australian energy retailer in Sydney. David's other senior executive positions include time at British Gas, Scottish & Newcastle Plc, Nestlé Beverages and Procter & Gamble.



# CONSOLIDATING OUR STRONG POWER BASE.

Despite a challenging year, we have delivered a financial result ahead of the PFI forecast.



**Genesis Energy has delivered financial results for the 12 months ended 30 June 2014 better than the PFI published in the Company's share offer prospectus. Key financial metrics including EBITDAF, net profit after tax, capital expenditure, free cash flow (FCF), dividends and net debt were all in line or better than PFI forecasts.**

EBITDAF of \$307.8 million in FY2014 was nine per cent lower than in FY2013, but one per cent ahead of the PFI EBITDAF of \$305.2 million, reflecting lower wholesale electricity prices, reduced electricity generation and lower retail electricity and gas sales volumes.

Net profit of \$49.2 million was 18 per cent higher than the PFI, but a 53 per cent decrease from \$104.5 million reported in the previous comparable period. The difference compared with the PFI is due to better than expected EBITDAF, a gain on fair value changes and lower net interest.

A feature of the FY2014 result is the conversion of EBITDAF to FCF and a number of one-off items impacting profitability. At \$161.8 million, FCF in FY2014 was four per cent higher than in FY2013 and six per cent ahead of the PFI forecasts, and mainly reflects lower

'stay in business' capital expenditure and reduced finance expense.

In line with the PFI, EBITDAF was negatively impacted by the second season of the Tekapo Canal Remediation Works (\$11.5 million) which reduced generation from the Tekapo stations, changes to its coal supply contracts (\$16.8 million) and costs associated with the Company's share offer in April (\$9.8 million).

The total impact of the one-off items on EBITDAF in FY2014 was broadly in line with the PFI, at \$38.1 million. Added back to the reported EBITDAF of \$307.8 million, the Company had a very similar EBITDAF outcome in FY2014 compared to in FY2013.

Total net debt decreased by four per cent to \$966.1 million at 30 June 2014 compared to 30 June 2013, due to higher operating cash flows, reduced 'stay in business' capital and the Tekapo Canal capital expenditure. Compared to the PFI, net debt was three per cent lower for the same reasons. Genesis Energy's gearing ratio (debt to debt plus equity) still sits at 34.5 per cent, but this is lower than the 35.3 per cent forecast in the PFI.

Net borrowing costs for the 12-month period reduced by \$10.4 million from \$78.6 million in FY2013 to \$68.2 million

in FY2014, reflecting lower average debt levels throughout the year.

The net financing cost in FY2014 was \$2.9 million lower than the PFI estimate for the same reasons.

Genesis Energy has declared a final dividend of 6.6 cents per share (cps) for FY2014, in line with the PFI forecast, but ahead of 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 13.0cps, in line with the PFI, and equating to 79.1 per cent of FCF compared to 83.8 per cent forecast in the PFI.

The Company completed a modification process for its 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 debt, expiring on 15 July 2041.

A handwritten signature in black ink, appearing to read 'Andrew Donaldson', written over a light grey background.

**ANDREW DONALDSON**  
CHIEF FINANCIAL OFFICER



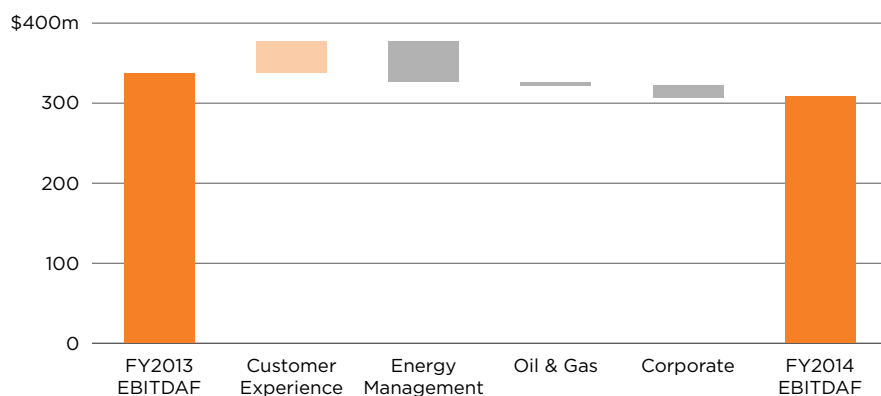
## SIGNIFICANT ITEMS \$M

	2014	2014 PFI	Relative to PFI	2013	Change %
EBITDAF	307.8	305.2	ahead	336.6	-9
Tekapo Power Scheme outage	11.5	8.0 – 12.0	in line	20.0 – 25.0	-49
Offer costs	9.8	10.0	in line	0.6	1,533
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	-
<b>Total impact on EBITDAF</b>	<b>38.1</b>	<b>34.2 – 38.2</b>	<b>in line</b>	<b>9.8 – 14.8</b>	<b>210</b>
Tax effect of the above	(7.9)	(6.8) – (7.9)	in line	(2.6) – (4.0)	112
<b>Total impact on NPAT</b>	<b>30.2</b>	<b>27.4 – 30.3</b>	<b>larger</b>	<b>7.2 – 10.8</b>	<b>246</b>

↑18.0%

*Net profit higher than the prospective financial information*

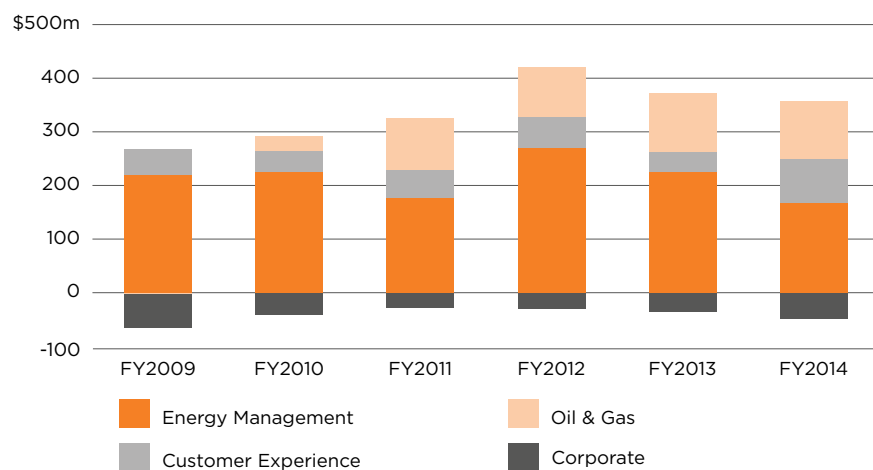
## EBITDAF BRIDGE FROM FY2013 TO FY2014



6.6CPS

*Final dividend declared is ahead of that declared in 2013*

## GENESIS ENERGY EBITDAF BY DIVISION



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>

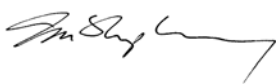
The above statements to be read in conjunction with the accompanying notes.

# BALANCE SHEET

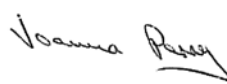
As at 30 June 2014

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

	Group					
	Customer experience \$million	Energy management \$million	Oil and gas \$million	Corporate \$million	Inter-segment items \$million	Total \$million
<b>YEAR ENDED 30 JUNE 2013</b>						
<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

Note	Group					Total \$million
	Property, plant and equipment \$million	Oil and gas assets \$million	Provisions \$million	Finance lease liabilities \$million	Other \$million	
<b>Balance as at 1 July 2012</b>	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	5.5	20.1
Amount recognised in other comprehensive income		43.0	-	-	(2.3)	40.7
<b>Balance as at 30 June 2013</b>	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	(2.2)	1.2
Amount recognised in other comprehensive income		-	-	-	1.4	1.4
<b>Balance as at 30 June 2014</b>	<b>356.5</b>	<b>80.5</b>	<b>(34.0)</b>	<b>(4.3)</b>	<b>(14.5)</b>	<b>384.2</b>

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					Total \$million
	Property, plant and equipment \$million	Provisions \$million	Finance lease liabilities \$million	Other \$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
Carrying value at 1 July 2012		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)
Carrying value at 30 June 2013		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)
Carrying value at 30 June 2014		1.5	324.5	14.6	1.5	342.1
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)
Carrying value at 30 June 2013		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)
Carrying value at 30 June 2014		1.5	324.5	14.6	1.5	342.1

### 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
Carrying value at 1 July 2012	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)
Carrying value at 30 June 2013	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)
Carrying value at 30 June 2014	102.6	19.6	6.7	3.2	132.1

### 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

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

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)
Total gain (loss)		
– 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**

	<b>Group</b>	
	<b>2014 Actual \$million</b>	<b>2014 PFI \$million</b>
<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**

	<b>Group</b>	
	<b>2014 Actual \$million</b>	<b>2014 PFI \$million</b>
<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 33 to 75, 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 33 to 75:

- 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.**

# CORPORATE GOVERNANCE STATEMENT

## CORPORATE GOVERNANCE

Genesis Energy Limited ('the Company') is a company incorporated in New Zealand under the Companies Act 1993 (NZ) ('Companies Act'), whose fully paid ordinary shares ('Shares') were listed on the NZX Main Board and Australian stock exchanges ('NZX' and 'ASX') on 17 April 2014. The Company was a state-owned enterprise under the State-Owned Enterprises Act 1986 until 7 March 2013 when it became a mixed ownership model company as defined and governed by the Public Finance Act 1989. In broad terms, the Public Finance Act and the Company's Constitution provide that Her Majesty the Queen in right of New Zealand must hold at least 51 per cent of the shares of the Company and no other person may have a relevant interest in more than 10 per cent of the shares.

### Corporate Governance Framework

Genesis Energy is committed to maintaining the highest standards of governance, business behaviour and accountability in order to promote investor confidence. The Company's corporate governance framework takes into consideration contemporary standards in New Zealand and Australia, incorporating principles and guidelines issued by the Financial Markets Authority, the NZX Corporate Governance Best Practice Code ('NZX Code') and the 2nd edition of the ASX Corporate Governance Council Principles and Recommendations ('ASX Principles'). In addition, the Board has approved policies and practices which aim to reflect best practice standards of governance in New Zealand and Australia.

This Corporate Governance Section, which has been approved by the Board, sets out Genesis Energy's commitment to best practice corporate governance and includes a commentary on the Company's level of compliance with each of the eight ASX Principles throughout the financial year ended 30 June 2014 and through this, Genesis Energy's compliance with the NZX Code. Further commentary on ASX Principle 8 (remunerating fairly and responsibly) is contained in the Director and employee Remuneration Report on page 83.

For the reporting period, Genesis Energy considers that its corporate governance practices adopted and followed do not materially differ from those in either the NZX Code or the ASX Principles.

### Corporate Governance Information and the Company's Website

Genesis Energy's investor relations website ([www.genesisenergy.co.nz/investor-centre](http://www.genesisenergy.co.nz/investor-centre)) contains a copy of the corporate governance documents referred to in

this statement, including the Constitution, Genesis Energy's Board and Committee Charters and many of the policies referred to in this statement.

### Principle 1: Lay solid foundations for management and oversight

#### The Board

The Genesis Energy Board is responsible for the proper direction and control of the affairs and activities of the Company and its subsidiaries. The Board recognises that its primary role is to act in a manner that Directors believe is in the best interests of the Company, thereby creating long-term value for shareholders while having regard to the interests of its employees and other stakeholders.

The Board has adopted a Board Charter (a copy of which can be found within the Governance section of the Company's website) recording its commitment to achieving best-practice corporate governance ('Charter'). The Charter describes the specific responsibilities, values, principles and practices that underpin the role of Directors on the Genesis Energy Board.

The Board's roles and responsibilities include:

- approving the strategic direction for the Company and its subsidiaries and overseeing the corresponding business strategies and objectives that give effect to the Company's strategic direction;
- overseeing the operation of the Company's business and ensuring that it is being managed appropriately;
- reviewing and approving the Company's budgets, business plans, dividend policy and financial forecasts, and monitoring the management of the Company's capital, including the progress of any significant capital expenditure, acquisition or divestments;
- monitoring the financial performance of the Company;
- monitoring the integrity of reporting and establishing procedures to ensure the timely and accurate reporting of financial results, consistent with all legal and regulatory requirements;
- delegating the day-to-day operation of the Company to the Chief Executive and executive team, subject to specific limits of authority;
- approving and regularly reviewing the Company's internal decision-making processes and any strategic policies and procedures, including any Board committee charters;
- adopting frameworks and systems designed to facilitate the Company's business being conducted in an honest, ethical, responsible and safe manner, with particular regard to the health and safety of Company employees;
- implementing effective audit, risk-management and compliance systems to protect the Company's assets and minimise the possibility of the Company operating beyond legal requirements or beyond acceptable risk parameters;
- safeguarding the reputation of the Company and the Genesis Energy brand;
- appointing and managing the succession of the Chief Executive and reviewing the remuneration and performance of the Chief Executive, consistent with the Company's strategic direction;
- monitoring the appointment, remuneration and performance of other key roles within the business and reviewing succession planning; and
- reporting to and communicating with shareholders.

### Delegation to Chief Executive and Executive Management Team

The Chief Executive and executive management are responsible for:

- developing and making recommendations to the Board on Company strategies and specific strategic initiatives;
- the management and implementation of strategy approved by the Board;
- the implementation of Board-approved policies and reporting procedures;
- management of business risk in accordance with the risk appetite approved by the Board; and
- the day-to-day management of the Company.

These responsibilities are subject to the Board's delegations of authority to the Chief Executive and executive management and such other rights and powers reserved to the Board from time to time.

### Performance evaluation of senior executives

The Board is responsible for monitoring the performance of the Chief Executive and executive management team against established objectives and the Board's Human Resources and Remuneration Committee reviews the annual performance of executive management. Further details are contained in the Director and employee remuneration section of the Report (see page 83).

Performance evaluations of the Chief Executive and each executive management team member took place during FY2014, occurring both in the first and second half of the financial year.

### Principle 2: Structure the Board to add value

#### Board structure and Director appointment

The Board is structured in such a way that, as a collective group, it has the skill, knowledge, experience and diversity to meet and discharge its responsibilities.

The number of Directors on the Board at any one time is determined by the Constitution. All Directors are elected by the Company's shareholders,

with rotation and retirement determined by the Constitution. The Board may appoint Directors to fill a casual vacancy. Directors appointed to fill a casual vacancy will then be required to retire and stand for election at the first annual meeting after their appointment. The Nominations Committee recommends to the Board, potential candidates for appointment as a Director of Genesis Energy. To be eligible for selection, candidates must demonstrate the appropriate qualities and experience for the role of Director and will be selected on a range of factors, including; background, gender, age, professional expertise (including, for example, business, financial markets and governance experience) and qualifications and the needs of the Board at the time.

#### Board composition

At the beginning of the year in review, the Board comprised of eight non-executive independent Directors. Alison Andrew resigned as a Director on 24 September 2013, leaving the Board with seven Directors and this remained so until late June 2014. Two new Directors, Mark Cross and Douglas McKay were appointed by the Board with effect from 24 June 2014.

At year end, the Board comprised of nine non-executive Directors (comprising an independent Chairman, independent Deputy Chairman and seven other independent Directors). All of the Directors are considered to be 'independent' Directors as determined by the requirements of the NZX Main Board/Debt Market Listing Rules ('**NZX Listing Rules**'), the ASX Listing Rules and the ASX Principles, which means that they are not substantial shareholders, are free of any business or other relationship that would materially interfere with, or could reasonably be seen to materially interfere with, the independent exercise of their judgement. Materiality is assessed on a case-by-case basis and is based on qualitative and quantitative factors, including assessing the strategic importance, nature and value of any relationship.

Consistent with the ASX Principles, the roles of Chairman and Chief Executive are exercised by different persons. The Board's structure and its governance arrangements are set out in the Charter. Directors have been chosen for their mix of skills, experience and expertise.

The names of the Directors of Genesis Energy during the accounting period of 1 July 2013 to 30 June 2014, including the details of their dates of appointment, a brief biography, including each Director's qualifications, are included at pages 26 and 27.

The Board is committed to continued professional development to enable Directors to maintain the knowledge and skill set required for the office of director and to provide Directors with any new knowledge specific to the energy industry and to a listed environment.

#### Board Committees

The Board has three standing committees to assist in carrying out its responsibilities. The Committees review matters on behalf of the Board and, subject to the terms of each Committee's charter, recommends matters to the Board for decision, with a recommendation from the Committee or, where the Committee acts with delegated authority, determines matters which it then reports to the Board.

#### Audit and Risk Committee

The principal purpose of the Audit and Risk Committee is to assist the Board in the proper and efficient discharge of its responsibilities in relation to:

- the integrity of external financial reporting prepared by management;
- financial management;
- internal control systems;
- accounting policy and practice;
- appointment and performance of internal and external auditors;
- related party transactions;
- the risk-management framework and the monitoring of compliance within that framework; and

- compliance with applicable laws, regulations, standards, codes of practice, the NZX Listing Rules and the ASX Listing Rules.

The current members of the Audit and Risk Committee are Joanna Perry (Chairman), Dame Jenny Shipley, John Dell, John Leuchars and Rukumoana Schaafhausen.

#### Human Resources and Remuneration Committee

The principal purpose of the Human Resources and Remuneration Committee is to assist the Board in the discharge of its responsibilities and oversight in relation to:

- the remuneration and performance of the Chief Executive and senior executives;
- the remuneration of Directors; and
- the Company's human resources strategy and policy.

The current members of the Human Resources and Remuneration Committee are Andrew Clements (Chairman), Dame Jenny Shipley and John Dell.

