2015 Annual Report


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To us, being a Kiwi company means we're committed to New Zealand, including its people, communities and our natural environment. New Zealand is the only market we operate in. All of our customers are here. All of our people live here and are a part of our local neighbourhoods across the country.

Welcome to Z's annual report

for the financial year ended 31 March 2015

This year we've decided to take our commitment to sharing everything to the next level, by creating an annual report that compares our performance against external environmental, social and economic standards. We're doing this as part of our commitment to sustainability, transparency and to best practice reporting. As a result, this is Z's first annual report that's in accordance with the Global Reporting Initiative (GRI) international sustainability reporting framework.

Introduction

Z is a different kind of company – how we go about our business is different, how we communicate is very different, the culture we aspire to is different and how we invest in our people and our local communities is different.

Z keeps New Zealand moving – literally. We sell around 30 per cent of New Zealand's total transport fuel to a wide range of customers – airlines, shipping and fishing companies, trucking companies, farmers and heavy industry – as well as our retail customers through our national network of retail service stations.

We own a stake in New Zealand's only refinery at Marsden Point. We're one of New Zealand's top 20 publicly listed companies with around 10,000 shareholders and 8,000 retail bondholders, and we're listed on the New Zealand (NZX) and Australian (ASX) stock exchanges.

This report is dated 7 May 2015 and is signed on behalf of the board of Z Energy Limited:

Peter Ward Griffiths

Abigail Kate Foote

A quick summary
of what you can expect in this report

This year, we've structured our report to reflect the things that matter most to us and our stakeholders:

How we win

Our people

Our communities

Our environment

Our finances

In this report you'll see what we've been up to over the last 12 months, including the progress we've made on sustainability, the progress we've made with the Z brand and what we've done to keep people healthy and safe. This report doesn't just include our wins; we're also sharing what hasn't gone so well or things that aren't quite on track. This is all part of our commitment to being straight up.

Sharing what matters with people who matter

Two of Z's founding organisational values are 'share everything' and 'be straight up'. This demands that we take stakeholder engagement seriously, and at Z we do.

Stakeholder engagement and the way we go about it is an area in which Z strives to be distinctive – we're committed to being proactive, direct and straight up, and listening more than we talk.

Often Z's approach to stakeholder engagement is met with surprise and at times a level of suspicion – we've learned it's not common for a fuel company to meet with a wide range of environmental or non-governmental organisations (NGOs) to discuss climate change, sustainability and alternative fuels. It's not common for a fuel company to invite government and motoring advocates to discuss our financial performance twice a year. Our stakeholders tell us they find it refreshing that we can be straight up about what we haven't done well, as well as where we have enjoyed success. This report is another example of this approach in action.

We regularly check our engagement programme to ensure we are building relationships with the right people. We listen to their concerns and ideas about what matters most to them.

As a result, we know that the core interests of Z's stakeholder base fall into the following broad groupings:

Community

How we contribute to the communities of which our people and our operations are a part.

Sustainability

What we are doing, and what we could do more of, to improve environmental and social sustainability.

Financials

How our business is performing, how much money we are making, whether we are behaving properly in a commercial context and whether we are delivering value.

Health and safety

How we are developing and building a healthier and safer company and therefore a healthier and safer New Zealand.

Our engagement this year

Below is a short list of primary stakeholders with which Z engaged over the year, and what we talked about.

- Central government (including Ministry of Business, Innovation and Employment; Treasury; Ministry for the Environment; Energy Efficiency and Conservation Authority; New Zealand Transport Agency; Ministry of Transport; Department of Prime Minister and Cabinet; Ministry for Primary Industries; various political parties): fuel sales and the macro-economic environment, supply chain resilience, impact of potential industrial action at Refining NZ, fuel margins and industry profitability, Z's financial performance, alternative fuels development.
- Media: ongoing daily engagement with a wide range of media around the full range of issues – from the outlook on global crude oil markets, to Z's position on sustainability, to an incident on a retail site. By way of context, and to support the way we talk about Z's commitment to transparency, in the month of December, Z was mentioned in stand-alone media coverage 30 times more often than our closest competitor. When people, including the media, want to know what's happening in our industry, they tend to talk to Z.
- Local government, community organisations and NGOs: environmental and social sustainability; biofuels – availability, supply and resource consenting for Z's Wiri biodiesel plant; environmental management of retail service station properties; environmental policy development; best practice in community investment and sponsorship.
- Sustainability sector (including World Wildlife Fund, Greenpeace, Sustainable Business Network, National Energy Research Institute, Sustainable Business Council, Motu Economic and Public Policy Research Climate Change dialogue group, environmental education groups): our sustainability goals and how we strive to deliver them, as well as where we need help.

What's in the report?

Z performance snapshot

for the year ended 31 March 2015

($)[1]

$7m
Historical cost net profit after tax

$241m
Replacement cost[2] operating EBITDAF[3] profit

$121m
Replacement cost net profit after tax

Dividends per share
24.2c

Replacement cost earnings per share
30c

Capital expenditure
$70m

[1] All amounts are New Zealand dollars ($) unless stated otherwise.

[2] Z's replacement cost earnings adjust the cost of sales as if inputs had been procured at the time of sale. For the 2015 financial year, the replacement cost approach to valuing stock sold has resulted in a reduction in cost of goods sold of $158 million. This is not reflected in Z's statutory earnings. Z's management focuses on (and Z provides guidance on) replacement cost operating earnings, which Z considers better reflect the underlying trading performance of the business.

[3] Replacement cost operating earnings before interest, taxation, depreciation (including gains and (losses) on the sale of fixed assets), amortisation and fair value movements in interest rate derivatives.

Key replacement cost[1] financial results

	FY15 $m	FY14[2] $m	Var %
Revenue	3,064	3,371	(9)
Replacement cost gross margin	562	500	12
Operating costs (excluding primary distribution costs and community)	(294)	(287)	(7)
Community[3]	-	(1)	(100)
Realised and unrealised (losses)/gains on foreign exchange and commodity transactions	(27)	7	<>
Replacement cost operating EBITDAF	**241**	**219**	**10**
Share of earnings in associates	10	(1)	<>
Replacement cost EBITDAF	**251**	**218**	**15**
Depreciation and amortisation	(43)	(39)	(10)
Net financing expense	(37)	(33)	(12)
Profit and loss on sale of assets	-	(4)	(100)
Other	(7)	(1)	(6)
Taxation (including tax on COSA)	(43)	(40)	(8)
Replacement cost net profit after tax	**121**	**101**	**20**
Dividends declared	(97)	(88)	(9)
Economic value retained	**24**	**13**	**11**

Reconciliation from statutory NPAT to replacement cost NPAT for FY15[4]

	$m
Net profit per the statutory accounts	7
Replacement cost of sales adjustment	158
Tax on cost of sales adjustment	(44)
Replacement cost NPAT	**121**

1. Please refer to footnotes 2 and 3 on page 8 and the 'financial commentary' section for discussion of our replacement cost performance measurement.
2. FY14 results are prepared on a pro forma basis.
3. The FY15 Good in the Hood campaign started in May 2015.
4. Please refer to page 109 for a more comprehensive reconciliation.