#### Nominations Committee

The purpose of the Nominations Committee is to assist the Board in discharging its responsibilities in relation to:

- Board succession planning;
- monitoring the appropriate balance of skills, experience, independence and knowledge of the Board to enable it to effectively discharge its duties and responsibilities;
- identifying suitable prospective directors for shareholder selection and preparing those directors for their role within the Company;
- recommending the annual evaluation process of the Board and its committees and individual Directors; and
- establishing an effective induction programme for new Directors and providing for the continuing education and development of each Director.



The current members of the Nominations Committee are Dame Jenny Shipley (Chairman), Joanna Perry and Graeme Milne.

Consistent with the NZX Code and ASX Principles, all members of the Nominations Committee are Independent Directors.

The Nominations Committee may, from time to time, use external consultants to assist it in identifying prospective directors. During the reporting period, the Nominations Committee engaged external consultants to conduct searches for two new directors of the Company. The Nominations Committee gave the consultants guidance on the attributes that would complement the skills and experience of the Company's current Directors, taking into account the factors described.

All Charters for the Board and permanent standing committees are available in the Governance section on the Genesis Energy website. The Charters set out the Board and each committee's objectives, procedures, composition and responsibilities.

#### **Mixed Ownership Model Board Oversight Committee**

As reported in respect of FY2013, a temporary Board committee (named the Mixed Ownership Model Board Oversight Committee ('MOM

Committee')) was established to provide oversight of the preparatory work required to ready the Company for an initial public offering of shares in the Company, under the Crown's Mixed Ownership Model Programme.

In the year under review, the MOM Committee met a further three times prior to being disestablished in August 2013, as other IPO governance processes were established to conduct and monitor the IPO-related project.

The members of the MOM Committee were John Dell (Chair), Dame Jenny Shipley, Joanna Perry and Andrew Clements.

Dame Jenny Shipley was a member of the IPO Steering Group, Joanna Perry was co-chair of the IPO Due Diligence Committee and Andrew Clements was a member of the IPO Due Diligence Committee.

#### **Performance evaluation of the Board, its committees and individual Directors**

Directors carry out an annual performance review and evaluation of the Board, its committees and of the Chairman, with Directors' views sought and discussed on issues relating to Board process, efficiency and effectiveness. The Board's Nominations Committee is responsible for recommending

to the Board for its approval, an annual evaluation process of the Board, its Committees and individual Directors.

In respect of 2014, the Board self-review and evaluation process has been conducted utilising online questionnaires generated from the New Zealand Institute of Directors. The Board has met to consider the report generated from the questionnaire results and there are one-on-one discussions between the Chairman and individual Directors. Areas for improvement have been identified and a programme of actions developed to further strengthen the Board, the Committees and individual Director knowledge and contribution.

In preparation for operating with listed equity on the NZX and ASX, the Board reviewed the work programme and charters of all Board Committees, and each charter provides for an annual review of the Committee's performance and charter, to be carried out at the end of each calendar year.

#### **Independent professional advice**

All Directors have access to the advice and assistance of the Company Secretary on issues of the Board's affairs and governance matters. The Company Secretary is accountable to the Board, through the Chairman, on all

governance matters. The current Genesis Energy Company Secretary is Maureen Shaddick.

In addition, all Directors may access such information and seek such independent advice as they individually or collectively consider necessary to fulfil their responsibilities and permit independent judgement in decision-making and, with the Chairman's consent, seek independent professional advice at the Company's expense. Directors are also entitled to have access to internal and external auditors without management present.

#### **Board Meetings and Attendance**

The Board schedules a minimum of 10 meetings of Directors each year, at which Directors receive written reports from the Chief Executive and executive management providing monthly monitoring and reports on matters requiring Board approval. Additional meetings are called as required.

The table below shows attendance at Board and committee meetings during the year in review, as well as the additional Board meetings convened as necessary to consider and address the issues associated with the IPO of shares in Genesis Energy by Her Majesty the Queen in Right of New Zealand.

	<b>Board<sup>2</sup></b>	<b>Audit and Risk Committee</b>	<b>Human Resources and Remuneration Committee</b>	<b>Nominations Committee</b>	<b>MOM Board Oversight Committee</b>	<b>Special IPO Board Meetings</b>
<b>Number of meetings</b>	<b>14</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>3</b>	<b>11</b>
<b>Jenny Shipley</b>	14	4	6	6	3	10
<b>Joanna Perry</b>	14	4	-	6	3	10
<b>Andrew Clements</b>	13	-	6	-	3	10
<b>John Dell</b>	13	4	6	-	3	10
<b>John Leuchars</b>	13	3	-	-	-	11
<b>Graeme Milne</b>	12	-	-	4	-	8
<b>Rukumoana Schaafhausen</b>	13	1	-	-	-	11
<b>Alison Andrew<sup>1</sup></b>	3	-	-	-	-	-
<b>Mark Cross<sup>1</sup></b>	1	-	-	-	-	-
<b>Doug McKay<sup>1</sup></b>	1	-	-	-	-	-

1 Director Alison Andrew resigned from the Board effective from 24 September 2013 and Directors Mark Cross and Doug McKay were appointed on 24 June 2014.

2 This does not include the 11 IPO Board meetings held via teleconference.

### Principle 3: Promote ethical and responsible decision-making

#### Code of Conduct and Ethics

Genesis Energy is a values based organisation with four key values that underpin the Genesis Energy business.

The Board has adopted a Code of Conduct and Ethics for the Company which is a formal statement acknowledging the commitment of the Board, management and employees of the Company to maintaining the highest standards of honesty, integrity and ethical conduct in their day-to-day behaviour and decision-making.

The Code of Conduct and Ethics (which aligns to the principles of the Board Charter) guides Directors in the:

- practices necessary to maintain confidence in the Company's integrity;
- practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;
- responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code of Conduct and Ethics is supported by other existing Company policy including the Company's Compliance Policy, Protected Disclosures Policy, Privacy Policy, Conflicts of Interest Policy, Harassment Prevention Policy, Gifts Policy, Trading in Company Securities Policy, Health and Safety Policy, Equal Employment Opportunities Policy and Fraud Policy.

The Code of Conduct and Ethics is available in the Governance section of the Genesis Energy website.

#### Conflicts of Interest

The principles that govern the management of conflicts of interest are addressed in a number of governance documents (i.e. the Constitution, the Board Charter, the Code of Conduct and Ethics and a range of Company policies) and the Board has adopted a specific Conflicts of Interest Policy.

The Conflicts of Interest Policy provides guidance to Directors and employees on when a conflict of interest may arise, and sets out procedures for managing conflicts of interest. The purpose of the Conflicts of Interest Policy is to protect the integrity of decision-making at Genesis Energy and the reputation of the Company, those who work for it and those who own it.

Each Director is required to fully disclose to the Board all relationships he or she has with Genesis Energy (and all of its subsidiaries) and all relevant private or other business interests (which will include relationships with competitors or third-party suppliers), in order that the Board may assess each Director's independence, and interest in any particular transaction or issue. All disclosures of interest (including the nature and extent of any interest) are recorded in the Disclosure of Interests Register of the Company which is tabled and reviewed at the beginning of each Board meeting.

#### Trading in Company Securities Policy

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

The policy applies to Directors, officers, employees and contractors and is additional to the legal prohibitions on insider trading in New Zealand and Australia. The three fundamental principles are:

- insider trading is prohibited at all times;
- short-term trading should be avoided; and
- additional trading restrictions apply if you are a Director, the Chief Executive and executive management (and their dependants, trusts and companies), and anyone else notified by the General Counsel and Company Secretary as being subject to additional restrictions.

The Trading in Company Securities Policy is available on the Governance section of the Genesis Energy website.

#### Diversity at Genesis Energy

Genesis Energy is committed to ensuring an inclusive workplace that embraces and promotes diversity through a number of initiatives including a focus on equal opportunity. The Company recognises that working towards gender balance is important to the attraction and retention of the best talent.

The Board has adopted a Diversity Policy which sets out the Company's commitment to a diverse and inclusive work environment, its practical application and the Company's process for an annual review and measurement of both the objectives of the Diversity Policy and progress in achieving them. The Diversity Policy is available in the Governance section on the Genesis Energy website.

The Company takes a holistic view of diversity that is anchored around diversity of thought, and includes those differences resulting from employee experiences and capabilities, and family and cultural heritage.

For the Company, diversity encompasses differences that relate to gender, marital status, religious belief, colour, race, ethnicity or national origin, disability, age, political opinion, employment status, family status and sexual orientation.

The ASX Principles recommend establishing measurable objectives for achieving gender diversity. In the year in review, the Board approved a Diversity Strategy for the Company and a three year road map of initiatives, developed from a project involving an independent expert building a collective view of the Company's current diversity positioning and future aspirations. Critical to this project was the interviewing of fourteen senior managers on the diversity culture of the Company.

The Board has conducted its annual assessment of its diversity objectives for 2014 and the Company's progress towards achieving these objectives, noting that the following was achieved for the year in review:

- Several foundational activities were implemented following the adoption of the Diversity Policy including, an internal organisation-wide communications campaign on Genesis Energy's approach to diversity and its interpretation of 'diversity', noting four key areas of focus: culture, gender, age and accessibility. This included the embedding of the Company's diversity approach within induction toolkits, templates, request for proposals and briefing packs for engaging external consultants and staff trainers.
- A review was conducted of employee demographics, internal policies and standards, and diversity metrics compared against those of competitors and best practice. Key policies and human resource processes were reviewed to ensure they support diversity and inclusiveness.
- Management developed a set of 'ground rules' for fostering inclusive behaviours across the Company. Such ground rules (which are well aligned to the Genesis Energy Values) aim to leverage diverse perspectives and thinking.
- The introduction of a pilot mentoring programme (known as Velocity) as a means of accelerating the development of high potential women within the organisation.
- Genesis Energy sponsors Diverse NZ Inc, an organisation aimed at boosting representation of women and ethnic minorities at an executive and board level within New Zealand organisations.
- Introduction of a robust, merit based talent management process, including peer review, aimed at minimising any unconscious bias. 'Managing Diversity' has been identified as a critical competency within Genesis Energy and has been embedded in leadership development programmes and tools.
- Development of an internal measurement framework and

system to track key diversity measures across gender, ethnicity and age.

The Company's Diversity Policy complies with the requirements of the NZX Listing Rules.

#### **Genesis Energy Gender Composition**

As at 30 June 2014, in relation to Genesis Energy's:

- Board of Directors, three out of nine Directors were women (for the previous year, at 30 June 2013, four out of eight Directors were women); and
- Officers<sup>1</sup>, two out of nine positions were held by women (for the previous year, at 30 June 2013, two out of seven positions were held by women).

#### **Principle 4: Safeguard integrity in financial reporting**

The Audit and Risk Committee (more details, including its membership and number of meetings, is discussed above under Principle 2), assists the Board in providing oversight of all matters relating to risk-management, financial management and controls, financial accounting, audit and external reporting requirements of Genesis Energy and its subsidiaries.

Consistent with the ASX Principles, the Audit and Risk Committee:

- consists of only non-executive Directors;
- consists of a majority of independent Directors;
- is chaired by an independent chairman, who is not the Chairman of the Board; and
- has at least three members.

The Auditor-General is the auditor of the Company and each of its subsidiaries, pursuant to the Public Audit Act 2001. The Auditor-General has appointed Andrew Dick of Deloitte to carry out the FY2014 audit on her behalf. The NZX Listing Rules require rotation of the lead audit partner at least every five years and this requirement is reflected in Genesis Energy's Audit Independence Policy.

The purpose of the Audit Independence Policy is to ensure that audit independence is maintained, both in fact and appearance, so that Genesis Energy's external financial reporting is both reliable and credible. The policy provides guidance on the provision of external audit services by any person engaged to perform external audit services in relation to Genesis Energy on behalf of the Auditor-General.

Genesis Energy outsources its internal audit function, which monitors the Company's internal control systems, risk-management and the integrity of the financial information reported to the Board. Internal audit operates both with and independently from management and reports its findings directly to the Audit and Risk Committee. The Audit and Risk Committee reviews the internal audit plan annually and internal audit reports are made available to the external auditor. Ernst & Young is the Company's internal auditor.

The Audit and Risk Committee Charter and the Audit Independence Policy are available on the Governance section of the Genesis Energy website.

#### **Principle 5: Make timely and balanced disclosure**

Prior to the Company's listing on the NZX and ASX in April 2014, Genesis Energy had debt securities quoted on the NZDX (i.e., the NZX's debt market) and complied with the applicable Listing Rules for debt securities. From the date its shares were quoted on the NZX and ASX, the Company was also required to comply with the periodic disclosure requirements of the NZX Listing Rules and ASX Listing Rules and the disclosure requirements of securities and other laws in New Zealand and Australia.

Genesis Energy is committed to notifying the market of any material information related to its business as required by applicable listing rules. It is mindful of the need to

keep stakeholders informed through a timely, clear and balanced approach which communicates both positive and negative news.

The Board has adopted a Market Disclosure Policy that establishes procedures which are aimed at ensuring Directors and management are aware of and fulfil their disclosure obligations under the NZX Listing Rules and ASX Listing Rules. A Disclosure Committee, which is comprised of executive management and Directors, is responsible for ensuring that the Company complies with its disclosure obligations. Significant market announcements, including the preliminary announcement of the half year and full year results, the accounts for those periods and any advice of a change in earnings forecast, require the prior approval of the Board.

In addition to these general disclosure obligations, the Market Disclosure Policy requires Directors and management to regularly consider whether there is any information that may require disclosure in accordance with the Market Disclosure Policy.

All market disclosures are made to the NZX and ASX and posted on the Genesis Energy website.

The Market Disclosure Policy is available in the Governance section on the Genesis Energy website.

#### **Principle 6: Respect the rights of shareholders**

##### **Investor Communication Policy**

Genesis Energy is committed to providing a high standard of communication to its shareholders and other stakeholders. The Company believes effective communication is achieved by providing equal access to timely, accurate and complete information.

The Company's Investor Communication Policy details the steps that the Company will take to communicate with its stakeholders. The aim of the Company's communication strategy is to provide full,

fair and timely disclosure of information about the Company to investors and the investment community to enable them to engage with the Company in an informed manner and to make informed assessment of the Company's value and prospects.

The Investor Communication Policy is available in the Governance section on the Genesis Energy website.

##### **Company website and material**

The Company's website is actively used to complement the official release of material information to the market, enabling broader access to Company information by investors and stakeholders. The Company's website has copies of all presentations, media releases and reports.

The Company encourages shareholders to provide email addresses to enable the receipt of shareholder communication by electronic means.

##### **Investor relations**

The Company's Investor Relations Manager maintains an ongoing programme aimed at tailoring the Company's investor communications to each of the different categories of shareholders, in a way which is most useful to each. Announcements made to the NZX and ASX are available on the NZX, ASX and Genesis Energy websites as well as any presentations made to industry or broker conferences. On the day that interim and final results are announced, Genesis Energy's executive management hold briefings for institutional shareholders, brokers and media, including a Q&A session. These briefings are offered to shareholders via teleconference or webcast and can be accessed retrospectively via the Genesis Energy website. Post results and on an adhoc basis throughout the year, Genesis Energy proactively meets with institutional investors. Individual shareholders can call or email the Investor Relations Manager to ask questions on a confidential basis and an 'Investor App' has been developed and was launched in July 2014, which

1. The term 'Officer' is defined in the NZX Listing Rules and aligned to the interpretation given under the Securities Markets Act, i.e., a person, however designated, who is concerned or takes part in the management of the public issuer's business. Genesis Energy deems this to be the Chief Executive and the Chief Executive's direct reports.

further enhances shareholders' experience, providing interactive capability through an investor's smartphone and tablet to access corporate and financial information.

#### Annual Shareholder Meeting

The Company's first annual Shareholders' Meeting (as a listed company) will be held at the Ellerslie Convention Centre, Auckland, on Tuesday 28 October 2014, at 2pm. Over time, the Company aims to increase shareholder participation and engagement at Shareholders' Meetings, holding annual shareholder meetings in other locations around New Zealand.

The Board encourages active participation by shareholders at the annual shareholder meeting of the Company and shareholders may present questions during the meeting. The Company's legal advisers, share registry provider and auditor will be in attendance.

The annual shareholder meeting will be webcast from the Genesis Energy website, with the meeting notice and transcript of the meeting also available.

#### Principle 7: Recognise and manage risk

##### Risk management

The Board is responsible for overseeing and approving risk-management strategy and policies, as well as ensuring effective audit, risk-management and compliance systems are in place. The Audit and Risk Committee assists the Board in fulfilling its risk-assurance and audit responsibilities.

The Company has in place an enterprise-wide Risk-management Framework and Policy which is supported by a set of risk policies appropriate for its business, including a Market Risk, Credit Risk, Treasury

Management, Compliance and a Delegations of Authority Policy.

The principal purpose of the enterprise-wide Risk-management Framework and Policy is to integrate risk-management into the Company's operations, and to formalise risk-management as part of the Company's internal control and corporate governance arrangements.

Management provided the Board with a report during the period in review as to the effectiveness of the Company's management of its material business risks.

A summary of the Company's risk-management framework and policies is available on the Governance section of the Company's website.

As a New Zealand company, section 295A of the Australian Corporations Act is not applicable to the Company.<sup>2</sup> However, Genesis Energy's Chief Executive and Chief Financial Officer have provided equivalent assurances to the Board as part of the annual audit process. The Board of Genesis Energy has received and considered a certification from the Chief Executive and the Chief Financial Officer which complies with section 295A of the Corporations Act and ASX Principle 7.3 for the financial year ended 30 June 2014. The certification states that the declaration provided is founded on a sound system of risk-management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.

Each year Management provides a representation letter to the Board confirming a number of matters, including that the Group's:

- financial statements have been prepared in accordance with generally accepted accounting principles in New Zealand;

- financial statements are free of material misstatements, including omissions;
- financial statements give a true and fair view of the financial performance; and
- financial records have been properly maintained.

A letter of representation confirming those matters was received by the Board in respect of Genesis Energy's FY2014 financial statements.

As part of its current risk-appetite statement, Genesis Energy targets a long-term credit rating of BBB+ stable from Standard & Poor's (Australia) Pty. Limited.

#### Principle 8: Remunerate fairly and responsibly

##### Remuneration

Genesis Energy aims to be the 'place where talent wants to work', and will continue to focus on attracting the best and most capable people to its business and ensuring that they stay by putting in place appropriate practices (such as talent and succession planning and performance related pay) and systems, and by creating, investing in and maintaining a culture that ensures its ongoing success.

Details of Board and executive management remuneration are included in the Remuneration Report section of the Annual Report (page 83).

##### Human Resources and Remuneration Committee

The Company's Human Resources and Remuneration Committee (more details, including its membership, is discussed above under Principle 2) assists the Board in the discharge of its responsibilities and oversight relative to the remuneration and performance of the Chief Executive and executive management, remuneration of Directors and human resource policy and strategy.

Consistent with the ASX Principles, the Human Resources and Remuneration Committee:

- consists of a majority of independent Directors;
- is chaired by a Director who is independent; and
- has at least three members.

##### Transactions in associated products

The Company's Trading in Company Securities Policy (a copy of which is in the Governance section on the Genesis Energy website) prohibits Directors, officers and employees of the Company or any of its subsidiaries, where they are entitled to participate in any equity-based remuneration scheme, from entering into any transaction for any associated product which has the effect of limiting the economic risk of participating in any entitlement that they are eligible for under that remuneration scheme.

<sup>2</sup> Section 295A of the Corporations Act requires each person who performs the CEO or CFO function in a listed entity established in Australia to provide a declaration that, in their opinion, the financial records of the entity for a financial year have been properly maintained in accordance with the Corporations Act and that the financial statements and the notes for the financial year comply with the accounting standards and give a true and fair view of the financial position and performance of the entity. The declaration must be given before the directors approve the financial statements for the financial year.



# REMUNERATION REPORT

## Remuneration Strategy

Genesis Energy's remuneration strategy aims to attract, motivate and retain talented employees at all levels of the Company. Genesis Energy's framework seeks to align the interests of its shareholders and employees, while driving performance and growth in shareholder value and return. This strategy is supported by a performance-based remuneration system that, among other things, seeks to align individual employee objectives with Genesis Energy's strategic and business goals.

The Genesis Energy Board is committed to a remuneration framework that:

- attracts and retains high-quality Directors, executives and employees, while encouraging them to pursue the growth and success of the Company;
- is aligned to the achievement of the Company's strategy, business objectives and performance;
- is market based, flexible, affordable and simple to understand and communicate; and
- ensures clarity and transparency about the Company's remuneration policy and practice.

## Directors' Remuneration

No Director of Genesis Energy is entitled to any remuneration from the Company other than by way of Directors' fees and reimbursement of reasonable travelling, accommodation and other expenses incurred in the course of performing duties or exercising their role as a Director.

The Directors' remuneration is paid in the form of Directors' fees.

Additional fees are paid to the Chairman and Deputy Chairman and in respect of work carried out by Directors on various Board Committees to reflect the additional time involved and responsibilities of these positions.

The Crown approved an increase in annual fees to NZ\$80,000 for each Director, NZ\$145,000 for the Chairman, NZ\$100,000 for the Deputy Chairman and an additional aggregate allowance of NZ\$80,000 for Board committee work. These fees took effect from the date on which the Company was listed, 17 April 2014.

In the year in review, shareholding Ministers, as sole shareholders of the Company (prior to the partial listing of the Company) agreed to the payment by the Company of additional fees of up to NZ\$190,000 in the year beginning 1 July 2013. The additional fees were paid to compensate Directors for additional work in relation to the preparation for listing of the Company and included membership on various steering groups and working committees, assisting with due diligence investigations, reviewing drafts of the offer documents and prospective financial information, and including attendance at 11 special IPO Board meetings (in addition to the 14 Board meetings).

The following people held office as a Director during the year to 30 June 2014 and received the following remuneration during the period:

	Board and Committee Fees	IPO Fees	Total Fees <sup>2,3</sup>
<b>Dame Jenny Shipley (Chairman)</b>	\$111,816.12	\$57,900.00	\$169,716.12
<b>Joanna Perry (Deputy Chairman)</b>	\$76,366.96	\$53,500.00	\$129,866.96
<b>Andrew Clements</b>	\$57,444.65	\$40,300.00	\$97,744.65
<b>Graeme Milne</b>	\$53,081.96	\$14,800.00	\$67,881.96
<b>John Dell</b>	\$61,195.04	\$24,400.00	\$85,595.04
<b>John Leuchars</b>	\$57,877.30	\$16,000.00	\$73,877.30
<b>Rukumoana Schaafhausen</b>	\$53,902.05	\$14,800.00	\$68,702.05
<b>Alison Andrew<sup>1</sup></b>	\$11,489.01	\$1,800.00	\$13,289.01
<b>Mark Cross<sup>1</sup></b>	\$1,555.56	-	\$1,555.56
<b>Doug McKay<sup>1</sup></b>	\$1,555.56	-	\$1,555.56

1 This table reflects that Alison Andrew retired from the Board on 24 September 2013 and Directors Mark Cross and Doug McKay were appointed on 24 June 2014.

2 Directors fees exclude GST and reimbursed costs directly associated with carrying out their duties, for example travel.

3 Total fees also include a portion of fees paid to Directors in FY2014, which relate to services provided in FY2013.

## No Additional Remuneration for Subsidiary Directors

No Director of a subsidiary company of the Genesis Energy Group (a list of subsidiary companies and Directors is set out in the Statutory Disclosures section of this Annual Report) received any remuneration or other benefits during the period in relation to their duties as Directors of a subsidiary company, other than the benefit of an indemnity from Genesis Energy and the benefit of insurance cover in respect of all liabilities to persons (other than the Company and the subsidiaries or related bodies corporate), to the extent permitted by law, which arise out of the performance of their normal duties as Directors unless the liability relates to conduct involving a lack of good faith.

## Executive Remuneration

Genesis Energy's remuneration policy for its executive management provides the opportunity for them to be paid, where performance merits, in the median to upper quartile for equivalent market-matched roles. In determining an executive's total remuneration, external benchmarking is undertaken, by two globally

recognised but locally based remuneration advisers, to ensure comparability and competitiveness, along with consideration of the individual's performance, skills, expertise and experience. The Human Resources and Remuneration Committee reviews annual performance review programmes for the executives and uses the external market information when considering remuneration arrangements. Executive total remuneration has traditionally been made up of two components: fixed remuneration and short-term performance incentives. In the year in review, with effect from the listing of the Company, a third component was introduced in the form of an executive long-term incentive plan.

### Fixed remuneration

Fixed remuneration consists of base salary and benefits (superannuation/KiwiSaver and insurances). Genesis Energy's policy is to pay fixed remuneration for executives based on the market median.

### Short-term performance incentives

Short-term performance incentives are at-risk payments aligned to annual Company

performance score-cards and individual measures for eligible executives. The scorecards define objectives and measures in the areas of financial performance, customers, operational excellence, and people and safety. All measures link directly to Genesis Energy's business strategies. Each short-term performance incentive remuneration target is expressed as a percentage of base salary and is set and evaluated annually.

The scorecards are weighted appropriately and the short-term performance payment is made up of either Company, and/or business area scorecards and individual performance objectives.

#### **Executive Long-term Incentive Plan**

An executive long-term incentive plan ('**Executive LTI Plan**') for the senior executives was implemented in conjunction with the listing of the Company. The intent of the Executive LTI Plan is to enhance the alignment between shareholders and those executives most able to influence the financial results of the Company.

Under the Executive LTI Plan, executives purchase shares funded by an interest-free loan from the Company, with the shares held on trust by the trustee of the Executive LTI Plan. The Board has an absolute discretion to invite executives to participate in the Executive LTI Plan.

The shares are held on trust until the end of a three-year vesting period. In the case of the first offer under the Executive LTI Plan, shares will be held by the trustee until the conclusion of FY2017.

Any future offer of shares under the Executive LTI Plan will be made at their market price at the time. The aggregate maximum dollar amount of shares initially acquired was \$850,000, for which the trustee of the Executive LTI Plan received a guaranteed allocation under the retail offer.

Vesting of shares with an executive at the conclusion of a three-year vesting period is dependent on continued employment through the three-year period, achievement of key

targets within the Prospective Financial Information ('**PFI**') (for the first offer only), the Company's absolute total shareholder return being positive and the Company's total shareholder return, relative to a benchmark peer group, meeting certain criteria.

If shares vest, each executive is entitled to a cash amount which, after deduction of tax (but before other applicable salary deductions), is equal to the amount of their loan balance for shares which have vested. That cash amount is applied towards repayment of their loan balance. Under the Executive LTI Plan, where total shareholder return measures are used, performance is measured against a benchmark peer group comprising all NZX50 members as at the start of the vesting period. If a member of that peer group ceases to have its securities quoted on the NZX, the entity is removed from the peer group. Genesis Energy's Board has the discretion to replace any such entity with another entity that the Board considers appropriate.

Vesting of shares is dependent on two factors and for the first offer, PFI targets must also be met. Firstly, the Company must achieve a positive absolute total shareholder return over the measurement period; and, secondly, the Company's performance relative to the performance of the benchmark peer group is measured, with a sliding scale to apply for the number of shares to vest. If the Company's total shareholder return performance over the measurement period exceeds the 50th percentile total shareholder return of the benchmark peer group, 50 per cent of an executive's shares will vest. All 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 performance in absolute terms is less than zero or, in relative terms, does not meet the peer group relative total shareholder

return hurdle (being the 50th percentile total shareholder return of the benchmark group), or if the participant ceases to be employed by the Company other than for a qualifying reason, the shares will be forfeited to the trustee without compensation and the relevant executive will receive no benefits under the plan. Where the total shareholder return exceeds the 50th percentile of the benchmark peer group but is below the 75th percentile, those shares which have not vested will be forfeited to the trustee without compensation. Where any shares are forfeited to the trustee without compensation, the obligations of the employee with respect to the interest-free loan provided for the acquisition of the forfeited shares will be assumed by the trustee, in consideration for the transfer of the relevant shares to the trustee. The trustee may then sell those shares, hold them on trust for future allocations under the Executive LTI Plan, or transfer them to the Company pursuant to a put option granted by the Company. No shares will vest if the Company's total shareholder return over the measurement period is less than the 50th percentile total shareholder return of the benchmark peer group.

#### **Chief Executive Remuneration**

The Chief Executive's Total Remuneration in FY2014 was \$1,306,119. In setting the Chief Executive's remuneration, Directors considered a number of factors including prevailing market conditions, the remuneration of Chief Executives of comparable entities, and the performance of the Chief Executive and the Company.

The total remuneration of the Chief Executive may be reviewed each financial year at the discretion of the Board of Genesis Energy.

#### **Fixed Remuneration**

The Chief Executive's base salary for FY2014 was \$921,476.

#### **Short-Term Incentive**

The amount of the short-term incentive payment is based on the achievement by the Chief

Executive of certain Company and individual performance hurdles for the financial year. A short term incentive payment of \$334,408 was made to the Chief Executive in August 2013 in relation to performance for FY2013.

#### **One-off Performance Payment**

The Chief Executive is entitled to receive, on satisfaction of certain conditions, a one-off retention and performance payment of \$300,000 (gross) following the successful listing of Genesis Energy on the ASX and NZX. The Board's assessment of whether such conditions have been met will occur in the first half of FY2015.

#### **Long-Term Incentive**

On listing, the Chief Executive was entitled to participate in the Executive LTI Plan and the cost of the 103,634 shares in the Company acquired by the Chief Executive under the Executive LTI Plan on 17 April 2014 was \$160,632.70. The shares are currently held on trust by Trustees Executors Limited and are the subject of ongoing performance criteria pursuant to the Executive LTI Plan (discussed above).

#### **KiwiSaver**

The Chief Executive is a member of KiwiSaver. As a member of this scheme, the Chief Executive is eligible to contribute and receive matching Company contributions of four per cent of gross taxable earnings (including on short term incentives). For FY2014, the Company contribution was \$50,235.

#### **Statement as to Employment**

Albert Brantley will be employed as Chief Executive until his employment is terminated in accordance with his employment agreement. Pursuant to the employment agreement, the Chief Executive and the Company have mutual rights of termination on the provision of six months' written notice. The Company may also terminate the Chief Executive's employment on grounds of redundancy, serious misconduct and ill health.



## Employee Remuneration

### Remuneration of employees

There were 292 Genesis Energy employees (or former employees) who received remuneration and benefits in excess of \$100,000 (not including Directors) in their capacity as employees during the year ended 30 June 2014, as set out in the table below:

Record of Employees earning over \$100,000 in the year ending 30 June 2014			
Amount of Remuneration	Employees	Amount of Remuneration	Employees
\$1,300,000 – \$1,310,000	1	\$230,000 – \$240,000	1
\$1,010,000 – \$1,020,000	1	\$220,000 – \$230,000	1
\$680,000 – \$690,000	1	\$210,000 – \$220,000	3
\$420,000 – \$430,000	1	\$200,000 – \$210,000	6
\$370,000 – \$380,000	2	\$190,000 – \$200,000	9
\$360,000 – \$370,000	2	\$180,000 – \$190,000	7
\$350,000 – \$360,000	1	\$170,000 – \$180,000	12
\$330,000 – \$340,000	1	\$160,000 – \$170,000	11
\$320,000 – \$330,000	1	\$150,000 – \$160,000	24
\$300,000 – \$310,000	1	\$140,000 – \$150,000	29
\$280,000 – \$290,000	1	\$130,000 – \$140,000	28
\$270,000 – \$280,000	2	\$120,000 – \$130,000	46
\$250,000 – \$260,000	4	\$110,000 – \$120,000	43
\$240,000 – \$250,000	1	\$100,000 – \$110,000	52
<b>TOTAL STAFF EARNING \$100,000+</b>			292
<b>Staff included who are no longer employed at Genesis Energy as at 30 June 2014</b>			45

This includes fixed remuneration, employer KiwiSaver contributions, short-term performance payments, settlement payments and redundancy payments for all permanent employees.

## STATUTORY DISCLOSURES

### Disclosures of Interest

The general disclosures of interest made by Directors of Genesis Energy, pursuant to section 140(2) of the Companies Act 1993, are shown below.

There were no declarations of interest made pursuant to section 140(1) of the Companies Act 1993 entered in the Interests Register of Genesis Energy or its subsidiary companies.

### Interest Register Entries

In accordance with section 211(1)(e) of the Companies Act, particulars of the entries in the Interests Register of Genesis Energy made during the accounting period are as set out in the table below:

Director	Position	Company
Jenny Shipley (Chairman)	Chair	Seniors Money International Limited
	Chair	Momentum Holdings Limited
	Chair	Financial Services Council
	Chair	China Construction Bank <sup>2</sup>
	Chair and Trustee	NZ Global Women
	Director and Shareholder	Jenny Shipley New Zealand Limited
	Director	Trans-Tasman Resources Limited
	Trustee	Heart Health Research Trust
	Member	Canterbury Earthquake Recovery Authority Review Panel
	Executive Board Member	New Zealand China Council <sup>1</sup>
Joanna Perry	Trustee	Shipley Family Trust <sup>1</sup>
	Chairman	Investment Advisory Panel of Primary Growth Partnership <sup>1</sup>
	Chair	IFRS Advisory Council <sup>1</sup>
	Director	Trade Me Group Limited
	Director	Sport New Zealand
	Director and Shareholder	JMGP Limited
	Director	Kiwi Income Property Limited <sup>2</sup>
	Director	Kiwi Income Property Limited <sup>1</sup> (formerly Property Management (NZ) Limited, which then changed its name to Kiwi Income Property Limited)
	Director	The Co-operative Bank Limited
	Director	Rowing New Zealand
	Director	Partners Life Holding Limited
	Director	Partners Life Limited <sup>1</sup>
	Member	Audit Committee of the Victorian Auditor-General's Office <sup>2</sup>
	Member	International Financial Reporting Interpretations Committee (IFRIC) <sup>2</sup>
	Independent Adviser to the Board	Tainui Group Holdings Limited
Graeme Milne	Chairman	New Zealand Pharmaceuticals Limited
	Chairman	Synlait Milk Limited
	Chairman	Terracare Fertilisers Limited
	Chairman	Waikato District Health Board <sup>2</sup>
	Chairman	Johnes Disease Research Limited
	Chairman	Rural Broadband Initiative National Advisory Committee
	Chairman	Pacific T and R Limited <sup>1</sup>
	Chairman	Rimau Farms Limited <sup>1</sup>
	Director	New Zealand Institute for Rare Disease Research Limited
	Director	Farmers Mutual Group
	Director	Alliance Group Limited
	Member	Massey University School of Engineering Advanced Technology Advisory Board
	Partner	G.R. & J. A. Milne
	Trustee	Rockhaven Trust