Financial commentary

In its first full year of performance as a company listed on the NZX Main Board and ASX, Z has delivered a statutory historical cost net profit after tax (HC NPAT) for the year ended 31 March 2015 of $7 million, down $88 million (93 per cent) on FY14.

The reduction in HC NPAT is due to the sharp fall in crude and product prices during the second half of the financial year. On a replacement cost basis – the measure widely used as a more meaningful performance measure by the downstream fuels industry – Z delivered a full-year replacement cost NPAT of $121 million, up $20 million (20 per cent) over FY14.

Z's management consistently focuses on (and Z provides guidance on) replacement cost operating earnings, which better reflect the underlying trading performance of the business.

Z's replacement cost operating EBITDAF of $241 million reflects the ability of the company to deal with challenging operating conditions, manage volatility and deliver quality earnings. Over this period, and through the full-year result, Z has demonstrated the value of operating as a genuinely integrated company with the ability to "flex" different parts of the business to get the best result in changing conditions.

During the second half of the financial year, the business operated in a volatile market environment. Between October 2014 and January 2015, the price of crude oil fell from US$95 per barrel to as low as US$45 per barrel.

"The second half of the financial year was a period of recovery and increasing momentum for the company."

As a result of this market volatility, FY15 was a game of two very different halves. The first half of the year was the most challenging period in Z's short history (since being sold by Shell in 2010), as an extended refinery outage and adverse market conditions drove refining margins to the lowest levels since 1999. These factors contributed towards Z failing to achieve its financial targets for the half year.

The second half of the financial year was a period of recovery and increasing momentum for the company – the opposite of the conditions in the first half. Refining margins improved markedly, Z sold more fuel than in the previous corresponding period, and fuel margins and store sales improved. The underperformance relative to financial targets in the first half of the year, resulting from costs associated with the low refining margins in that half, was reversed in the second half.

Highlights of Z's FY15 financial performance

Z grew underlying fuel margins[1] and non-fuel margins[2] in FY15 by six per cent and seven per cent respectively.

Disciplined margin management across the business allowed Z to more actively manage fuel volumes, competing on price across the country to ensure Z maintained its competitive position.

Through careful management and by working closely with Refining NZ, Z was able to manage the volatility in refining margins over the year. This included delivering targeted full year refining margins and realising the benefits in the first year of the company's agreement with Refining NZ and another customer of Refining NZ to jointly procure and process crude oil products.

1. Replacement cost basis.
2. Historical cost basis.

Z has redeveloped 28 sites to include its expanded food and coffee offer, delivering what we call an 'everyday awesome' service to a greater number of customers.

Z also opened four new-to-industry sites, plus knocked down and redeveloped a further seven sites to ensure that its network meets the needs of its customers.

Z became the market leader in car wash sales in FY15.

Investment

Z invested $60 million of capital expenditure during the financial year, which included new sites and store upgrades, systems and people, and the maintenance and integrity of our core assets, including bulk fuel storage terminals. Z also invested $10 million during the financial year in a new biodiesel production facility at Wiri, Auckland, which will begin production in FY16.

FY15 was the first full year of the company's 'Strengthening the Core' strategy, from which Z seeks to deliver an incremental $40 to $50 million of replacement cost operating EBITDAF uplift over its four to five year duration.

The best of Z FY15

Earnings continue to grow

On a replacement cost basis, operating EBITDAF lifted from $219 million in FY14 to $241 million in FY15. This was achieved in an increasingly competitive market. Since 2010, we've increased replacement cost operating earnings by 53 per cent and replacement cost NPAT by 81 per cent.

Z has declared $97 million in dividends to its shareholders in respect of FY15.

A new deal on imported refined fuel

This year Z signed another very competitive 12-month deal with a South Korean refiner for the supply of around 400 million litres of refined fuel.

Bringing super heroes to New Zealand

Kiwis loved Z's eight-week Super Heroes campaign. In fact, they took home over four million pint-sized DC Super Hero Blokhedz.

Kiwis are zipping thru Z

With 120 sites around the country with Pay at Pump technology, customers are getting in and out of Z quicker than ever.

Engagement goes through the roof

Z's employee engagement result increased to 78 per cent – a nine per cent increase from 69 per cent in FY14.

New sites

Z continues to lead the way when it comes to investing in our industry – in FY15 another four Z service stations arrived on the scene. At a cost of up to $3.5 million each, this is a significant investment in our future growth.

Ko mihi nui ki a koutou. Ko tēnei tau he wā whakahirahira mō Z Energy. Ko te tamanako kia whakapai tō tātou herenga ki mua. Na reira, tēnā koutou katoa.

Welcome to Z Energy's Annual Report 2015. We've had a successful financial year to the end of March 2015 in conditions that have been the most volatile in the global and domestic fuel markets for many years.

A year of two halves

Chairman's and CEO's report

Given the volatility in both the markets and in the marked difference in Z's performance – from one half to another – investors could be forgiven for asking whether our strong full-year performance is the result of good luck or good management, and we have asked ourselves the same question.

Health, safety, security and the environment

Luck doesn't get you far when it comes to HSSE and few things have the potential to impact the bottom line more profoundly than getting HSSE wrong. So before we discuss financial performance, we need to discuss our HSSE performance.

We summarise this financial year as one of solid HSSE performance while continually taking ground towards our ultimate goal of becoming a zero harm workplace. You can read more about how we performed in this area on pages 42 to 43.

Over the period, Z has participated in the development of legislation currently working its way through Parliament that will overhaul New Zealand's occupational health and safety framework. We've also redeveloped and launched Z's health and safety management system, and ensured we have the right people in the right roles to enable us to continue to build a generative HSSE culture at Z.

“Z has been focused and disciplined in its margin management over the period, including running the business in a genuinely integrated way.”

In February 2015 we welcomed Julian Hughes to the Z team in a new position as general manager of health, safety, security and the environment (HSSE). Julian comes to Z following his last position as executive director of the Business Leaders' Health & Safety Forum and his appointment reflects Z's commitment to best practice HSSE leadership.