Director	Position	Company
Andrew Clements	Chair	Orion Corporation Limited
	Chair	New Zealand Football Foundation
	Chair	Amadeus Asset Administration Limited <sup>2</sup>
	Chair	New Zealand Assets Management Limited <sup>2</sup>
	Principal, Director and Shareholder	Zeus Management Limited
	Principal, Director and Shareholder	Jacon Investments Limited
	Director	Ryman Healthcare Limited
	Director	RDGP Limited
	Director	Antipodes Wing Limited
	Trustee	Mt Wellington Stadium Charitable Trust
John Leuchars	Director	KiwiRail Holdings Limited – trading as KiwiRail
	Director	Wellington Gateway General Partner No.1 Limited <sup>1</sup>
	Director	Wellington Gateway General Partner No.2 Limited <sup>1</sup>
	Director and Shareholder	Leuchars Holdings Limited
	Director and Shareholder	Nuf Investments Pty Limited
	Director and Shareholder	Nuf Superannuation Pty Limited
	Director and Shareholder	Nuf Pty Limited
	Member	Saint Kentigern Trust Board Subcommittee
	Director	Regional Facilities Auckland Limited
	Director	Schaafhausen Inc Limited
Rukumoana Schaafhausen	Executive Member	Waikato-Tainui Te Kauhanganui Incorporated, the trustee of the Waikato Raupatu Lands Trust and Waikato Raupatu River Trust
	Trustee	NZ Centre for Social Innovation <sup>2</sup>
	Director	Te Waharoa Investments Limited <sup>1</sup>
John Dell	Managing Director and Shareholder	Japad Trading Limited
	Managing Director and Shareholder	Japad Limited
	Managing Director and Shareholder	Japad Long Term Investments Limited
	Non-Executive Director	Higgins Group Holdings Limited
	Non-Executive Director	Unimarket Holdings Limited
	Non-Executive Director	EGS Investments Limited and its subsidiaries
	Non-Executive Director	Perpetual Capital Management Limited
	Non-Executive Director	Viridian Glass GP Limited
	Trustee	Japad Family Trust
	Trustee	Japad Investment Trust
	Trustee	The Otago Trust
	Trustee	Cuthby Trust
	Trustee	Newcastle Trust
Mark Cross (term as Director commenced on 24 June 2014)	Chair and Shareholder	MFL Mutual Fund Limited <sup>1</sup>
	Chair and Shareholder	Superannuation Investments Limited <sup>1</sup>
	Director	Milford Asset Management Limited <sup>1</sup>
	Director	Milford Private Wealth Limited <sup>1</sup>
	Director	Argosy Property Limited <sup>1</sup>
	Director	Triathlon New Zealand Incorporated <sup>1</sup>
	Director	Virsae Group Limited <sup>1</sup>
	Director	Infracom NZ Limited <sup>1</sup>
	Director	Aspect Productivity Technology Limited <sup>1</sup>
	Director	Alpha Investment Partners Limited <sup>1</sup>
	Trustee	Triathlon Youth Foundation New Zealand <sup>1</sup>
	Trustee	The Cross Family Trust <sup>1</sup>

Director	Position	Company
<b>Doug McKay</b> (term as Director commenced on 24 June 2014)	Director	IAG New Zealand Limited and its subsidiaries <sup>1</sup>
	Director	Bank of New Zealand and its subsidiaries <sup>1</sup>
	Director	NZ Snack Food Holdings Limited <sup>1</sup>
	Director	NZ Food Company Holdings Limited <sup>1</sup>
	Director	Wymac Consulting Limited <sup>1</sup>
	Director	NZ Institute of Chartered Accountants <sup>1</sup>
<b>Alison Andrew</b> (term as Director concluded on 24 September 2013 and interests at that date are reflected)	Employed by	Orica Australia Pty Ltd as Global Head of Chemicals
	Chair	Orica NZ Limited
	Chair	Orica Investments (NZ) Limited
	Chair	Orica NZ Superfunds Securities Limited
	Chair	Advisory Board, The University of Auckland Chemical and Materials Engineering Department
	Director	Orica Explosives Holdings Pty Limited
	Director	Orica Investments Pty Limited
	Director	Orica Australia Pty Limited
	Director	PACIA (Plastics & Chemicals Industries Assoc)

<sup>1</sup> Entries added by notices given by Directors during the year ended 30 June 2014.

<sup>2</sup> Entries removed by notices given by Directors during the year ended 30 June 2014.

### Directors of Subsidiary Companies

During the year in review:

- The Chairman of Genesis Energy Rt Hon Dame Jenny Shipley, the Chief Executive of Genesis Energy Albert Brantley and the General Counsel and Company Secretary of Genesis Energy Maureen Shaddick were Directors of the following wholly-owned subsidiaries: Genesis Power Investments Limited, Kinleith Cogeneration Limited, Kupe Holdings Limited, GP No. 1 Limited, GP No. 2 Limited and GP No. 5 Limited;
- Albert Brantley and Maureen Shaddick were Directors of Gasbridge Limited in connection with Genesis Energy's 50 per cent ownership of Gasbridge Limited (noting that this company was struck off the register on 30 June 2014 following a voluntary application for removal); and
- Albert Brantley, the Head of Risk and Modelling Ken Gibb, and Matthew Hooker (resident Singapore-based Director and employed by the Genesis Energy captive manager Willis Management (Singapore) Pte Limited) were Directors and Maureen Shaddick the Alternate Director to Albert Brantley, of Genesis Energy's captive insurance company incorporated in Singapore, Genesis Energy Insurance Pte Limited.

### Indemnity and Insurance

In accordance with section 162 of the Companies Act and the Company's Constitution, Genesis Energy has indemnified and arranged insurance for all current and former Directors and executive officers of the Company and its subsidiary companies in respect of all liabilities to persons (other than the Company or a related body corporate), to the extent permitted by law, which arise out of the performance of their normal duties as Directors or executive officers unless the liability relates to conduct involving a lack of good faith.

The Company holds prospectus liability insurance in relation to its Retail Bond issue in December 2008 and Capital Bond issue in April 2011.

The Company arranged prospectus liability and cost and expenses liability insurance in respect of the Prospectus registered on 13 March 2014 and amended on 18 March 2014 for the Initial Public Offering of shares in Genesis Energy.

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

### Use of Company Information

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

## Disclosures of Directors' Interests in Share Transactions

Name of Director	Date of acquisition/ disposal of relevant interest	Nature of the relevant interest	Consideration	Shares in which a relevant interest was acquired/ disposed of
Dame Jenny Shipley	17 April 2014	Shares acquired in the Crown Share Offer. Dame Jenny Shipley acquired an interest in 10,400 shares held by Custodial Services Limited (as registered holder of the Shares for the trustees of the Shipley Family Trust).	\$16,120*	11,093 (including 693 Loyalty Bonus Shares)
	17 April 2014	On market purchase of shares. Dame Jenny Shipley acquired an interest in 3,600 shares held by Custodial Services Limited (as registered holder of the Shares for the trustees of the Shipley Family Trust).	\$6,516†	3,600
Joanna Perry	17 April 2014	Shares acquired in the Crown Share Offer. Joanna Perry acquired an interest in 25,600 shares held by her.	\$39,680*	27,306 (including 1706 Loyalty Bonus Shares)
Rukumoana Schaafhausen	17 April 2014	Shares acquired in the Crown Share Offer. Rukumoana Schaafhausen acquired an interest in 5,120 shares held by herself and Wilhelm Schaafhausen.	\$7,936*	5,461 (including 341 Loyalty Bonus Shares)
Graeme Milne	17 April 2014	Shares acquired in the Crown Share Offer. Graeme Milne acquired an interest in 25,600 shares held by himself, Julie Milne and Robert Pascoe.	\$39,680*	27,306 (including 1,706 Loyalty Bonus Shares)
John Dell	17 April 2014	Shares acquired in the Crown Share Offer. John Dell acquired an interest in 25,806 shares held directly by him.	\$39,999.30*	27,526 (including 1,720 Loyalty Bonus Shares)
Andrew Clements	17 April 2014	Shares acquired in the Crown Share Offer. Andrew Clements acquired an interest in 24,000 shares held by Jaco Investments Limited.	\$37,200*	25,600 (including 1,600 Loyalty Bonus Shares)
	17 April 2014	Shares acquired in the Crown Share Offer. Andrew Clements acquired an interest in 24,000 shares held by Connor Clements.	\$37,200*	25,600 (including 1,600 Loyalty Bonus Shares)
	17 April 2014	Shares acquired in the Crown Share Offer. Andrew Clements acquired an interest in 24,000 shares held by Jamie Clements.	\$37,200*	25,600 (including 1,600 Loyalty Bonus Shares)
John Leuchars	17 April 2014	Shares acquired in the Crown Share Offer. John Leuchars acquired an interest in 40,000 shares held by Leuchars Holdings Limited.	\$62,000*	42,000 (including 2000 Loyalty Bonus Shares)
	17 April 2014	Shares acquired in the Crown Share Offer. John Leuchars acquired an interest in 87,600 shares held by Sally Leuchars and Andrew Walter (as trustees of the Sally and John Leuchars Family Trust No. 2).	\$135,780*	89,600 (including 2,000 Loyalty Bonus Shares)
Douglas McKay	17 April 2014	Shares acquired in the Crown Share Offer. Douglas McKay acquired an interest in 10,000 shares held by Custodial Services Limited (as registered holder of the shares for the trustees of the McKay Family Partnership Trust).	\$15,500*	10,666 (including 666 Loyalty Bonus Shares)
	17 April 2014	Shares acquired in the Crown Share Offer. Doug McKay acquired an interest in 2,414 shares held directly by him.	\$3,741.70*	2,574 (including 160 Loyalty Bonus Shares)

\* Based on the NZ\$1.55 issue price.

† Purchased at NZ\$1.81 per share.

## Directors' interests in shares

Directors disclosed the following relevant interests in shares as at 30 June 2014:

Director	Number of shares in which a relevant interest is held
Jenny Shipley	14,000
Joanna Perry	25,600
John Dell	25,806
John Leuchars	127,600
Graeme Milne	25,600
Rukumoana Schaafhausen	5,120
Andrew Clements	72,000
Douglas McKay	12,414

## SHAREHOLDER STATISTICS

### Stock Exchange Listings

Genesis Energy's ordinary shares are listed and quoted on both the New Zealand and Australian stock exchanges.

In New Zealand, the Company is listed with a 'non-standard' (NS) designation. This is due to the conditions of some of the NZX Waivers (discussed in further detail on page 91) and the requirements regulating ownership and transfer of ordinary shares.

### Twenty Largest Registered Shareholders as at 28 August 2014

Name	Number of shares	% of shares
Her Majesty the Queen in Right of New Zealand	524,043,316	52.40
National Nominees New Zealand Limited *	20,873,759	2.09
HSBC Nominees (New Zealand) Limited *	18,508,821	1.85
Tea Custodians Limited *	17,803,948	1.78
Accident Compensation Corporation *	17,681,992	1.77
BNP Paribas Nominees (NZ) Limited *	15,502,943	1.55
JP Morgan Chase Bank NA NZ *	14,885,629	1.49
National Nominees Limited	11,575,735	1.16
Custodial Services Limited	11,373,933	1.14
FNZ Custodians Limited	10,971,450	1.10
Investment Custodial Services Limited	8,539,877	0.85
Citibank Nominees (New Zealand) Limited *	7,716,642	0.77
HSBC Custody Nominees (Australia) Limited	7,662,528	0.77
New Zealand Superannuation Fund Nominees Limited *	7,561,703	0.76
ANZ Wholesale Australasian Share Fund *	6,967,638	0.70
Private Nominees Limited *	6,484,217	0.65
JP Morgan Nominees Australia Limited	6,031,342	0.60
RBC Investor Services Australia Nominees Pty Limited	5,915,093	0.59
Citicorp Nominees Pty Limited	5,597,434	0.56
Forsyth Barr Custodians Limited	5,583,295	0.56
<b>Total</b>	<b>731,281,295</b>	<b>73.14</b>

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

### Substantial Security Holders

The following information is given pursuant to section 35F of the Securities Markets Act 1988. According to notices given to the Company, the substantial security holder in the Company and its relevant interests are noted below:

	Date of substantial security notice	Relevant interest in the number of shares	% of shares held at date of notice
Her Majesty the Queen in Right of New Zealand	28 April 2014	533,676,441	53.37%

### Distribution of Ordinary Shares and Shareholdings as at 28 August 2014

Size of the holding	Number of Shareholders	% of shareholders	Number of ordinary shares	% of ordinary shares
1 - 1,000	8,126	14.46	6,674,713	0.67
1,001 - 5,000	42,855	76.27	96,542,395	9.65
5,001 - 10,000	2,660	4.73	19,020,039	1.90
10,001 - 50,000	2,258	4.02	43,987,773	4.40
50,001 - 100,000	155	0.28	10,787,179	1.08
101,000 and over	136	0.24	822,987,901	82.30
<b>Totals</b>	<b>56,190</b>	<b>100.00</b>	<b>1,000,000,000</b>	<b>100.00</b>

### Shareholders Holding Less Than a Marketable Parcel

As at 28 August 2014, there were 13 shareholders (with a total number of 2,840 shares) holding less than a marketable parcel of shares under the ASX Listing Rules. The ASX Listing rules define a marketable parcel of shares as a parcel of shares of not less than AU\$500.



## BOND HOLDER STATISTICS

### Stock Exchange Listings

Genesis Energy's subordinated, unsecured Capital Bonds are listed on the NZDX Market operated by the NZX Limited.

### Distribution of holders of quoted securities

#### Investor ranges: 28 August 2014

Security Code: GPFLA

Range	Holder	% of holders	Issued capital	% issued capital
1 - 1,000	-	-	-	-
1,001 - 5,000	162	5.78%	810,000	0.41%
5,001 - 10,000	549	19.59%	5,240,000	2.62%
10,001 - 50,000	1,696	60.50%	46,762,500	23.38%
50,001 - 100,000	254	9.06%	21,099,000	10.55%
Greater than 100,000	142	5.07%	126,088,500	63.04%
<b>Totals</b>	<b>2,803</b>	<b>100.00%</b>	<b>200,000,000</b>	<b>100.00%</b>

### Waivers from the New Zealand and Australian Stock Exchanges

#### NZX

Set out below is a summary of all waivers granted to the Company by NZX, and relied upon by the Company, during the financial year in review:

1. NZX has granted a waiver in respect of the requirement in Rule 7.9.1 of the NZX Rules that the Crown and Genesis Energy enter into a security agreement with NZX setting out the restrictions on the disposal of shares by the Crown.
2. NZX has granted a waiver in respect of the prohibition in NZX Rule 11.1.6 on the cancellation or variation of a benefit or right attaching to a share by reason only of a transfer of that share. The effect of this waiver is to permit the suspension of voting and dividend rights under the Constitution if a person other than the Crown has a relevant interest in more than 10 per cent of the shares.
3. NZX has approved, under NZX Rule 11.1.5, the inclusion in the Company's Constitution of provisions giving effect to Part 5A of the Public Finance Act 1989 which provides, amongst other things, that the Crown

must hold at least 51 per cent of the Company's shares and that no person other than the Crown may have a relevant interest in more than 10 per cent of the shares (subject to limited exceptions in relation to nominee/ trustee shareholders) (the '10% Limit'). These provisions of the Constitution are discussed in more detail below under 'Information about Genesis Energy Ordinary Shares'.

4. NZX has granted a waiver in relation to NZX Rule 9.2.1 to permit the Company to enter into transmission agreements with Transpower which constitute material transactions with a related party without obtaining shareholder approval, where those agreements are entered into in order to comply with the Electricity Industry Participation Code and the amounts payable under those agreements are determined in accordance with the transmission pricing methodology and regulated under the Electricity Industry Participation Code and Part 4 of the Commerce Act 1986 (subject to certain conditions). As a condition of this waiver, the Company is required to disclose in its annual report the total

amount of fees payable by the Company to Transpower under the Transmission Agreements for the relevant financial year. For the financial year in review, this amount is \$13,190,147.53.

5. NZX ruled that, in terms of NZX Rule 10.8.1, Genesis Energy is not a mining issuer (as defined in NZX Rule 10.8.1) as, although the Company is involved in the exploration/ extraction of oil and natural gas through the Kupe oil and gas field, the Company is not principally involved in the exploration/extraction of oil and gas, but in the generation and retailing of electricity.

#### ASX

ASX granted certain waivers and confirmations in respect of the ASX Listing Rules of a similar nature to those granted by NZX to allow the Company's Constitution to contain provisions reflecting the ownership restrictions imposed by the Public Finance Act 1989 and to allow the Crown to cancel the sale of shares to applicants who acquired shares under the general offer and who were not New Zealand applicants.

Set out below is a summary of waivers and confirmations granted to the Company by ASX, or relied upon by the Company, during the financial year in review:

1. Waivers and confirmations in relation to ASX Listing Rules 6.8, 6.9, 6.10.5, 6.12.3, 8.10 and 8.11, to permit the Company's Constitution to contain provisions allowing the Crown and the Company to enforce the 10 per cent Limit; and
2. Waivers and confirmations in relation to ASX Listing Rules 6.12 and 8.10, to permit the Company's Constitution to contain provisions enabling the Company to prevent shareholders who acquired shares under the IPO retail offer and are not New Zealand applicants, from transferring those shares and to enable the Company to sell those shares;
3. Waivers in relation to ASX Listing Rule 10.1, to permit the Company to acquire or dispose of substantial assets (greater than five per cent of accounting equity) from/to associates without shareholder approval where they are only associated by virtue of being Crown owned entities and the transaction is in the ordinary course of the Company's business.

ASX has also granted Waivers and given confirmations in relation to the ASX Listing Rules which are customary for a New Zealand Company listed on both the NZX and ASX.

## OTHER DISCLOSURES

### Donations

In accordance with section 211(1) (h) of the Companies Act 1993, Genesis Energy records that it made \$9,738.78 donations during the year ended 30 June 2014.

### Credit Rating

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

### Exercise of NZX Disciplinary Powers

The NZX did not exercise any of its powers under NZX Listing Rule 5.4.2 in relation to Genesis Energy during FY2014.

### Auditor's Fees

As noted, Deloitte has continued to act on behalf of the Auditor-General, as auditor for the Company and the amount payable by Genesis Energy and its subsidiaries to Deloitte, and audit fees and non-audit work fees undertaken in respect of FY2014, are set out in note 7 to the financial statements.

### ASX Disclosures

Genesis Energy is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 (Australia) dealing with the acquisition of shares (including substantial holdings and takeovers).

For the period between admission and 30 June 2014, the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with that set out in the Company's Prospectus (with instrument to amend) dated 18 March 2014.

## INFORMATION ABOUT GENESIS ENERGY ORDINARY SHARES

This statement sets out certain information about the rights, privileges, conditions and limitations, including restrictions on transfer, that attach to fully paid ordinary shares ('Shares') in Genesis Energy Limited.

### Rights and Privileges

Under the Company's Constitution and the Companies Act, each Share gives the holder a right to:

- Attend and vote at a meeting of shareholders, including the right to cast one vote per Share on a poll on any resolution, such as a resolution to:
  - Appoint or remove a director;
  - Adopt, revoke or alter the Constitution;
  - Approve a major transaction (as that term is defined in the Companies Act);
  - Approve the amalgamation of the Company under section 221 of the Companies Act; or
  - Place the Company in liquidation;
- Receive an equal share in any distribution, including dividends, if any, authorised by the Board and declared and paid by the Company in respect of that Share;
- Receive an equal share with other shareholders in the distribution of surplus assets in any liquidation of the Company;
- Be sent certain information, including notices of meeting and company reports sent to shareholders generally; and
- Exercise the other rights conferred upon a shareholder by the Companies Act and the Constitution.

### Restrictions on Ownership and Transfer

The Public Finance Act 1989 (Public Finance Act) was amended in June 2012 to include restrictions on the ownership of certain types of securities issued by each mixed ownership model company (including Genesis Energy) and consequences for breaching those restrictions. The Constitution incorporates these restrictions and mechanisms for monitoring and enforcing them.

A summary of the restrictions on the ownership of Shares under the Public Finance Act and the Constitution is set out below. If the Company issues any other class of shares, or other securities which confer voting rights in the future, the restrictions outlined would apply to those other classes of shares or voting securities.

### 51% Shareholding

The Crown must hold at least 51 per cent of the Shares on issue. The Company must not issue, acquire or redeem any Shares if such issue, acquisition or redemption would result in the Crown's holding falling below this 51 per cent threshold.

### 10% Limit

No person (other than the Crown) may have a 'Relevant Interest'<sup>3</sup> in more than 10 per cent of the Shares on issue ('10% Limit').

The Company must not issue, acquire or redeem any Shares if it has actual knowledge that such issue, acquisition or redemption will result in any person other than the Crown, exceeding the 10% Limit.

### Ascertaining Whether a Breach has Occurred

If a holder of Shares breaches the 10% Limit or knows or believes that a person who has a Relevant Interest in Shares held by that holder may have a Relevant Interest in Shares in breach of the 10% Limit, the holder must notify the Company of the breach or potential breach.

The Company may require a holder of Shares to provide it with a statutory declaration if the Board knows or believes that a person is, or is likely to be, in breach of the 10% Limit. That statutory declaration is required to include, where applicable, details of all persons who have Relevant Interests in any Shares held by that holder.

### Determining Whether a Breach has Occurred

The Company has the power to determine whether a breach of the 10% Limit has occurred and, if so, to enforce the 10% Limit. In broad terms, if:

- The Company considers that a person may be in breach of the 10% Limit; or
- A holder of Shares fails to lodge a statutory declaration when required to do so or lodges a declaration that has not been completed to the reasonable satisfaction of the Company,

then the Company is required to determine whether or not the 10% Limit has been breached and, if so, whether or not that breach was inadvertent. The Company must give the affected shareholder the opportunity to make representations to the Company before it makes a determination on these matters.

<sup>3</sup> In broad terms, a person has a 'relevant interest' in a Share if the person (a) is the registered holder or beneficial owner of the Share; or (b) has the power to exercise, or control the exercise of, a right to vote attached to the Share or has the power to acquire or dispose of, or to control the acquisition or disposition of, that Share. A person may also have a 'relevant interest' in a Share in which another person has a 'relevant interest' depending on the nature of the relationship between them.

### Effect of Exceeding the 10% Limit

A person who is in breach of the 10% Limit must:

- Comply with any notice that they receive from the Company requiring them to dispose of Shares or their Relevant Interest in Shares, or take any other steps that are specified in the notice, for the purpose of remedying the breach and reducing their holding below the 10% Limit; and
- Ensure that they are no longer in breach within 60 days after the date on which they became aware, or ought to have been aware, of the breach. If the breach is not remedied within that time frame, the Company may arrange for the sale of the relevant number of Shares on behalf of the relevant holder. In those circumstances, the Company will pay the net proceeds of sale, after the deduction of any other costs incurred by the Company in connection with the sale (including brokerage and the costs of investigating the breach of the 10% Limit), to the relevant holder as soon as practicable after the sale has been completed.

If a Relevant Interest is held in any Shares in breach of the 10% Limit then, for so long as that breach continues:

- No votes may be cast in respect of any of the Shares in which a Relevant Interest is held in excess of the 10% Limit; and
- The registered holder(s) of Shares in which a Relevant Interest is held in breach of the 10% Limit will not be entitled to receive, in respect of the Shares in which a Relevant Interest is held in excess of the 10% Limit, any dividend or other distribution authorised by the Board in respect of the Shares.

However, if the Board determines that a breach of the 10% Limit was not inadvertent, or that it does not have sufficient information to determine that the breach was not inadvertent, then in that case the restrictions on voting and entitlement to receive any dividends or other distributions described in the preceding paragraphs will apply in respect of all of the Shares held by the relevant Shareholder (and not just the Shares in which a Relevant Interest is held in excess of the 10% Limit).

An exercise of a voting right attached to a Share held in breach of the 10% Limit must be disregarded in counting the votes concerned. However, a resolution passed at a meeting is not invalid where votes exercised in breach of the voting restriction were counted by the Company in good faith and without knowledge of the breach.

The Board may refuse to register a transfer of Shares if it knows or believes that the transfer will result in a breach of the 10% Limit or where the transferee has failed to lodge a statutory declaration requested from it by the Board within 14 days of the date on which the Company gave notice to the transferee to provide such statutory declaration.

### Crown Directions

The Crown has the power to direct the Board to exercise certain of the powers conferred on it under the Constitution. For example, where the Crown suspects that the 10% Limit has been breached but the Board has not taken steps to investigate the suspected breach, the Crown may require the Company to investigate whether a breach of the 10% Limit has occurred or to exercise a power of sale of the relevant Share that has arisen as described under the heading 'Effect of Exceeding the 10% Limit' in the column to the left.

### Trustee Corporations and Nominee Companies

Trustee corporations and nominee companies (that hold securities on behalf of a large number of separate underlying beneficial holders) are exempt from the 10% Limit provided that certain conditions set out in the Public Finance Act are satisfied.

### Share Cancellation

In certain circumstances, Shares could be cancelled by the Company through a reduction of capital, share buy-back or other form of capital reconstruction approved by the Board and, where applicable, the shareholders.

### Sale of less than a Minimum Holding

The Company may at any time give notice to a shareholder holding less than a Minimum Holding of Shares (as that term is defined in the NZX Listing Rules) that if, at the expiration of three months after the date the notice is given, Shares then registered in the name of the holder are less than a Minimum Holding, the Company may sell those Shares through the NZX or in some other manner approved by NZX Limited, and the holder is deemed to have authorised the Company to act on behalf of the holder and to sign all necessary documents relating to the sale.

For the purposes of the sale and of Rule 5.12 of the ASX Settlement Operating Rules, where the Company has given a notice that complies with Rule 5.12.2 of the ASX Settlement Operating Rules, the Company may, after the expiration of the time specified in the notice, initiate a Holding Adjustment to move the relevant Shares from that CHESS Holding to an Issuer Sponsored Holding (as those terms are defined in the ASX Settlement Operating Rules) or to take any other action the Company considers necessary

or desirable to effect the sale.

The Company will account to the shareholder for the net proceeds of the sale (after deduction of reasonable sale expenses and any unpaid calls or any other amounts owing to the Company in respect of the Shares).

### Cancellation of Sale of Shares

The Crown may cancel the sale of Shares to an applicant under the offer of shares by the Crown ('Offer') in the Investment Statement and Prospectus for the Offer, if the applicant misrepresented their entitlement to be allocated Shares under the Offer as a New Zealand applicant. If the Crown cancels a sale of Shares on those grounds:

- The Company must sell Shares held by that applicant, up to the number of Shares sold to it under the Offer, irrespective of whether or not those Shares were acquired by the applicant under the Offer (unless the applicant had previously sold, transferred or disposed of all of its Shares to a person who was not an associated person of the applicant); and
- The applicant will receive from the sale the lesser of:
  - The sale price for the Shares less the costs incurred by the Crown and the Company; and
  - The aggregate price paid for the Shares less those costs,

with any excess amount being payable to the Crown.

If an applicant who misrepresented their entitlement to Shares has sold, transferred or otherwise disposed of Shares to an associated person, then the power of sale will extend to Shares held by that associated person, up to the number of Shares transferred, sold or otherwise disposed of to the associated person by the relevant applicant.

# DISCLOSURE OF MANAGEMENT APPROACH

## ECONOMIC

### Market Presence

Genesis Energy plays an important socio-economic role in providing a range of essential energy services (electricity, gas and LPG) to residential and business consumers across New Zealand. These energy services are consumed directly and also used as inputs into the production of other goods and services.

Genesis Energy operates as a vertically integrated energy company. The Company owns and/or operates a range of fuel, generation, trading and retail assets. It does not own or operate any electricity and gas transmission or distribution lines. The Company actively participates in a range of wholesale markets.

Genesis Energy remains focused on protecting and growing its market share. The Company's customer growth aspirations will continue to be balanced by the Company's risk position and the outcomes of competition in the electricity, gas and LPG markets. The Company also aims to operate its portfolio of generation assets in a manner which optimises returns to the Company.

### Economic Performance

Genesis Energy was a State-owned Enterprise (SOE) under the State-Owned Enterprises Act 1986 until 7 March 2014, when it became a mixed ownership model company governed by the Public Finance Act. The Company is no longer required to report against a Statement of Corporate Intent. On 17 April 2014, Genesis Energy listed on the NZX and ASX stock exchanges. The Company's Prospectus outlined its prospective financial information for FY2014 and FY2015, business risks and opportunities. The Company reports its economic performance through its half-year and annual reports each year, as well as through ad-hoc announcements, under the Company's continuous disclosure policy (reflecting obligations under the NZX and ASX listing rules).

Genesis Energy's Business Plan sets out the Company's activities, strategic priorities, targets and performance indicators. Company-wide performance is reported to the Board on a monthly basis.

The Company utilises its large, diverse and flexible asset portfolio to manage the impact of market volatility on its earnings. Coupled with a disciplined approach to capital expenditure, the Company intends to deliver consistent, reliable and attractive dividends even in periods of business-cycle downturn.

### Indirect Economic Impacts

Genesis Energy's operations and economic performance produce a wide range of indirect economic impacts on a broad range of stakeholders (e.g., suppliers, employees, communities, customers, shareholders) and the New Zealand economy.

## ENVIRONMENT

Genesis Energy is committed to achieving excellence in environmental and stakeholder management, and to ensuring that environmental and social awareness are the cornerstones of its business. Achieving full regulatory compliance is considered the minimum standard that Genesis Energy strives to achieve in the operation of its business. Genesis Energy's Environmental Values are to:

- Act with integrity at all times;
- Foster close relationships with the community and stakeholders, so that their views can be incorporated into environmental decision-making;
- Acknowledge that our activities affect both the environment and the communities within which we operate;
- Respect the role of tangata whenua as kaitiaki of the natural resources and taonga within the rohe;
- Investigate to better understand the nature of our environmental effects –

and share this information with the community and stakeholders; and

- Seek environmental improvements in all aspects of our business.

To give effect to these values, Genesis Energy implements an Environmental Management System ('EMS') which incorporates a suite of management processes and tools that are well integrated with other core business systems. The EMS applies to all activities involving the use of natural and physical resources and the environment, from the conceptual stage of any project through to Genesis Energy's normal day-to-day operational activities.

In 2013/2014, Genesis Energy reviewed its EMS against relevant national and international standards for environmental management systems (e.g. the ISO 14001 standard), and will seek to align its EMS more closely with these standards. This incorporates the development of a dedicated Environmental Policy clearly outlining the Company's commitments to environmental and stakeholder management, and an improved management system for implementing the Policy. This includes more closely aligning its business activities to the overarching Company strategy and values, through setting clear environmental and community engagement objectives and targets and auditing performance against these desired outcomes. The environmental/community engagement policy and associated management system improvements are presently being developed.

Genesis Energy is also progressing work to further align the Company's EMS with its risk-management framework. This activity will ensure that the environmental risks of the Company's operations are closely considered and controlled, along with meeting all compliance and stakeholder obligations.

### Environmental Effects and Monitoring

As per its current Environmental Values, Genesis Energy seeks to understand the environmental effects of generating power and, to that end, ensure adverse effects are avoided, remedied or mitigated while meeting business requirements. The Company manages its environmental effects through resource consents as required under the Resource Management Act (1991) and via agreements with affected parties, Iwi, and key stakeholders. Environmental effects are assessed and managed on a real time basis via a range of monitoring networks and operational practices.

The Company is also committed to a variety of community-based environmental initiatives and assists customers to manage their environmental impacts.

### Materials

#### Fuel Use

Genesis Energy manages its fuel requirements via long-term contracts and a coal stockpile to enable the Company to provide energy, both as a primary fuel (gas and LPG) and as electricity to its customers. The Company holds a 31 per cent equity interest in the Kupe oil and gas field (located off the Taranaki coast) and has entitlements for 100 per cent of the gas production.

#### Procurement

The Company's Procurement Policy states that "Genesis Energy and its Employees must be mindful of endeavouring to acquire sustainably produced products and services, wherever possible." Environmental acceptability/sustainability of suppliers' proposals is one of Genesis Energy's key supplier evaluation criteria and all other factors being equal, the most environmentally favourable solution will be selected from the range of proposals.

### Water

Genesis Energy uses water resources as fuel for its hydro power stations and as cooling water for the Huntly Power Station. Water use is authorised



and managed via resource consents granted under the Resource Management Act 1991. The Company has extensive hydrology and environmental monitoring networks around its generation assets which collect flow, water level, rainfall, water quality, water temperature, and sediment data. Discharges to water are also authorised by resource consents.

### Emissions

Genesis Energy takes a whole-of-company approach to address its impact on climate change, both through the Company's own activities and emissions and through the activities of its customers and stakeholders.

Genesis Energy has mandatory obligations under the Emission Trading Scheme (ETS). We have obligations as a Stationary Energy and Industrial Process participant for importing and purchasing coal, and mining natural gas due to our investment in the Kupe gas field. We must accurately report and file an Annual Emission Report to the Ministry for the Environment. Emission units may be purchased from within New Zealand or from the global market. Genesis Energy must surrender emission units that it has purchased (either nationally or internationally) to settle any obligations under the scheme. Genesis Energy does not receive a free allocation of emission units under the ETS. However, as a transitional measure, all participants under the ETS were required to surrender one emission unit for every two tonnes of CO<sub>2</sub>e calculated in the Annual Emission Report.

The Government completed a review of the ETS in 2011/2012. Following this review the Government has decided to keep the 'one-for-two' obligation and the \$25 'fixed-price option' until at least 2015. The Government has decided to end the surrender of international units in the ETS. All obligations that are incurred from 1 January 2015 are only able to be met with New Zealand Units (NZU's), with no further surrender of international units allowed.

The Company placed a second Rankine coal/gas generation unit at Huntly Power Station into storage at the end of 2013, with a 90-day call back period,

if required to operate. Over FY2014 period, the Company utilised less coal than in previous years which has reduced its overall emission profile, along with its ETS obligations.

### Waste

Genesis Energy's operations produce a variety of different waste streams. The Company's approach to waste is, in order of decreasing preference, to avoid, reduce, re-use, recycle and dispose of wastes. Waste-collection processes at Genesis Energy's offices involve segregation of paper, cardboard, common domestic recyclables and organic matter. At the generation sites, opportunities to re-use or recycle wastes are sought, and hazardous wastes are disposed of in accordance with regulations using licensed waste-management contractors.

The combustion of coal at the Huntly Power Station produces ash as a by-product. The Company is actively investigating options for beneficial re-use of the ash, and at present supplies some of the ash as an additive for cement production. The remaining ash is pumped to dedicated ash settling ponds, and then transported to a municipal landfill facility where it is used for daily-cover and for other waste stabilisation purposes. The management of ash is authorised and managed by resource consents.

### Goals and Performance

The Company's environmental performance measures and targets include:

- Zero abatement, infringement and enforcement notices under the Resource Management Act; and
- Annual publication of Environmental Performance Reports.

In FY2014, the Company had no abatement, infringement and enforcement notices under the Resource Management Act. Genesis Energy also regularly reviews and publicly reports on its environment systems and performance ([www.genesisenergy.co.nz](http://www.genesisenergy.co.nz)).

### Responsibilities and Training

Genesis Energy has dedicated staff for the environmental management and sustainability performance aspects of its business. The Company's Environmental Strategy and Operational Excellence Manager

is responsible for ensuring that the EMS is effectively implemented in relation to its generation assets and reports to the General Manager Generation. The generation site managers have the overall accountability for environmental performance of the assets. In addition, all staff members receive environmental and sustainability-awareness training as part of their induction. Additional environmental training occurs for staff and contractors to varying levels dependent on their roles and responsibilities.