Our financial performance

We summarise Z's first full financial year as a company listed on the NZX Main Board and ASX simply as having delivered against what we said we would. For all of its ups and downs, we've delivered financial results at the top end of our guided range in a highly competitive environment and we've done it safely.

Investors will recall that we failed to hit our financial targets at the half year, and that we were unsatisfied with that result. So, did conditions swing and provide a favourable tailwind for the second half, or did we manage our business carefully and deliberately to ensure we hit our unchanged guidance to the market?

The answer is both.

Z has been focused and disciplined in its margin management over the period, including running the business in a genuinely integrated way. 'Integrated' is one of those popular corporate terms, but what we mean by it is we managed each of the revenue generating parts of the business to ensure we delivered the end result.

We also took the decision in the second half of FY15 to tackle increasing levels of regional price discounting head-on and match our competitors on the price board. This deliberate shift in pricing tactics has had the predictable effect of firming Z's volume position as, prices being equal, customers tend to prefer Z over other brands.

We've remained focused on executing our strategy: disciplined portfolio management in our commercial business, continued investment in new retail sites and store upgrades, and continued drive for additional value out of our crude oil and refined fuel supply chains.

We point to this focus on strategy and on integrated business operations in order to manage volatility as being deliberate management.

So where was the luck?

Luck is probably not the word we would choose, but swings in the fortunes of refining are a factor that is unfortunately well outside of Z's control. We can and did work to successfully offset the negative impact of very low refining margins in the first quarter of the year but a remarkable recovery in refining margins saw Z's first quarter fee floor payments to the refinery paid back in full before the end of December 2014. In the last quarter of FY15, refining margins consistently averaged $13 per barrel, enabling Z to deliver a higher than forecast total refining margin contribution of $31 million towards full year earnings.

We've also realised the benefits that we outlined when we announced a project to collaborate in the crude oil supply chain with another refinery customer to ensure more efficient refinery processing.

Investors and commentators might also point to the rapidly declining oil and refined fuel price as a favourable tailwind condition. While a halving of the barrel price between October 2014 and mid-January 2015 enabled Z to lead the market through 18 retail price cuts, any volume increase as a result of lower fuel prices has been marginal.

The numbers

The result of all of this has been that we have delivered a full year historical cost operating profit of $7 million. Under New Zealand Generally Accepted Accounting Principles (GAAP), we are required to disclose profits using the historical cost methodology.

Z's historical cost performance was accordingly negatively impacted by the 61 per cent drop in the price of crude oil and refined fuels over the financial year. Given that the value of inventory is material to operating profitability, the downstream fuels industry globally tends to focus on replacement cost earnings as a more accurate measure of performance.

Z delivered replacement cost operating EBITDAF of $241 million, $22 million ahead of the previous financial year's results.

The company delivered full year replacement cost NPAT of $121 million, up $20 million from the previous financial year.

This is a solid financial result that represents double-digit replacement cost earnings growth from the 2014 financial year. The result has been delivered under a diverse range of operating and competitive conditions and is – with the exception of

> **"There's always a high level of public interest in fuel pricing and our job involves satisfying three very different groups: our customers, our shareholders and our stakeholders."**

those external conditions no single party can control – a reflection of the integration, professionalism and commitment of the Z Energy team. In our minds, more good management than good luck.

Dividend

The Board has approved a final dividend of 16.5 cents per share, consistent with our policy of paying dividends of approximately 80 per cent of replacement cost NPAT to shareholders.

The final dividend for FY15 will be paid on 3 June 2015.

Neither good luck nor good management

Our shareholders own this business and we manage it on their behalf. As such, we need to share not only what went well, but also the instances where good luck and, particularly, good management were missing. These are the instances from which we learn and improve.

In May 2014, Z launched a new breakfast offer across its retail network that, through inadequate planning and supervision, and a lack of appreciation for the nature of the products involved, did not go smoothly. As a result, the eventual breakfast range was pared back and we will build upon this with the rest of the product range over the next financial year.

In taking the time to ensure we learned from this, we also decided to delay the full roll-out of the company's frozen yoghurt offer. Consequently, we missed the full roll-out over the summer months but our confidence for success is much higher as a result of taking this time.

Over the period we also chose to pull the plug on an IT project in the commercial part of the business and realised a small loss rather than accept a looming cost blowout.

As you will see in the report, while we operated the business with a high degree of safety, the number of recorded injuries that caused people to take time off work increased from the previous period.

Public interest in pricing

Over December 2014 and January 2015, when global oil prices were collapsing, there was some public and political interest in industry fuel pricing and profitability.

There's always a high level of public interest in fuel pricing and our job involves satisfying three very different groups: our customers, our shareholders and our stakeholders. We are satisfied that Z has delivered value to each: we've delivered fair and appropriate returns to our shareholders by delivering value and choice to our customers.

We've continued to engage openly and transparently with those groups and individuals with an interest in our business and to lead on the things that matter most to them, such as transparency, sustainability and a continued commitment to investment in New Zealand and its infrastructure.

Conclusion

Through disciplined and integrated management, Z has turned a disappointing half-year result into a strong full-year performance at the top end of guidance. In doing so, we believe we've added unique value to our customers, our shareholders and our stakeholders.

Over the period we've made good progress in the first year of our five-year strategy and we will remain focused on realising the $40 to $50 million annual replacement cost operating EBITDAF growth that this strategy is designed to generate over its duration.

We have one of the most committed and engaged teams of any New Zealand company and we want to thank every member of the Z team for their passion and commitment, and our shareholders and customers for their continued support.

Nō reira, tēnā koutou tēnā koutou tēnā koutou katoa.

Peter Griffiths and Mike Bennetts

How we win

We reckon we're winning when we achieve lower unit costs than our competitors, when we differentiate our offer so that our customers receive additional value from Z and when we build a distinctive local brand that customers prefer.

How we win in retail

We win in retail by investing in new and existing sites around New Zealand where our customers need them to be, great customer service, and initiatives that get our customers faster to where they really want to be. We understand that some customers are driven solely by price, and we've got that covered, but we also know our customers love Z because they get our famous fast, friendly and hassle-free experience, and all the things our brand stands for, like sustainability and giving back to local communities.

Keeping things speedy

We reckon there's a couple of fundamental ways we can keep our customers happy and keep them coming back. It's all about the speed and the service we provide, and through our investment in 'Zip Thru Z' initiatives over the last few years, we reckon we're winning at both.

Our customers have told us they want a fast, friendly and hassle-free experience. To achieve this, we've installed Pay at Pump at 120 sites, and diesel in all lanes at 197 sites across the country. We know we're on to a good thing here, with the metrics we use to measure speed for our customers increasing from 43 per cent to 51 per cent in the last 12 months.

"Our customers have told us they want a fast, friendly and hassle-free experience."

Super heroes: a win-win

We reckon New Zealand has lots of heroes doing great things around the country every day, but we couldn't resist bringing Batman, Superman and a few of their friends to New Zealand by way of the now famous Blokhedz. Our customers loved them, taking home over four million pint-sized DC Super Heroes throughout our eight-week campaign.

And not only did our customers love them, so did our Chief Financial Officer: Blokhedz helped increase our total fuel volume by 5.4 per cent against the same period in 2013.

The increased vehicle and foot traffic across our forecourts also provided us with the opportunity to showcase our new initiatives (like Zip Thru Z) and our awesome Z experience.

Fuel volumes against the same period last year

Forecourt Concierge, Tony Albano, helping a customer use Pay at Pump technology at Z Harbour City.

World famous customer service

> **Since we've been around, we've raised the bar for service in our industry.**

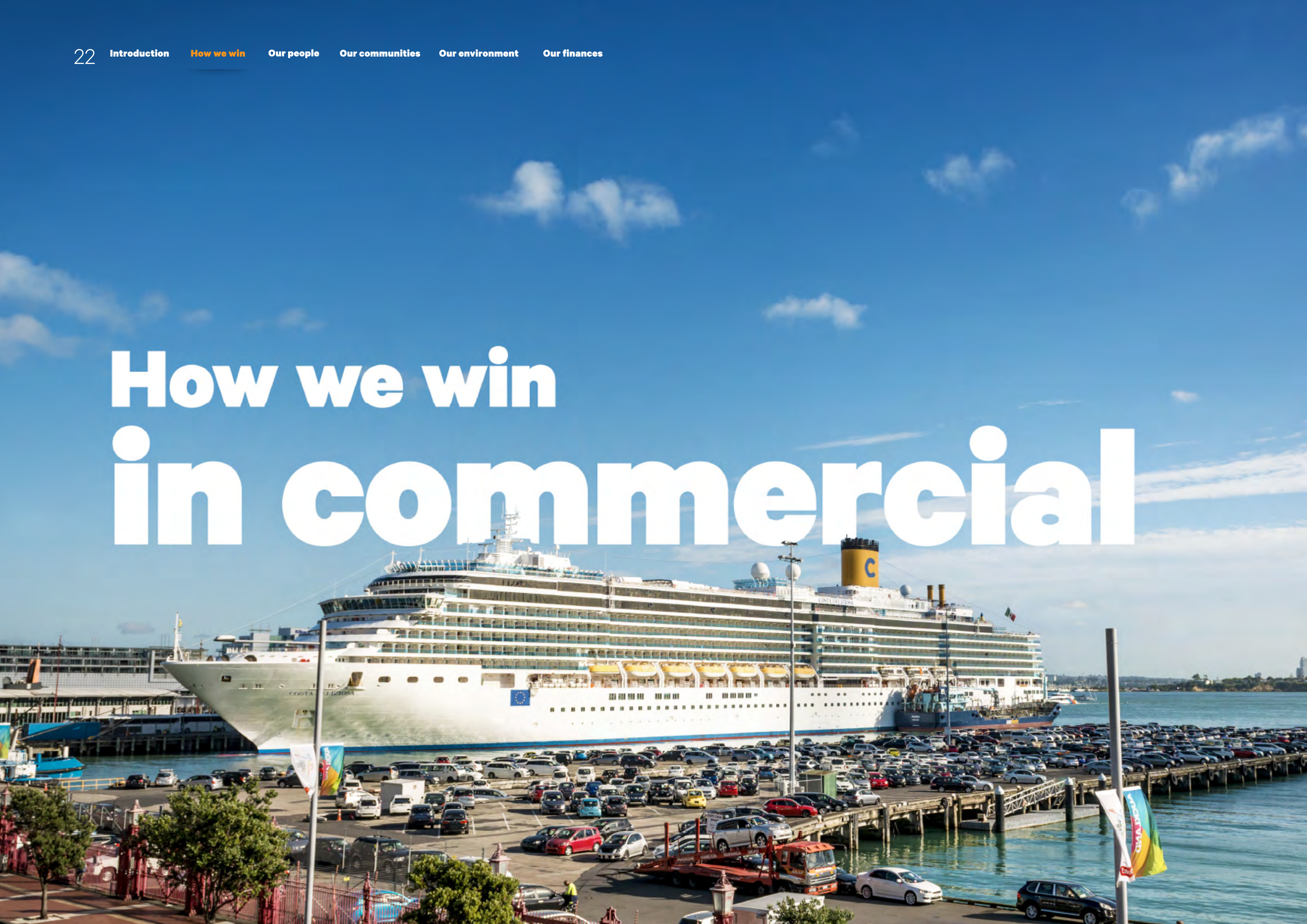
We're committed to providing an extraordinary experience each and every time a customer chooses to fill up at Z – it's a core part of our commitment to becoming a distinctive and world-class Kiwi company.

In 2012, we rolled out a comprehensive front-line staff training programme called 'the Z Factor'. It focused on helping our front-line staff provide excellent customer service so our customers leave with a smile on their face.

Since we've been around, we've raised the bar for service in our industry and, as a result, our customers expect more from us. In the beginning, just seeing a concierge on the forecourt wowed our customers. Not anymore. We know we have to continue to raise the bar, so we rolled out the second edition of Z Factor training, which consists of four key areas: connecting fast with the customer; being yourself; knowing who your customers are and what they need; and knowing your stuff, like what promotions are currently running or where the local farmer's market is.

We reckon we're off to a great start, but watch out; there's more to come.

How we win in commercial



Getting to the heart of dissatisfaction

Commercial customers – those to whom we sell fuel directly, or those businesses buying through a retail forecourt or truck stop – typically use more fuel than the average consumer. They make up roughly half of our fuel sales, and that fuel is often a major input cost to their business.

We know that our industry has generally done a pretty poor job of looking after these customers and giving them the service they deserve. As a result – and hardly surprisingly – commercial customers are more dissatisfied with their fuel supplier than any other group. Turning this around and converting dissatisfied customers into satisfied ones is a critically important focus for Z – we measure satisfaction regularly and we hold ourselves accountable for delivering significant improvement.