## HUMAN RIGHTS

Genesis Energy conducts its business in New Zealand where rules and regulations governing basic human rights have a long history and are well established. Genesis Energy complies with New Zealand legislation regarding human rights in areas including diversity, discrimination, freedom of association, child labour, redundancies, and health, safety and environment. These human rights issues are handled as a normal, day-to-day part of business and internal policies.

In FY2014, the Company had no incidents of discrimination.

Genesis Energy has the philosophy that its success is primarily dependent on its employees. The Company works hard to develop a culture that attracts and retains the right people and creates 'the place where talent wants to work'. As an integral policy, all employees are actively involved in the implementation of the following key issues:

- To treat all employees, customers, suppliers and subcontractors as individuals, respecting individual rights and beliefs;
- To provide all employees and contractors with a zero-harm work environment;
- To foster good relations between employees and management through open communication at all levels of the Company and to treat all employees equally;
- To establish appropriate objectives and standards for all employees and contractors;
- To provide career guidance and support employees to progress in their careers;

- To provide training and staff development opportunities, encourage internal promotions and provide continuity of employment where possible;
- To maintain open and honest lines of communication between all employees and be prepared to listen and take a responsible and reasonable approach to employment relationship issues; and
- To be an understanding employer and support employees in practical and reasonable ways.

A list of the Company's policies and standards including those relating to human rights, ethical behaviours and gender and diversity are outlined in the Corporate Governance Statement. A copy of the Company's Code of Conduct and Ethics and Diversity Policy can be found on the Genesis Energy website ([www.genesisenergy.co.nz](http://www.genesisenergy.co.nz)). The Company's Board has a range of committees and processes in place to review the Company's operations and performance, and to determine remediation where necessary.

### Diversity

Building a more diverse workforce enables Genesis Energy to get the best from its employees and deliver greater value to its customers. The commitment to diversity leads to greater diversity of thought within the Company, which will provide broader perspectives on decision-making, will increase and strengthen customer relationships, will lead to increased innovation and will remove barriers to success and effective risk-management.

Genesis Energy believes that workplace diversity principles should be integrated into all aspects of the Company's business to achieve modelling and reinforcement of the Genesis Energy values and desired behaviours. The promotion of equal employment opportunities to all is an essential part of the Genesis Energy recruitment and selection processes, and will be incorporated in the Company's development and talent management approaches, and remuneration practices.

The Board has adopted a Diversity Strategy and Diversity Policy which sets out the

Company's commitment to a diverse and inclusive work environment, its practical application and the Company's process for an annual review and measurement of both the objectives of the Diversity Policy and progress in achieving them and the overall Diversity Strategy. For further information on diversity at Genesis Energy and the Company's progress in achieving its objectives for the year in review, refer to page 80 of the Corporate Governance Statement.

#### Employment Relations and Leadership

Genesis Energy maintains strong relationships with its employees and undertakes to address workplace grievances promptly and to provide fair outcomes. The Company complies at all times with the good-faith provisions of the Employment Relations Act 2000. Genesis Energy establishes appropriate objectives and standards for all employees and rewards these employees on the basis of their ability and willingness to contribute to the success of the Company, recognising that 'reward' covers a range of benefits including promotion, non-financial reward, training and remuneration. Genesis Energy expects each of its employees to be responsible for their own performance and take accountability for their individual actions.

Genesis Energy consults its employees about change and encourages employees to participate in developing the Company's business strategies and future direction.

The Company's leaders are supported and provided with the opportunities to grow, with continued exposure to a wide variety of experiences and development to ensure ongoing improvements in leadership and Company culture.

#### Responsibilities and Monitoring of Human Rights Policies and Procedures

The Genesis Energy Board, the Executive Management Team and employees are responsible for the implementation of human rights policies, standards and procedures. The Genesis Energy Executive Management Team has the operational responsibility for these policies. Human rights policies are reviewed and updated by the Corporate Services business unit on a

regular basis depending on the subject matter. An audit process of the various policies, standards and procedures, is repeated on an ongoing basis.

The Corporate Services business unit will monitor any human rights cases and issues within the Company and follow the Company's human rights policies and procedures to respond to any alleged human rights breaches and/or personal grievances. The Company will investigate, conduct mediation and seek appropriate remediation.

#### Investment and Procurement Practices

Genesis Energy Procurement Policy outlines the Company's approach to treat all actual and potential suppliers fairly, equally and objectively, with all procurement activity governed by the principles of accountability, openness, lawfulness, value for money, fairness, integrity and sustainability. Genesis Energy has a Procurement Council (with membership comprised of senior management), that is responsible for driving good procurement practices across the Company from strategy and planning, through to execution and review. The vast majority of the Company's procurement is for products and services sourced from within New Zealand. In any case, the Company endeavours to support sourcing where at least the minimum legal labour rates and working conditions are applied.

## LABOUR

Genesis Energy's approach to labour is based on the principles of treating people fairly and with respect, providing clear expectations and rewards for performance, sustaining a diverse and inclusive environment and a relentless pursuit of zero harm for its people, places and communities. The success of the business is supported by strong values, policies and procedures that drive Genesis Energy every day. The successful delivery of the Company's business strategy and objectives is sustained by the Company's four corporate values. These values influence the day-to-day behaviour and actions in Genesis Energy:

- **Respect:** We treat people and places as we wish to be treated.

- **Drive:** We achieve with energy, courage and commitment.
- **Imagine:** We challenge today and change tomorrow.
- **Support:** We work together, take responsibility and have fun.

Genesis Energy aims to become the "place where talent wants to work"; given this the Company will continue to focus on attracting the best and most talented people to its business. The Company will seek to ensure that they stay by putting in place appropriate practices (such as performance pay and training) and systems and by creating and maintaining a culture (where people feel valued and supported) that ensures its ongoing success. The Company places a very strong focus on the health, safety and well-being of its people and ensures all our people have a work environment that encourages collaboration, teamwork and innovation.

Genesis Energy is committed to providing an environment where all individuals are treated fairly, where capability and achievement (i.e. the principle of merit) is rewarded and recognised, and where the insights of diverse people are encouraged and valued. Genesis Energy believes that embracing diversity is essential to the achievement of its long-term strategy and commercial success. Genesis Energy takes a holistic view of diversity that is anchored around diversity of thought, and includes those differences in people resulting from employee experiences and capabilities, and family and cultural heritage. Diversity encompasses differences that relate to gender, marital status, religious belief, colour, race, ethnicity, or national origin, disability, age, political opinion, employment status or sexual orientation. These policies, including those covering a range of working issues and performance, training and health and safety, are available and accessible by all staff on the Company's internal website ('Gennet' intranet site).

#### Equal Employment Opportunities

Genesis Energy provides equitable terms of employment, conditions of work, benefits and opportunities for employee

development, training, advancement and appointment.

#### Organisational Responsibility

People policy and human resources advisory responsibility sits with the Corporate Services team, led by the General Manager Corporate Services. Responsibility for performance management, coaching and guidance of teams is delegated to the leaders of those teams with comprehensive leadership training and support given to the leaders of teams on an ongoing basis.

#### People Performance and Training Support

Genesis Energy has an integrated performance framework 'Performance Excellence Process' that links performance to pay, provides career pathways and creates transparency for development and progression. All employees receive regular performance and career development reviews. In 2013/2014, all eligible employees received performance reviews.

Genesis Energy has a range of internal programmes focused on leadership development, skills training and managing for performance, along with comprehensive wellness and safety programmes. The Company also engages external training agencies to provide specialist and leadership development as required.

#### Health and Safety

Genesis Energy is committed to excellence in the management of the work environment and procedures to provide for the safety and well-being of all employees, contractors and the public. The Company manages its design, process and behavioural safety to a high standard and is a Tertiary Accredited ACC provider, in addition to holding AS/NZS 4801 certification for its health and safety standards.

At Genesis Energy, the safety goal is zero harm. This means ensuring that all employees, contractors and suppliers are working in safe and healthy work environments. This includes providing adequate health and safety knowledge, training and appropriate processes and systems. The Company adheres to best practice and legislative requirements through its policies, standards and procedures.

Genesis Energy aims to target world-class performance in



health and safety by 2014/2015. To achieve this goal, the Company has developed a comprehensive Health and Safety management framework, alongside a rolling three-year strategic plan for Health and Safety.

All employees are represented in formal joint management and employee committees. Every site has a safety committee that meets monthly and has manager and employee representation. Genesis Energy also has a National Health and Safety Committee which is chaired by an executive team member.

## PRODUCT RESPONSIBILITY

Genesis Energy's main products are electricity, gas and bottled liquefied petroleum gas (LPG).

Genesis Energy's product responsibility to customers is detailed in the Company's standard terms and conditions (T&Cs). These are provided to customers when they join Genesis Energy or Energy Online and are also available on the respective websites. These T&Cs include key product responsibility issues such as continuous supply, meter services, invoices and disputes, disconnection/reconnection, and complaints process.

### Goals & Performance

The Company's T&Cs also include the following performance commitment: "We will supply energy to your premises at quality and reliability levels in accordance with good industry practice in New Zealand and in accordance with current laws including, but not limited to, the Consumer Guarantees Act 1993 (where you are a residential customer), the Gas Act 1992, the Electricity Industry Act 2010 and the Electricity Code and technical electricity and gas codes of practice."

### Customer health and safety

Genesis Energy does not control the use of its products. However, the Company advises its customers on how to use these products safely. It also works actively to promote energy efficiency in its own operations, as well as by providing customers with advice, products and services and support to improve their energy efficiency.

Genesis Energy recognises its role is to supply customers with reliable energy; however, circumstances or events beyond its control may cause power supply to be interrupted.

To ensure the safety of its customers who are medically dependent on electricity or vulnerable because of their reliance on electricity, the Company asks customers to identify if they, or someone in their household, is medically dependent or vulnerable because that person is reliant on electricity, so the Company can include this important information on the customer's Genesis Energy account.

### Marketing Communications

Information to customers is generally communicated in brochures, newsletters, advertising communications, emails and other marketing material, as well as via the website, including each customer's 'My Account' portal, and the Company's mobile App.

### Customer Privacy

Genesis Energy takes customer privacy seriously in regards to what the Company uses the information for, who data is shared with and how securely the information is kept. The Company ensures that information relating to our customers is held and used in accordance with the Privacy Act 1993. Genesis Energy has a Privacy Policy which covers personal information, information security, disclosure and access to customer information. It is available to customers on the Genesis Energy website ([www.genesisenergy.co.nz](http://www.genesisenergy.co.nz)).

### Compliance

A statement on Compliance (outlining the Company's compliance with any applicable laws, regulations, industry codes, standards and organisational policies and procedures) is made within the Corporate Governance Statement in this report.

### Responsibility and Monitoring and Follow-up

The Genesis Energy Executive Team has operational responsibility for Product Responsibility issues. These issues including risks and impacts on customers are monitored on a daily basis through the Company's various interactions with customers

and are addressed by the Leadership Team.

In May 2014, Genesis Energy ended its use of door-to-door selling in response to customer feedback that they were irritated by the interruptions and disturbance.

### Training and Awareness

The Company has a wide range of training programmes and options for employees that support its interactions with customers including online-based ('My Learning') policy awareness and contact centre training programmes which includes product and services knowledge and customer service standards.

## SOCIETY

Genesis Energy plays an important role in society, providing essential energy products and services to customers, as a major employer and as a corporate citizen.

### Stakeholders and Local Communities

Genesis Energy recognises that its business operations impact both its stakeholders and the local communities in which it operates. The Company is committed to engaging with, supporting, and adding value to its stakeholders and local communities in many ways – from formal meetings, continuous disclosure of information and, participating in the creation of public policy, legislation and regulation, to supporting a wide range of community activities and organisations.

Genesis Energy also shows its community support through financial sponsorship agreements and provision of materials and services and management support and advice. Examples of such initiatives include the Genesis Oncology Trust, Schoolgen, the Foundation for Youth Development (Kiwi Can) and support of the West Auckland, Wellington and Christchurch Curtain Banks, and environmental sponsorship programmes like the National Whio Recovery project that is carried out in partnership with the Department of Conservation. Because each community is unique, Genesis Energy also lends support via localised community sponsorships and initiatives. In addition, the

Company's employees are encouraged to take one working day per year to volunteer their energy and skill for a community or environmental project. During FY2014, 31 per cent of Genesis Energy's employees participated in a community or environmental project. The Company's target was 40 per cent.

In the year in review, the Genesis Energy Board approved an Investor Communication Policy, the purpose of which is to provide guidance on, and embed, appropriate communication protocols with investors and the investment community, consistent with the principles of continuous disclosure and the requirements of the listing rules of the NZX and ASX. Genesis Energy also has a dedicated resource for investor engagement, through its Investor Relations Manager. For more information on Genesis Energy's commitment to providing a high standard of communication to its investors and other stakeholders, refer to the commentary on investor engagement, in the Corporate Governance section at page 81 [under principle 6, Respect the Rights of Shareholders].

### Iwi

Genesis Energy seeks to have proactive and constructive relationships with iwi where there are mutual interests within their rohe. The types of relationships that the Company has with iwi are many and varied: from being a tenant on Maori-owned land, to agreements on how the two parties will work together to address effects of the Company's activities on iwi, to proactive initiatives that support hapu/iwi development while creating wider environmental and community benefits. Local hapu/iwi relationships are fostered at a variety of levels within Genesis Energy, including engagement by senior management and the Board of Directors.

### Corruption

Genesis Energy is aware of the risks of corrupt practices including bribery, fraud, collusion, conflicts of interest and money laundering. Genesis Energy is committed to promoting a culture with a strong ethical base that supports integrity in business.

This is achieved by encouraging a values-based work environment, implementation of a number of policies to demonstrate that corrupt behaviour is not tolerated within the Company and that there is a mechanism for dealing with the reporting and investigation of any such incidents. Key policies deal with: Fraud, Protected Disclosures (Whistleblowing), Compliance, Trading in Company Securities, Market Disclosure, Gifts Received and Conflicts of Interest. The Board of Directors has approved a Code of Conduct and Ethics Policy and a Board Charter (located on the Genesis Energy website: [www.genesisenergy.co.nz](http://www.genesisenergy.co.nz)), both of which are cornerstone documents that reinforce Genesis Energy's high expectation of ethical conduct from Directors and employees.

#### Public Policy

Genesis Energy seeks to engage and be involved in the creation of sound and appropriate public policy, legislation and regulation. The Company seeks certainty and stability from public policy and regulation. The Company applies a principled and constructive approach to its engagement with regulatory processes. Genesis Energy seeks to promote well-thought-through and considered policy developments, which the Company expects to be in the long-term interests of its customers.

Genesis Energy participated in a number of regulatory processes during the financial year ending June 2014. This included making 55 public submissions on national policy or regulatory issues. In addition, the Company also provided a number of submissions on regional and local authority planning and policy frameworks.

Key issues submitted on in FY2014 include:

- Pivotal Pricing – the Electricity Authority (or 'Authority') claimed significant market problems could occur from pricing by electricity generators in pivotal situations (i.e. when one generator is able to determine price for the market or part of the market). Potential solutions to pivotal pricing included wholesale price caps or detailed restrictions on pivotal

generators. The Company engaged with the Authority, and the Authority's expert, Wholesale Advisory Group, to ensure that the regulatory intervention was proportional to the likelihood of the problem identified.

- Transmission Pricing – the Electricity Authority is reviewing how the costs of the high-voltage transmission network are allocated between generators and consumers. Industry and consumer concerns have led to the Authority expanding its original review process to include a formal hearing and consultation on individual working papers. The Authority has extended the review process timeline for possible implementation in 2017. Genesis Energy has actively participated in the review process including formal submissions on working papers.
- Retail Data Project – the Electricity Authority started a programme examining how consumers and retail competitors access data in the market. The Authority's key hypothesis is that consumers and new-entrant competitors do not have sufficient information to make informed decisions. The Authority has suggested a series of proposals with the goal of improving this situation. Genesis Energy is concerned that the Authority's options may obtain private customer data for no demonstrated benefit. Many of the measures discussed will impose unnecessary costs on existing retailers and disproportionately benefit new-entrant retailers. Genesis Energy participated in the Authority's public workshop on this issue and has provided a detailed submission of its concerns. The Company will continue to engage as the Authority further develops this work programme.
- Freshwater Reform – the Government is reforming how freshwater is regulated in New Zealand. Reforms have so far focused on water quality standards and adjacent land use. Genesis Energy's generation assets rely on access to water as a fuel or as a coolant.

Water quality regulation can affect how the Company uses and accesses this fuel. More directly, the Government's next likely focus will be on improving the allocation of the freshwater resource between productive users, as well as on the environment. Genesis Energy is a member of the collaborative Land and Water Forum, a group that provided a blueprint for water reform overall. The Company has made public submissions on the instrument implementing change in water quality regulation, the National Policy Statement on Freshwater Management. The Company remains focused on ensuring it has access to water for existing and future assets under any proposed allocation regime.

Copies of the Company's public submissions are available online at [www.genesisenergy.co.nz/submissions](http://www.genesisenergy.co.nz/submissions)

#### Memberships in Associations 2014

Genesis Energy maintains corporate memberships of the following industry and business bodies:

- Business NZ Major Companies Group
- Gas Industry Company
- Coal Association of New Zealand
- NZ Marketing Association
- Trans-Tasman Business Circle
- Employers and Manufacturers Association (Northern) Inc.
- NZ Association of Accredited Employers Inc.
- Waikato and Bay of Plenty Civil Defence Lifeline
- Business Leaders' Health and Safety Forum
- Equal Employment Opportunities Trust

#### Anti-competitive behaviour

Genesis Energy is well informed of the requirements of New Zealand's competition law legislation, the Commerce Act 1986. The Company's legal personnel ensure that employees are aware of the statute's requirements through general and business team specific training and that the Company complies comprehensively and in a timely manner with all information requests issued by the Commerce Commission (the responsible enforcement authority).