We've focused on addressing the causes of dissatisfaction, delivering the service these valuable customers deserve and enabling them to get on with what they're passionate about: their business.

Listening and solving

When it comes to the commercial fuel market, our focus has been on listening to what our customers need and delivering on the things we said we would – sometimes, good business can actually be that simple.

We've focused on fixing what has previously frustrated our customers. For example, although our network of 93 truck stops has recorded operational availability of 99 per cent, we've focused on improving on the one per cent they're unavailable for our customers to use. We invested in fixing our systems and infrastructure, and our availability is now typically around 99.9 per cent.

Our fourth round of commercial customer research was completed in December last year. Our customers told us we have been successful in further reducing their causes of dissatisfaction.

Because time is money

We all know what it's like to have the all-too-common bad call centre experience and we're determined for Z to continue to be very different from the norm.

Responsiveness has been an area of focus for our Kiwi customer call centre, with our first-time resolution percentage increasing from 64 per cent to 78 per cent over the last 12 months – this equates to a huge amount of time saved for our customers and ultimately a more satisfying experience with us.

More than just a fuel company

We aim to solve what matters for a moving world. That includes helping our customers run their businesses more effectively and minimise their fuel costs. We've established a project team to develop products and services that help our customers do just that.

We're currently developing and piloting an affordable tool for drivers of light commercial vehicles that supports, measures and rewards fuel-efficient driving.

We completed a phase one trial, including 19 commercial customers and 57 of their drivers. From the trial, we generated new insights into the design and functionality, which has set us up well for the second phase of our solution.

Z into Xero

We've partnered with Xero, which has helped hundreds of Z Card customers spend more time on the things that really matter and less time on accounts.

By joining forces with the team at Xero, a number of our Z Card customers can now receive a copy of their invoice data directly into their Xero feed, saving them a significant amount of time manually entering transactions every month.

Z is New Zealand's first fuel retailer to provide this free, time-saving service to customers, and feedback from customers has been overwhelmingly positive.

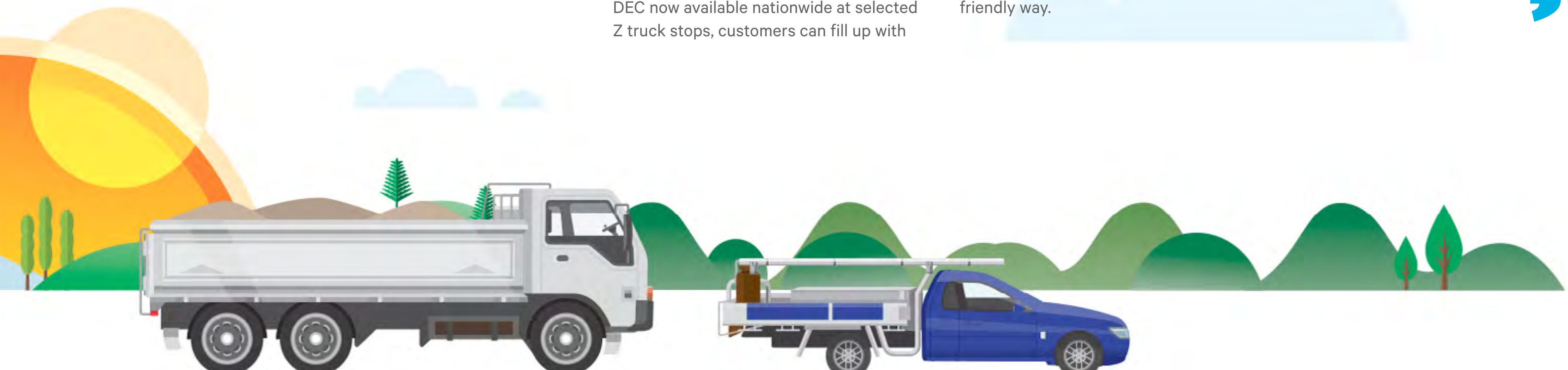
Making sustainability easy

We've upgraded our nationwide truck stop network to provide customers with easier access to our diesel emission cleaner, Z DEC.

Z DEC is a diesel exhaust fluid that, in conjunction with Selective Catalytic Reduction (SCR) technology, is designed to help reduce emissions from heavy vehicles, namely nitrogen oxides. With Z DEC now available nationwide at selected Z truck stops, customers can fill up with diesel and emission cleaner at the same time, making life on the road easier, more convenient and cleaner for all of us.

Providing customers with the ability to fill up at the Z truck stop pump means they don't have to worry about the issues that go with buying and storing diesel exhaust fluids, such as cleaning and disposing of the product in an environmentally friendly way.

"With Z DEC now available nationwide at selected Z truck stops, customers can fill up with diesel and emission cleaner at the same time."



How we win in supply and distribution

We focus on making the right choices across our integrated supply and distribution system, in order to run a safe and highly efficient supply chain.

We seek out sustainable improvement in all we do right across our supply chain, which spans half of the globe.

Our supply chain

1 It's extracted

Crude oil is extracted from beneath the earth's surface via oil wells from all over the world. Z does not explore or drill for oil, so we have to purchase it on the international market

2 We buy it

We buy crude oil and refined fuels (petrol and diesel) on the international market. Most of the crude oil Z imports is from the Middle East and Asia. The refined fuels we buy are currently imported from a world-scale refiner in Asia. A quarter of all fuel sold by Z is directly imported as finished refined fuel, with the remainder refined locally from imported crude oil. Year-on-year, we've delivered improved value through choosing better crude oils for the local refinery, sequencing deliveries more efficiently and negotiating better financial terms with our refined fuel supplier.

3 It's shipped

Crude oil and refined fuel products are then shipped from international ports to New Zealand. By using different shipping suppliers, we have extensive knowledge of the shipping market, which enables us to minimise shipping costs while maintaining flexibility.

4 It arrives

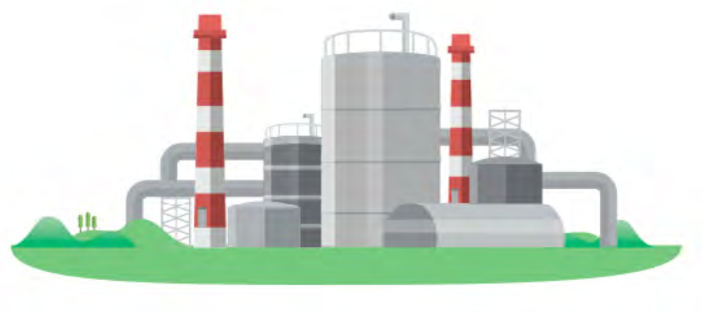
Approximately 12 million barrels per year of crude oil for Z arrives at the Marsden Point refinery where it is refined into petrol, diesel, jet fuel, fuel oil and bitumen. Refined fuel imports are shipped directly to port fuel terminals around New Zealand. We also have the ability to deliver refined fuels from the international market directly to our distribution centres across New Zealand. We supply three million barrels of fuel this way every year.

5 We distribute it

The refined fuels are shipped to terminals around New Zealand. We will continue to enhance our extensive local distribution network. This year our haulers introduced three bigger trucks to their fleet, meaning less road exposure, fewer kilometres travelled, less carbon dioxide emissions and bigger distribution cost savings. Next year, we will contract one of our shipping fleet providing shipping capacity with a lower environmental footprint for years to come.

6 You use it

The fuel is then trucked to service stations, truck stops, aviation pumps and commercial customers around New Zealand, ready for customers to use. We sell approximately 2.3 billion litres to our customers every year and trucks travel around six million kilometres per year getting it to where it's needed.



Getting the most out of local refining

Our desired outcome is to better match the refinery's production requirements with our supply needs and, in doing so, enable the refinery to run more efficiently and cost effectively.

To generate the most value, an oil refinery needs to run optimally – this means at full capacity for as long as possible while being flexible to process the right type of crude oils at the right time.

In our 2014 annual report, we shared with you our intention to work with New Zealand's only oil refinery, Refining NZ, and another major refinery customer to jointly procure and process crude oil. Our desired outcome is to better match the refinery's production requirements with our supply needs and, in doing so, enable the refinery to run more efficiently and cost effectively. A win-win situation.

A year on, we are pleased with how this arrangement is playing out. However, the year didn't start well. In the early months of Z's 2015 financial year, a substantial downturn in refining margins, exacerbated by a major unplanned outage at Refining NZ, led to Z making payments totalling $8.2 million to Refining NZ to help cover its fixed operating costs. This meant that, although we had delivered the capability to jointly procure and process crude oil with our partner and Refining NZ, we could not realise the financial benefits until refining margins recovered. As the crude oil price declined towards the end of 2014 and refining margins recovered, Z's payments to Refining NZ were paid back and the full benefits of the refinery optimisation were delivered.

Our people


Paul Fowler
Abby Foote
Marko Bogoievski
Dr Bruce Harker
Justine Munro
Peter Griffiths
Alan Dunn

Meet Z's board

Peter Griffiths
Chairman
BSc (Hons)

Peter is an oil industry veteran having held various roles in New Zealand and overseas. Until 2009, he was managing director of BP New Zealand. Peter has previously served on the boards of The New Zealand Refining Company Limited, Liquigas Limited, Energy Direct, Whanganui Gas Limited and Bitumix Limited. He is currently a director of Marsden Maritime Holdings, New Zealand Oil & Gas Limited, New Zealand Diving and Salvage Limited and also a member of the Civil Aviation Authority.

Paul Fowler
Director
BS (Marine Engineering), ME (Nuclear Engineering), MBA, Fellow of Australian Institute of Company Directors

Paul has primary industries in his blood. He was the founding chief executive officer of Nyrstar NV, the world's largest producer of zinc metal. Before that he was chief operating officer of Zinifex, an Australian zinc and lead mining and smelting company. He has also been chief executive officer of Fletcher Challenge Forests and Carter Holt Harvey Forests and spent 15 years with BP in crude oil trading, strategic planning, refining and retail marketing. Paul has served on the boards of The New Zealand Refining Company Limited and Evergreen Forests Limited.

Marko Bogoievski
Director
BCA, MBA, ACA

Marko is chief executive officer of Infratil Limited and H.R.L. Morrison & Co Limited. He was previously chief financial officer of Telecom New Zealand Limited, responsible for corporate finance, mergers and acquisitions, and group strategy. He is a director of Infratil Limited and Trustpower Limited. Marko holds a MBA from the Harvard Graduate School of Business.

Alan Dunn
Director
Member, Institute of Directors in New Zealand

Al knows all about retail and business leadership. He was chief executive officer and chairman of McDonald's Restaurants New Zealand Limited from 1993 to 2004 before heading to Chicago to become vice president of operations then regional vice president in the Nordic region, and managing director of McDonald's Sweden. These days he manages his own business, Trumpeter Consulting, specialising in business leadership and development. He is also a director of New Zealand Post Limited, Burger Fuel Worldwide Limited and a number of private companies.

Abby Foote
Director
LLB (Hons), BCA, CMInstD, INFINZ (Cert)

Abby is a professional director with experience on both publicly listed and Crown companies. Based in Christchurch, she has worked in a range of corporate, treasury and legal roles over the last 20 years. Abby holds a number of directorships, including the New Zealand Local Government Funding Agency Limited, Livestock Improvement Limited, BNZ Life Insurance Limited and is a former director of Transpower New Zealand Limited.

Justine Munro
Director
LLB (Hons) (Vic), MLitt (Law) (Oxon)

Justine is a change leader who works across the private, public and non-profit sectors with a focus on innovation, partnership, and leadership and culture. Currently a director of Z Energy and a number of non-profits, she was formerly Executive Director of Education at Social Ventures Australia and has led or helped establish a number of organisations including Global Women and DiverseNZ. She is a former McKinsey & Company consultant, lawyer and is a NZ Rhodes Scholar.

Dr Bruce Harker
Director
BE (Elect) (Hons), PhD (Elect Eng), FIPENZ

Bruce has extensive experience in corporate governance and energy markets, with a particular focus on renewable electricity developments. He is the director of H.R.L. Morrison & Co Limited's Energy Group and is chairman of NZX listed renewable electricity company Trustpower Limited. He has previously chaired the Australian hydro business Southern Hydro Partnership and was deputy chair of ASX listed Energy Developments Limited. Also in Australia, Bruce chaired start-up electricity retailer Victoria Electricity between 2004 and 2012, from its first signed customer through to having over 400,000 customers.


Mark Forsyth
Lindis Jones
Meredith Ussher
Rob Wiles
Chris Day
Sharlene Taylor
David Binnie
Jane Anthony
Julian Hughes
Mike Bennetts

Meet Z's executive team

Mike Bennetts

CEO

BBS and Postgraduate Diploma in Corporate Management. Member, Institute of Directors in New Zealand

Mike became CEO of Z after 25 years with BP in a variety of downstream roles in New Zealand, China, South Africa, the United Kingdom and Singapore. Mike is also a director of New Zealand Refining Company Limited and Loyalty New Zealand Limited, the company that operates FlyBuys.