#### Compliance

Genesis Energy is committed to ensuring that the Company conducts its business in a lawful, professional and ethical manner. The Company's compliance with all applicable laws, regulations, industry codes and standards, rules from the relevant exchanges in which its shares are listed and relevant electricity industry specific requirements, is a priority for the Company's Board and the Company. This is reflected in all aspects of the Corporate Governance Statement (refer to page 77).

Genesis Energy has sought to embed responsibility for 'doing the right thing' within its culture. The Genesis Energy Compliance Policy (supported by the Code of Conduct and Ethics) provides all Genesis Energy personnel with a clear understanding that they must carry out their responsibilities and business activities in a way that complies with all applicable requirements, both externally (as listed above) and internally, through organisational policies, standards and procedures.

#### Responsibility

With the oversight of the Board, the Executive Management team has the operational responsibility for the aforementioned Society issues.

#### Monitoring and Follow-up

These issues, including risks and impacts on local communities, are monitored on a daily basis through the Company's various interactions with local communities and other stakeholders and addressed by the Company through its policies and initiatives and through the behaviour of both the Company and its employees.

#### Training and Awareness

The Company has a wide range of training programmes and options for employees that support its interactions with local communities and society. These include competency based training in a range of areas including communication, social and cooperative skills and online based policy awareness programmes.

# ABOUT THIS REPORT

Producing an integrated report, containing financial and non-financial performance information, is a key part of the process to define what being a sustainable organisation means to us. It helps promote discussion both within the Company and with our stakeholders. As such, the target audience for our Annual Report is all of our stakeholders.

## Introduction

Genesis Energy's eighth annual integrated report covering economic, environmental and social performance covers our financial year from 1 July 2013 to 30 June 2014. Our previous integrated report was published in 2013.

## Report Technical Standards

The content of the Annual Report has been prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting

Guidelines Version 3.1 (G3.1) and the Electricity Utility Sector Supplement (2009). The Report meets the requirements of Application Level B+.

We have reviewed GRI's G3.1 Reporting Principles for Defining Report Content and Quality, with emphasis on ensuring we provide a material representation of Genesis Energy's financial and non-financial performance. We have drawn upon the outcomes of our informal and formal stakeholder engagement to inform materiality.

In addition to guiding principles on report content and quality, the GRI includes a suite of performance indicators relating to company profile, strategy, governance, stakeholder engagement and environmental, economic and societal performance. The indicators accompany performance information in the Report and in the GRI Index.

## Our Key Stakeholder Relationships

Genesis Energy's many diverse stakeholders are key to the successful provision of energy and utility solutions to grow the prosperity of our customers. It is crucial that we engage with our stakeholders in an effective dialogue and develop relationships built on mutual respect and a desire to find balanced outcomes.

We identify our stakeholders as any group which has an interest or concern relating to Genesis Energy. We operate an open-door policy at Genesis Energy and do not seek to exclude any stakeholder groups from our engagement processes.

Genesis Energy has a range of formal and informal stakeholder relationships that enables the Company to identify and assess stakeholder needs and concerns. Stakeholder groups and their key concerns

and interests are constantly reviewed to ensure all issues relevant to stakeholders are collated and considered. The mechanisms we use to engage with our stakeholders are illustrated in the following table.

## Identifying Material Report Content

Stakeholder and business issues, such as risks and opportunities, are key inputs for the identification of material issues for Genesis Energy. As a part of this analysis, we assess the significance of all issues to both our stakeholders and our business to identify the most significant issues. The issues of high significance to our stakeholders and our business are illustrated in the diagram below. This analysis has informed the content of our Annual Report.

Stakeholder groups and how we engage	Issues of high significance to stakeholders and Genesis Energy in FY2014	How we respond to stakeholder concerns	Where to find discussion in the Annual Report
<b>Shareholders</b> <ul style="list-style-type: none"> <li>Analyst briefings</li> <li>Annual Meeting</li> <li>Accurate, timely and informative Quarterly Operational and Performance Reports, Half-year and Annual Reports</li> <li>Release of disclosure statements as required</li> <li>Under the Public Finance Act, Genesis Energy is required to provide The Treasury certain information that is not publicly available to enable The Treasury to prepare the Government's consolidated financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced financial returns</li> <li>Consistent and reliable returns</li> <li>Good Governance</li> <li>Consistent and transparent disclosure of Company information</li> </ul>	<ul style="list-style-type: none"> <li>Business strategy with a commitment to improve performance of the business</li> <li>Implementation of a business model focused on driving performance across the entire business</li> <li>Produced clear and comprehensive Quarterly Operational and Performance Reports, Half-year and Annual Reports</li> <li>Released relevant continuous disclosure reports to the Shareholders as required</li> <li>Held an Annual Meeting</li> <li>Analyst briefings and dedicated Investor Relations Manager</li> <li>Investors Centre on the Genesis Energy website (<a href="http://www.genesisenergy.co.nz/ipo/about-us/investor-centre">www.genesisenergy.co.nz/ipo/about-us/investor-centre</a>)</li> <li>Investor Relations 'app'</li> <li>Investment Communication Policy established</li> </ul>	<ul style="list-style-type: none"> <li><i>Financial Statements</i></li> <li><i>Chief Financial Officer's Report</i></li> <li><i>Corporate Governance</i></li> <li><i>Disclosure of Management Approach</i></li> <li><i>The entire Annual Report</i></li> </ul>
<b>Customers</b> <ul style="list-style-type: none"> <li>Surveys/market research</li> <li>Customer feedback panel</li> <li>Contact Centre and Online</li> <li>Customer newsletters</li> <li>Retail processes that support a positive customer experience</li> <li>Development of innovative product offerings</li> </ul>	<ul style="list-style-type: none"> <li>Developing products and services customers value</li> <li>Enhancing the customer experience</li> <li>External perception and brand reputation</li> <li>Succeeding in a competitive market</li> <li>The impact of external forces</li> </ul>	<ul style="list-style-type: none"> <li>Continuous improvement of customer service</li> <li>Committed to following Electricity Authority's disconnection and vulnerable customer guidelines</li> <li>Deployment of Advanced Meters</li> <li>Tools, advice and product offers for energy efficiency and carbon footprint reduction</li> <li>Stopped door-to-door sales in response to survey feedback, improved letters for price increases and continue to work on initiatives to reduce the level of customer disconnections</li> </ul>	<ul style="list-style-type: none"> <li><i>Customer Experience</i></li> <li><i>Energy Management</i></li> <li><i>Disclosure of Management Approach</i></li> </ul>

Stakeholder groups and how we engage	Issues of high significance to stakeholders and Genesis Energy in FY2014	How we respond to stakeholder concerns	Where to find discussion in the Annual Report
<b>Employees</b> <ul style="list-style-type: none"> <li>Commitment to attract, recruit and retain the right person – job fit and organisational fit</li> <li>Health and Safety focus</li> <li>Regular meetings and Chief Executive briefings</li> <li>Surveys</li> <li>Training and Development</li> <li>Staff newsletter – monthly business update</li> <li>Company Scorecard for employees</li> <li>Intranet</li> </ul>	<ul style="list-style-type: none"> <li>Providing a safe and great place to work</li> <li>Enhancing the customer experience</li> <li>Governance – compliance</li> <li>Improving internal capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Competitive salaries and employee benefits</li> <li>Continue to implement employee development initiatives, talent and leadership programmes</li> <li>Continue support of employee volunteering programme</li> <li>Continuous improvement of Wellness programme</li> <li>Rewards and Recognition programme</li> <li>Flexible ways of working</li> <li>Talent management/succession planning</li> <li>Commitment to health and safety management</li> <li>New intranet site to better support the Genesis Energy culture and performance</li> <li>Diversity Policy, and Strategy and Code of Conduct and Ethics established</li> <li>Established new offices in Auckland and Hamilton that bring business units together and create a cultural identity</li> </ul>	<ul style="list-style-type: none"> <li><i>Chief Executive's Statement</i></li> <li><i>Leading in reliability, safety and the environment</i></li> <li><i>Disclosure of Management Approach</i></li> </ul>
<b>Generation Communities</b> <ul style="list-style-type: none"> <li>Consultation with communities on issues in a timely manner</li> <li>Community meetings on topics of interest</li> <li>Newsletters and reporting</li> <li>Compliance with resource consents</li> <li>Being cognisant of the impacts of our operations and ensuring the community understands these impacts and the actions we undertake to minimise and mitigate them</li> <li>Relationships with local communities</li> <li>Involvement of the community in key milestones</li> <li>Investment in the communities in which we operate via local sponsorships and other support</li> </ul>	<ul style="list-style-type: none"> <li>Developing and maintaining robust stakeholder relationships</li> <li>Consistent and transparent disclosure of Company information</li> <li>External perception and brand reputation</li> <li>Governance – compliance</li> <li>Improving internal capabilities</li> <li>Securing access to resources</li> <li>The impact of external forces</li> </ul>	<ul style="list-style-type: none"> <li>Provide community updates on the activities on generation sites via newsletters and meetings</li> <li>Consult in an open and transparent manner on our projects</li> <li>Target 100 per cent resource consent compliance</li> <li>Environmental Management Systems (and work to align with risk-management framework)</li> <li>Implementation of a sustainable business model</li> <li>Preference for hiring locally</li> <li>Continue to support activities in the communities in which we operate</li> <li>Develop an environmental policy including community engagement</li> <li>Procurement Policy established</li> </ul>	<ul style="list-style-type: none"> <li><i>About this Report</i></li> <li><i>Energy Management</i></li> <li><i>Leading in reliability, safety and the environment</i></li> <li><i>Responsible Performance</i></li> <li><i>Corporate Governance Statement</i></li> <li><i>Disclosure of Management Approach</i></li> <li><i>The entire Annual Report</i></li> </ul>
<b>Government Stakeholders</b> <ul style="list-style-type: none"> <li>Open and detailed engagement and contribution on policy issues relating to our business</li> <li>Policy submissions</li> <li>Participation in working groups, conferences and meetings</li> </ul>	<ul style="list-style-type: none"> <li>Developing and maintaining robust stakeholder relationships</li> <li>Consistent and transparent disclosure of Company information</li> </ul>	<ul style="list-style-type: none"> <li>Business strategy with a commitment to increase performance of the business</li> <li>Operating a sustainable business model to drive performance</li> <li>Policy submissions</li> </ul>	<ul style="list-style-type: none"> <li><i>About this Report</i></li> <li><i>Corporate Governance Statement</i></li> <li><i>The entire Annual Report</i></li> </ul>
<b>Non-governmental organisations</b> <ul style="list-style-type: none"> <li>Meetings on topics of interest</li> <li>Partnerships and funding for community projects</li> <li>Membership of organisations</li> </ul>	<ul style="list-style-type: none"> <li>Developing and maintaining robust stakeholder relationships</li> <li>Consistent and transparent disclosure of Company information</li> </ul>	<ul style="list-style-type: none"> <li>Resource consent agreements</li> <li>Operating a sustainable business model</li> </ul>	<ul style="list-style-type: none"> <li><i>About this Report</i></li> <li><i>Corporate Governance Statement</i></li> <li><i>Responsible Performance</i></li> <li><i>The entire Annual Report</i></li> </ul>
<b>Tangata Whenua</b> <ul style="list-style-type: none"> <li>Regular formal and informal meetings at multiple levels</li> <li>Co-membership of environmental and social development groups</li> </ul>	<ul style="list-style-type: none"> <li>Developing and maintaining robust stakeholder relationships</li> <li>Consistent and transparent disclosure of Company information</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledge that tangata whenua have concerns about how the power schemes were developed</li> <li>Acknowledge that ongoing activities impact on tangata whenua's values</li> <li>Third-party agreements</li> <li>Respect role of tangata whenua as kaitiaki of the natural resources and taonga within their rohe</li> </ul>	<ul style="list-style-type: none"> <li><i>About this Report</i></li> <li><i>Corporate Governance Statement</i></li> <li><i>Responsible Performance</i></li> <li><i>The entire Annual Report</i></li> </ul>
<b>Energy Sector</b> <ul style="list-style-type: none"> <li>Working with industry regulators on energy issues</li> <li>Submissions on energy sector policy</li> <li>Participation in utility forums</li> </ul>	<ul style="list-style-type: none"> <li>Developing and maintaining robust stakeholder relationships</li> <li>Consistent and transparent disclosure of Company information</li> </ul>	<ul style="list-style-type: none"> <li>Participating in formal reviews conducted by industry regulators</li> <li>Policy submissions</li> <li>Participating in working groups, conferences and forums of mutual interest</li> <li>Participation in health and safety forums</li> </ul>	<ul style="list-style-type: none"> <li><i>About this Report</i></li> <li><i>Corporate Governance Statement</i></li> <li><i>The entire Annual Report</i></li> </ul>

Stakeholder groups and how we engage	Issues of high significance to stakeholders and Genesis Energy in FY2014	How we respond to stakeholder concerns	Where to find discussion in the Annual Report
<b>Society</b> <ul style="list-style-type: none"> <li>Media releases</li> <li>Accurate, timely and informative Quarterly Operational and Performance Reports, Half-year and Annual Reports</li> <li>Annual Meeting</li> <li>Advertising</li> <li>Social media</li> </ul>	<ul style="list-style-type: none"> <li>Consistent and transparent disclosure of Company information</li> </ul>	<ul style="list-style-type: none"> <li>Operating a sustainable business model</li> <li>Memberships in associations</li> <li>Community investments</li> </ul>	<ul style="list-style-type: none"> <li><i>Disclosure of Management Approach</i></li> <li><i>The entire Annual Report</i></li> </ul>

#### External assurance

For the sixth time, the Annual Report has been the subject of a limited assurance review, in accordance with the ISAE3000 assurance standard, by Deloitte. The assurance scope included application of the GRI principles, profile disclosures, management approach and selected performance indicators. The Application Level B+ of the GRI has been third-party checked by Deloitte. Our financial statements have again been audited by Deloitte on behalf of the Auditor-General. Refer to page 102 of this Report for the full GRI disclosure Index and to page 105 for the GRI assurance statement provided by Deloitte.

#### Scope

This Report covers the performance of the Genesis Energy Limited group of companies (trading as Genesis Energy and Energy Online) over which Genesis Energy had operational control during the reporting period. Other joint ventures and investments are not included for the purposes of non-financial reporting as they are largely operated by external organisations and are outside of our control, such as the Kupe Joint Venture. The Kupe facilities are managed by Origin Energy as the Operator on behalf of the joint venture. Also outside of this Report are outsourced field services contractors.

#### Data

There is much historical information that may meet GRI indicator requirements; however, this is not included in the Report as it does not meet the GRI principle of timeliness or would be repeating information found in earlier Annual Reports. Comparisons to historical data have been included only where appropriate. Where historical data has been restated the implications of this restatement is noted.

Our systems for data collection and accountability continue to grow more sophisticated as we strive for continuous improvement in this area. A sample of the data collected was also subject to the assurance review undertaken by Deloitte.

#### How you can help

We appreciate and value your feedback; if you have any comments or suggestions, please contact Genesis Energy's Public Affairs Manager on 64 9 951 9280.