Chris Day

CFO

BBS, CA, CTP.
Member, Institute of Directors in New Zealand

Before moving to Z, Chris has held general management, chief financial officer and financial controller roles in a range of listed and commercial companies, most recently as financial controller for Contact Energy and before that as chief financial officer for AXA New Zealand. He is a member of Chartered Accountants Australia and New Zealand and is a director of Landcorp Farming Limited.

Rob Wiles

GM Corporate

BE (Hons), MsC (Finance),
Postgraduate Diploma in Banking

Rob has had an international career in corporate finance, infrastructure treasury management, mergers and acquisitions, strategy and business development. He also has experience in the development of start-up businesses. Rob has held senior positions with the National Australia Bank, Bank of New Zealand, South Pacific Merchant Finance and National Bank of New Zealand.

Meredith Ussher

General Counsel & Company Secretary

LLB, BA

Previously with Todd Energy Limited and the New Zealand Racing Board/TAB, Meredith is an experienced corporate lawyer in both the energy and retail network industries. She also has a strong private practice history, having worked at Minter Ellison Rudd Watts as a senior associate. Within Z, she has responsibility for all group legal risks as well as relevant strategic and legal advice in respect of all operational matters including major contracts with key suppliers and customers.

David Binnie

GM Supply & Distribution

BEng (Hons.) Mechanical Engineering, MBA
Member, Institute of Directors in New Zealand

Before moving to New Zealand in 2011 to lead the New Zealand Government's petroleum and minerals division, Dave held a number of senior roles in the global energy industry. He started a 25-year career with BP as an engineer in Scotland, progressed through oil refining and chemicals manufacturing roles to commodity trading management and ultimately to lead BP's alternative energy business development in Abu Dhabi. Prior to embarking on his New Zealand adventures, he was managing director of the United Kingdom's oil and gas industry's skills and competence development organisation, OPITO.

Mark Forsyth

GM Retail

BCom, Member, Institute of Directors in New Zealand

Mark has held management positions with Shell in New Zealand, the United Kingdom and Ireland. He oversees Z's 200+ service stations and nearly 100 truck stops, as well as marketing, brand and asset management. Mark is a director of Loyalty New Zealand Limited.

Lindis Jones

GM Commercial

BCom (Hons), BSc, Masters in Finance

Before joining Z, Lindis was the head of property at ANZ Bank. Prior to that he was with Shell for 13 years, primarily in retail operations and strategy in Europe, Asia and New Zealand. Lindis became the General Manager of Commercial in September 2011 after joining Z in the role of General Manager Corporate in May 2010 and is responsible for all business-to-business activity including Z Card.

Sharlene Taylor

GM People & Culture

PgCert

Before moving to Z, Sharlene held various HR roles across Fletcher Building Limited including in the Building Products and Corporate divisions and most recently as HR/change manager for the ICT Transformation project. Prior to this, she was with Goodman Fielder for four years, primarily working in HR operational roles within the Dairy and Home Ingredients businesses followed by managing Remunerations and Benefits across Australasia.

Julian Hughes

GM HSSE

BSc, Masters of Health Science

Julian has worked in the fields of health, safety, rehabilitation and wellness management for nearly 20 years. Most recently he helped set up and head the Business Leaders' Health & Safety Forum, a group of over 200 chief executives who committed to working together to improve workplace health and safety in New Zealand. Prior to this Julian was the national manager of safety and well-being at the New Zealand Fire Service and he also has experience in the road transport, construction and health sectors as a consultant.

Jane Anthony

GM Marketing

BCom

Jane has been marketing manager with Z for the past five years and has been responsible for building the Z brand and the company's marketing programme over this time. Prior to that, Jane was with Shell for 14 years in a variety of local and global brand, marketing and operations positions in New Zealand, Australia, the United Kingdom and Europe.

We invest in the growth and development of our people because it is our people who deliver our results. It remains our strong belief that extraordinary leadership is critical to producing extraordinary results.

Leadership at Z

In 2014, we were awarded the Aon Hewitt award for Top Companies for Leaders in Australia and New Zealand.

We have focused on taking leadership development to our front-line teams, and 75 people participated in our internal leadership programme. Charging our front-line team with fundamental leadership capabilities enables them to deliver on our customer promise and the service we aspire to. We aim to make the same leadership development available to another 75 members of our front-line team this year. Our ultimate goal is to provide the training to all 250 front-line leaders in our service stations.

Why employee engagement matters

When we talk about employee engagement, we simply mean the level of emotional commitment that an employee has to the organisation they work for and then how that translates into going beyond just getting the job done.

In 2012, Z achieved a high performance result of 66 per cent employee engagement in its annual employee survey. Since then, we have seen incremental increases, with a score of 69 per cent in 2014 and 78 per cent in 2015. Our female engagement score is 84 per cent and our male engagement score is 74 per cent.

These results put us in the top quartile (of results by our engagement partners, Aon Hewitt), and move us one step closer towards our goal of being named as a Best Employer.

Through our survey results in 2014, we learned that career opportunities, employee motivation, and performance versus reward are areas that matter most to our people. So we've focused on providing consistent tools, processes, and support for career opportunities; developing an employment promise that defines what we expect from our people and what they will get in return; and establishing an internal communication channel that promotes celebration of success.

We know that increasing engagement is a long game and, even given our current strong results, we reckon increasing employee engagement is a game worth playing for.

We have a framework designed to help employees set goals, work towards them and be rewarded for how they perform. Performance contracts provide clarity about each employee's annual objectives and how they contribute to company-wide goals. Development plans form the foundation for the development of key skills and behaviours that are critical to improving individual performance and helping our people work towards their long-term career goals.

The table below sets out details of current permanent employees who have received regular performance reviews and have a career development plan as at 31 March 2015.

By gender

	Female	Male
Performance reviews	100%	100%
Career development plan	85%	99%

By employee category

	Senior management	Overall organisation
Performance reviews	100%	100%
Career development plan	100%	93%

Our communities

Our community aspirations

Community matters a lot to us at Z.

As a Kiwi company, we want to be a force for good in the communities where we live and operate.

In 2014, we turned our minds to how Z can do even more good in the future. We brought together a group of people from across Z, and spoke with our retailers and their staff, some of our customers, suppliers and partners, and a range of community groups. We decided where to focus our expertise and resources to have the most positive impact in our communities and make a significant difference to people's lives.