# GLOBAL REPORTING INITIATIVE (GRI)

Report application level		C	C+	B	B+	A	A+
STANDARD DISCLOSURES	G3 Profile Disclosures	Report on: 1.1 2.1–2.10 3.1–3.8 3.10–3.12 4.1–4.4 4.14–4.15	REPORT EXTERNALLY ASSURED	Report on all criteria listed for level C plus: 1.2 3.9, 3.13 4.5–4.13 4.16–4.17	REPORT EXTERNALLY ASSURED	Same as requirement for Level B	REPORT EXTERNALLY ASSURED
	G3 Management Approach Disclosures	Not required					
	G3 Performance Indicators and Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: economic, social and environmental					

GRI Reference	Description	Location of disclosure in 2014 Annual Report	Page no.
<b>Strategy and Analysis</b>			
1.1	Statement from the Chief Executive and Chairman	<i>Chairman's Letter and Chief Executive's Report</i>	4, 6
1.2	Description of key impacts, risks and opportunities	<i>Throughout the Report</i>	
		<i>Chairman's Letter and Chief Executive's Report</i>	4, 6
		<i>About this Report</i>	99
<b>Organisational Profile</b>			
2.1	Name of the reporting organisation	<i>Throughout the Report.</i>	
2.2	Primary brands, products and/or services	<i>Disclosure of Management Approach/Economic</i>	94
2.3	Operational structure of the organisation	<i>Financial Statements and Notes</i>	33
2.4	Location of organisation's headquarters	<i>Directory</i>	107
2.5	Countries in which the organisation operates	<i>Disclosure of Management Approach/Economic</i>	94
2.6	Nature of ownership and legal form	<i>Corporate Governance Statement</i>	77
2.7	Nature of markets served	<i>Disclosure of Management Approach/Economic</i>	94
2.8	Scale of the reporting organisation	<i>Financial Statements and Notes</i>	33
2.9	Significant changes in size, structure or ownership	<i>Chairman's Letter and Chief Executive's Report</i>	4, 6
2.10	Awards received in the reporting period	<i>Throughout the Report</i>	
<b>Report Parameters</b>			
3.1	Reporting period	<i>About this Report</i>	99
3.2	Date of most recent previous report (if any)	<i>About this Report</i>	99
3.3	Reporting cycle (annual, biennial, etc.)	<i>About this Report</i>	99
3.4	Contact point for questions regarding the report or its contents	<i>Directory/About this Report</i>	107
3.5	Process for defining report content	<i>About this Report</i>	99
3.6	Boundary of the report	<i>About this Report</i>	99
3.7	Specific limitations on the scope or boundary of the report		99
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities	<i>About this Report</i>	99
3.9	Data measurement techniques and the bases of calculations	<i>About this Report</i>	99
3.1	Explanation of the effect of any re-statements	<i>About this Report</i>	99
3.11	Significant scope, boundary or measurement changes	<i>About this Report</i>	99
3.12	Table identifying the location of the GRI Disclosures in the report	<i>Global Reporting Initiative</i>	102
3.13	External assurance policy and practice	<i>About this Report</i>	99



GRI Reference	Description	Location of disclosure in 2014 Annual Report	Page no.
<b>Governance, Commitments and Engagement</b>			
4.1	Governance structure of the organisation	<i>Corporate Governance Statement</i>	77
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	<i>Corporate Governance Statement</i>	78
4.3	The number and gender of members of the highest governance body that are independent and/or non-executive members	<i>Corporate Governance Statement</i>	77
4.4	Mechanisms to provide recommendations to the Board	<i>Corporate Governance Statement</i>	77
4.5	Linkage between performance and compensation	<i>Corporate Governance Statement</i>	77
4.6	Avoiding conflicts of interest	<i>Corporate Governance Statement</i>	77
4.7	Qualifications and expertise of members of the Board	<i>Corporate Governance Statement</i>	77
4.8	Statement of purpose, vision, values and objectives relevant to economic, social and environmental performance	<i>Chairman's Letter and Chief Executive's Report</i>	4, 6
4.9	Board-level processes for identifying and managing risks and opportunities	<i>Corporate Governance Statement</i>	77
4.10	Processes for evaluating the Board's own performance	<i>Corporate Governance Statement</i>	77
4.11	How the precautionary approach is addressed	<i>Corporate Governance Statement</i>	77
4.12	External charters	<i>No subscriptions to external charters</i>	
4.13	Memberships to associations	<i>Disclosure of Management Approach/Society</i>	97
4.14	List of stakeholder groups engaged by the organisation	<i>About this Report</i> <i>Corporate Governance Statement</i>	99 77
4.15	Identification and selection of stakeholders	<i>About this Report</i>	99
4.16	Approaches to stakeholder engagement	<i>About this Report</i> <i>Corporate Governance Statement</i>	99 77
4.17	Key topics and concerns that have been raised through stakeholder engagement	<i>About this Report</i>	99
EU1	Installed capacity (MW), broken down by primary energy source and by regulatory regime	<i>Physical Assets</i>	106
EU2	Net Energy output broken down by primary energy source and by regulatory regime	<i>Generation data</i>	13, 106
EU5	Allocation of CO <sub>2</sub> e emissions allowances or equivalent, broken down by carbon trading framework	<i>Disclosure of Management Approach/Environment</i>	94
<b>ECONOMIC</b>			
Management Approach	Economic	<i>Disclosure of Management Approach/Economic</i>	93
<b>Performance Indicators</b>			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	<i>Financial Statements and Notes</i>	33
EC4	Significant financial assistance received from government	<i>No financial assistance was received from the Government</i>	
<b>ENVIRONMENT</b>			
Management Approach	Environment	<i>Disclosure of Management Approach/Environment</i>	94
<b>Performance Indicators</b>			
EN3	Direct energy consumption by primary energy source	<i>Generation</i>	16
EN4	Indirect energy consumption by primary source	<i>Generation</i>	17
EN16	Total direct and indirect greenhouse gas emissions by weight (i.e. Scope 1 and 2 emissions as defined by the GHG Protocol)	<i>Our Emissions Profile</i>	17
EN17	Other relevant indirect greenhouse gas emissions by weight (i.e. Scope 3 emissions as defined by the GHG Protocol)	<i>Our Emissions Profile</i>	17
EN23	Total number and volume of significant spills	<i>No significant spills during the reporting period</i>	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	<i>No significant fines or non-monetary sanctions for non-compliance during the reporting period</i>	

GRI Reference	Description	Location of disclosure in 2014 Annual Report	Page no.
<b>LABOUR</b>			
Management Approach	Labour	<i>Disclosure of Management Approach/Labour</i>	96
LA1	Total workforce by employment type and employment contract, and broken down by gender	<i>Our People</i>	21
LA2	Total number and rate of new employee hires and employee turnover by age group and gender	<i>Our People</i>	20
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	<i>Disclosure of Management Approach/Labour</i>	96
LA7	Rates of injury, occupational diseases, lost days, and absenteeism and number of work-related fatalities, by region and by gender	<i>Our People</i>	19
LA12	Percentage of employees receiving regular performance and career development reviews	<i>Disclosure of Management Approach/Labour</i>	96
EU16	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors	<i>Disclosure of Management Approach/Labour</i>	96
EU18	Percentage of contractor and subcontractor employees who have undergone relevant health and safety training	<i>Our People</i>	19
<b>HUMAN RIGHTS</b>			
Management Approach	Human Rights	<i>Disclosure of Management Approach/Human Rights</i>	95
HR4	Total number of incidents of discrimination and corrective actions taken	<i>Disclosure of Management Approach/Human Rights</i>	95
<b>SOCIETY</b>			
Management Approach	Society	<i>Disclosure of Management Approach/Society</i>	97
SO5	Public policy positions and participation in public policy development and lobbying	<i>Disclosure of Management Approach/Society</i>	97
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	<i>No contributions made</i>	
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	<i>No legal actions were taken during the reporting period</i>	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	<i>No significant fines or non-monetary sanctions during the reporting period</i>	
<b>PRODUCT RESPONSIBILITY</b>			
Management Approach	Product Responsibility	<i>Disclosure of Management Approach/Product Responsibility</i>	97
EU23	Programmes, including those in partnership with government, to improve or maintain access to electricity and customer support services	<i>Customer Experience</i>	11
EU24	Practices to address language, cultural, low literacy and disability-related barriers to accessing and safely using electricity and customer support services	<i>Customer Experience</i>	11
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	<i>Customer Experience</i>	11

The GRI Application Level B+ has been third-party checked by Deloitte. The full assurance statement from Deloitte is on page 105.

# INDEPENDENT ASSURANCE REPORT

## TO THE DIRECTORS OF GENESIS ENERGY LIMITED

We have been engaged by the Directors to conduct a limited assurance engagement over selected aspects of the Genesis Energy Limited's Annual Report for the financial year ending 30 June 2014 as described below together (the "GRI Content" on pages 1 to 106:

- Global Reporting Initiative Sustainability Reporting Guidelines (GRI G3.1) Reporting Principles (with consideration to the Electric Utility Sector Supplement (EUSS) where applicable) – providing limited assurance whether management's assertion that the GRI G3.1 Reporting Principles have been applied in defining the report content is fairly stated;
- GRI G3.1 Application Level (with consideration to the Electric Utility Sector Supplement (EUSS) where applicable) – providing limited assurance as to whether management's assertion that the GRI Content meets the GRI G3.1 application level B+ requirements is fairly stated;
- GRI G3.1 Profile Disclosures and Selected Indicators (with consideration to the Electric Utility Sector Supplement (EUSS) where applicable) – providing limited assurance as to whether information reported under the requirements of GRI Profile Disclosures and Selected Indicator Protocols is fairly stated.

This report is limited solely to the GRI content as described above and is provided solely to the Directors of Genesis Energy Limited (the "Directors") in accordance with our letter of engagement dated 16 May 2014. Our work has been undertaken so that we might state to the Directors those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume duty, responsibility or liability to anyone other than the Directors for our work, for this independent assurance report, or for the conclusions we have formed including, without limitation, liability for negligence.

### Directors' Responsibility

The Directors are responsible for:

- The preparation and compilation of the GRI Content, including adherence to the GRI G3.1 principles for defining report content and compliance with the disclosure requirements of the GRI G3.1;
- The identification of stakeholders and material issues and for determining the objectives in respect of sustainability performance;
- Establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived; and
- The fair presentation of the information and statements contained within the GRI Content.

### Auditor's Responsibility

It is our responsibility to independently express an opinion on the reliability of management's assertions on selected subject matters as outlined above.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information ('ISAE (NZ) 3000'). To achieve limited assurance the ISAE (NZ) 3000 requires that we review the processes, systems and competencies used to compile the information on which we provide limited assurance. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ISAE(NZ) 3000 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be

identified in a reasonable assurance engagement. Accordingly, we will not express an opinion providing reasonable assurance.

Considering the risk of material error, we planned and performed the work to obtain all the information and explanations considered necessary to provide sufficient evidence to support our assurance conclusions.

The evaluation criteria used for our assurance are based on:

- the GRI G3.1 Sustainability Reporting Guidelines for Level B+ application (with consideration to the Electric Utility Sector Supplement (EUSS) where applicable)
- relevant reporting guidelines and methodologies for selected GRI G3.1 Indicator Protocols as set out in the GRI Content (with consideration to the Electric Utility Sector Supplement (EUSS) where applicable).

Our procedures included:

- Understanding and analysing the process for preparing the GRI Content;
- Assessing the GRI Content against the requirements GRI G3.1 'B+' application level;
- Interviewing the senior executives and group level business sustainability and public affairs teams responsible for preparing the GRI Content ;
- Analysing the process of compiling and validating information received from data owners for inclusion in the GRI Content; and
- Reviewing the GRI Content against the findings of our work and, as necessary, providing recommendations for improvement.

Other than in our capacity as auditors of the statutory financial statements on behalf of the Auditor-General, assignments in areas of the prospectus and trustee reporting, we have no relationship with or interests in the Company or any of its subsidiaries. Furthermore, principals and employees of our firm deal with the Company on arm's-length terms within the ordinary course of the Company's trading activities. Other than this limited assurance engagement, assignments in areas of the prospectus, trustee reporting, the financial statutory audit and arm's-length transactions, we have no relationship with or interests in the Company, or any of its subsidiaries.

### Opinion

Based on the procedures performed, in all material respects, in relation to the GRI Content on pages 1 to 106:

- GRI G3.1 Reporting Principles (with consideration to the Electric Utility Sector Supplement (EUSS) where applicable) – nothing has come to our attention to suggest that Genesis Energy Limited's self declaration of the application of the GRI G3.1 Reporting Principles for defining report content is not fairly stated;
- GRI G3.1 Application Level (with consideration to the Electric Utility Sector Supplement (EUSS) where applicable) – nothing has come to our attention to suggest that Genesis Energy Limited's self declaration of GRI application level B+ is not fairly stated;
- GRI G3.1 Profile Disclosures and Selected Indicators (with consideration to the Electric Utility Sector Supplement (EUSS) where applicable) – nothing has come to our attention to suggest that the information provided in the GRI Content to meet the requirements of the GRI Profile Disclosures and the GRI Indicator Protocols identified is not fairly stated.



**Chartered Accountants**  
**5 September 2014**  
**Dunedin, New Zealand**



This Assurance Statement relates to the Global Reporting Initiative G3.1 (GRI G3.1) content within the Annual Report 2014 of Genesis Energy Limited for the 12 months ended 30 June 2014 included on Genesis Energy Limited's website. Genesis Energy Limited is responsible for the maintenance and integrity of the Genesis Energy Limited website. We have not been engaged to report on the integrity of the Genesis Energy Limited website. We accept no responsibility for any changes that may have occurred to the Annual Report 2014 since it was initially presented on the website. The Assurance Statement refers only to the Global Reporting Initiatives G3.1 (GRI G3.1) content within the Annual Report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this Annual Report. If readers of this report are concerned with the inherent risks arising from electronic data communications they should refer to the published pdf copy of the reviewed Annual Report and related Assurance Statement dated 5 September 2014 to confirm the information included in the Annual Report presented on this website. Legislation in New Zealand governing the preparation and dissemination of Annual Reports that report on sustainability performance may differ from legislation in other jurisdictions.

# PHYSICAL ASSETS

## THERMAL GENERATION ASSETS

The largest generation asset base of Genesis Energy is the 1,203.8MW coal and gas-fired plant at the Huntly Power Station site, comprising five generating units of varying age and technology. The oldest, three 'Rankine' Units, each have a generation capacity of 250MW, utilising conventional boiler and steam turbine technology. Each unit can burn coal, gas or a mixture of the two.

On 12 December 2012, Genesis Energy placed its first Huntly 'Rankine' Unit 3 (250 MW coal/gas-fired unit) into long-term storage. This was followed by placing a second Huntly Rankine Unit into storage in late 2013. The first Rankine Unit has commenced the decommissioning process.

Unit 5 is a 403MW high-efficiency combined-cycle gas turbine which was commissioned in June 2007. Unit 6 is a 50.8MW open-cycle gas turbine.

Total annual output for the year ended 30 June 2014 was 3,907GWh (4,991GWh in FY2013).

### Years commissioned:

Units 1 to 4	1981 to 1985
Unit 6	2004
Unit 5	2007

### Generation units:

Rankine Units	3 x 250MW each
Unit 6	50.8MW
Unit 5	403MW



## RENEWABLE GENERATION ASSETS

Genesis Energy also owns approximately 686.1MW of renewable generation assets. These include the Tongariro Power Scheme, the Waikaremoana Power Scheme, Tekapo A and B, and the Hau Nui Wind Farm. Total hydro generation output for the year ended 30 June 2014 was 2,497GWh (2,200GWh in FY2013). Total wind generation in the year to 30 June 2014 was 23GWh (21GW in FY2013).

### Tongariro Power Scheme

The 361.8MW Tongariro Power Scheme gathers water from the mountains of the central volcanic plateau in the North Island through what are known as the Eastern and Western Diversions of the scheme, tapping a catchment area of more than 2,600 square kilometres. The water passes through a series of lakes, canals and tunnels to the Tokaanu and Rangipo hydro power stations before entering Lake Taupo.

#### Years commissioned:

Tokaanu	1973
Rangipo	1983
Mangaio	2008

#### Generation units:

Tokaanu	4 x 60MW
Rangipo	2 x 60MW
Mangaio	1.8MW

### Waikaremoana Hydro Scheme

The 138MW Waikaremoana Hydro Scheme is located between the Te Urewera National Park and Wairoa, along the upper seven kilometres of the Waikaretaheke River. The scheme uses water from Lake Waikaremoana, Waikaretaheke River and Kahuitangaroa Stream to generate electricity and incorporates three power stations (Tuai, Piripaua and Kaitawa).

#### Years commissioned:

Tuai	1929
Piripaua	1943
Kaitawa	1948

#### Generation units:

Tuai	3 x 20MW
Piripaua	2 x 21MW
Kaitawa	2 x 18MW



### Hau Nui Wind Farm

The 7.3MW Hau Nui Wind Farm is located on the South Wairarapa coast. Originally commissioned in 1996 with seven turbines, Genesis Energy added an additional eight turbines in 2004, taking it to 15 turbines in total. Hau Nui uses renewable wind energy to generate electricity for supply to consumers via the local Wairarapa network, and at times via the national grid.

#### Years commissioned:

1996 and 2004

#### Generating capacity:

7.3MW

### Tekapo A and B Hydro Stations

The 179MW Tekapo A and B hydro power stations are located in the South Island in the Upper Waitaki catchment and generate electricity from the inflows into Lake Tekapo. Hydro storage used to generate electricity at the Tekapo A power station flows through a 25km canal to the Tekapo B power station, where again the hydro storage of Lake Tekapo is used to generate electricity. Following generation at the Tekapo B power station, the water is discharged into Lake Pukaki.

#### Years commissioned:

Tekapo A	1951
Tekapo B	1977

#### Generating capacity:

Tekapo A	25MW
Tekapo B	154MW

# DIRECTORY

## BOARD OF DIRECTORS

### Chairman

Rt Hon Dame Jenny Shipley DNZM

### Directors

Joanna Perry MNZM (Deputy Chairman)

Andrew Clements

Mark Cross

John Dell

John Leuchars

Douglas MacKay

Graeme Milne ONZM

Rukumoana Schaafhausen

## EXECUTIVE TEAM

### Chief Executive

Albert Brantley

### General Counsel and Company Secretary

Maureen Shaddick

### Chief Financial Officer

Andrew Donaldson

### GM Retail

David Goadby

### GM Generation

Tracey Hickman

### GM Strategy and Corporate Affairs

Dean Schmidt

### GM Corporate Services

Andrew Steele

### GM Trading and Portfolio Management

Chris Jewell

## REGISTERED OFFICE IN NEW ZEALAND

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**Telephone:** +64 9 580 2094

**Facsimile:** +64 9 580 4894

**Website:** [www.genesisenergy.co.nz](http://www.genesisenergy.co.nz)

## REGISTERED OFFICE IN AUSTRALIA

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Sydney, NSW 2000  
Australia

## SHARE REGISTRAR – NEW ZEALAND

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Level 2, 159 Hurstmere Road  
Takapuna, Auckland 0622  
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Auckland 1142

**Telephone:** +64 9 488 8777

**Facsimile:** +64 9 488 8787

**Email:** [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)

**Website:** [www.computershare.com/nz/](http://www.computershare.com/nz/)

## SHARE REGISTRAR – AUSTRALIA

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Yarra Falls, 452 Johnston Street  
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**Website:** [www.investorcentre.com/nz](http://www.investorcentre.com/nz)

## AUDITOR

The Auditor-General pursuant to section 14 of the Public Audit Act 2001. Andrew Dick of Deloitte was appointed to perform the audit on behalf of the Auditor-General.

## LEGAL ADVISERS

Russell McVeagh

## BANKERS

Westpac (New Zealand)

Westpac (Singapore)

ANZ Bank (Singapore)

## CREDIT RATING

Long-term BBB+

Outlook – Stable

## HEAD OFFICE

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