As part of Z's new community strategy, we have committed to:

- **community aspirations and achievement:** reducing inequality and creating opportunity
- **safe and healthy communities:** leading on healthier lifestyles and safer roads
- **neighbourhood solutions:** supporting more of what matters in Z's neighbourhoods year round.

Over the next year, we'll work with the wider Z family and others outside of Z to land how we'll deliver on these commitments, and then get into action.

Doing even more Good in the Hood

'Good in the Hood' is the name of our flagship community investment programme that lets our customers choose at each retail site which of their neighbourhood groups we'll support.

We've been doing good in our 'hoods since 2012, and have contributed more than $3 million to a wide range of neighbourhood groups and projects across the country to help people in need.

Good in the Hood is more than simply donating money to our neighbourhoods across New Zealand. It has enabled our retail operators and their site teams to build enduring and meaningful relationships with their local communities and to continue supporting them in the things that matter. The Z sites in Waikato, run by Selwyn Cook and his team, are a great example of doing just this.

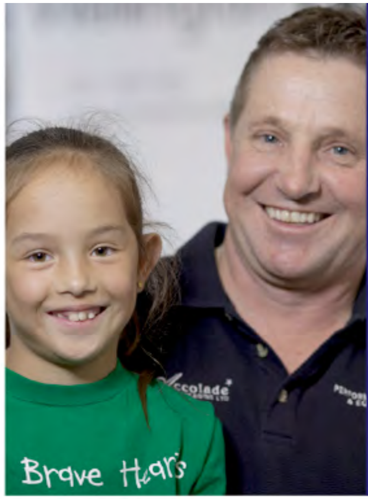
Selwyn recently won the Attitude ACC Employer Award for 2014, and it's no surprise that community is at the heart of how he runs his business. True Colours Children's Health Trust received funding through Good in the Hood last year, but it's the ongoing support shown that means the most to them. Cynthia Ward (CEO of True Colours) said that she feels like Selwyn and his team are an extension of the True Colours team.

Nigel Andrews (Nelsonian of the Year for Business 2015) runs Z sites in Nelson, and is another true community champion. Nigel and his team have helped support groups such as Ronald McDonald House, Age Concern, Cancer Society, The Salvation Army and Blind Foundation (to name a few), Nigel and his team assist at the local community centre; they clean the nurses' cars and help maintain their outdoor furniture at the Nelson Hospice; and they help keep the yards tidy at Riding for the Disabled. This is only half of what Nigel and his team do to support what matters in their 'hood.

We're thrilled to have created a platform that moves beyond cash contributions to something that allows our people to form enduring and meaningful connections with their local neighbourhoods.

Make-A-Wish New Zealand

Supported by Z Gladstone, Z Botany Downs, Z Palm Beach, Z Tamatea, Z Kaiapoi, Z Wairoa, Z Kepa Rd, Z Sanson, Z Curletts Rd and Z Newton



Wellington @ Heart

Supported by Z Broadway, Z Kapiti Road and Z Seaview

Growing Through Grief

Supported by Z Heretaunga St, Z Tamatea, and Z Taradale

Here's a snapshot of some of the groups and organisations we supported in FY15.

24-7 YouthWork

Supported by Z Bishopdale

Dunedin Land SAR (Search and Rescue)

Supported by Z Mosgiel

The UpsideDowns Education Trust

Supported by Z Pakuranga and Z Remuera

> **"'Good in the Hood' is the name of our flagship community investment programme that lets our customers choose which of their neighbourhood groups we'll support."**

Turning Kai into Compost truck driver collecting food waste from Z Vivian Street.

Our environment

Environmental concerns are becoming increasingly relevant to our customers, who we believe are looking for alternatives to fossil fuels and to support companies that are prepared to lead on the issues that matter, like climate change and sustainability.

We have a robust and aspirational sustainability strategy that covers the breadth of our environmental impact.

What we do at home

We wondered how our corporate team was committed to sustainability at home. So we asked! We found out that out of 114 people surveyed...

100 people
recycle all the time

72 people
get to work by foot, bike, public transport or carpool

86 people
use energy-saving light bulbs at home

60 people
never use disposable coffee cups

41 people
have a compost at home

77 people
take reusable bags to the supermarket

38 people
volunteer their time outside of work

66 people
buy local and support local vege markets

55 people
have their own garden at home growing fruit or veg

96 people
switch it off when they are not using lights, TVs and laptops

Waste

We have a goal of reducing our waste to landfill from our retail sites by 70 per cent by the end of 2015, and our corporate offices aspire to be zero waste operations. So, with the aim of minimising waste, we apply a 'reduce, reuse and recycle' policy to everything we do. As part of this, we've rolled out help-yourself stands for coffee grounds at 33 retail sites, with more on their way across the network. This helps to highlight an alternative use for food waste rather than sending it to landfill.

We collect data for approximately 50 per cent of our waste streams from our retail sites. We then calculate the total volume of waste we generate as a business.

So far, we reckon we've reduced our waste to landfill from our retail operations by just under 65 per cent compared with 2012.

With the aim of achieving further reductions, we are continuing to run our successful Waste Warriors competition in which retail sites compete for glory. Each retailer nominates a recycling champ from a site and competes in a two-month competition to see who can recycle the most. Our winner this year, Ashleigh Atkinson from Z Rangiora, recycled 87 per cent of the site's waste over the competition period.

In our corporate offices, we conduct yearly waste assessments that provide an insight into where we can do better. These assessments show that our waste volumes per person have remained the same. This year, we've rolled out full recycling (including organics) to our new Auckland office and implemented an organic collection for our Christchurch office in an effort to reduce the amount we send to landfill.

Total weight of waste from retail and corporate sites by disposal method

Composting
531 tonnes

Recycling (plastic, cans & glass)
606 tonnes

Landfill
1,304 tonnes

Recycling (cardboard & paper)
2,858 tonnes

Total waste
5,299 tonnes

Health, safety, security and the environment

At Z, nothing matters more to us than the health and safety of our people, the people we engage with and the environment we operate in.

> **"We have maintained board, management and worker committees that ensure we provide leadership, allocate appropriate resources, monitor performance and engage with our people on HSSE matters."**

Over the year, we've refreshed our HSSE operational risk management system and we have built a new forward-looking reporting framework to highlight areas of concern before they become incidents.

We have worked with our board, management team and worker committees to ensure we provide leadership, allocate appropriate resources, monitor performance and engage with our people on HSSE matters.

The board and management team have thoroughly reviewed their own HSSE performance and the board has commissioned an external governance review, due for completion later this month. The management review resulted in additional HSSE resources, including the creation of a new executive role of General Manager HSSE.

We created a new retail representative committee in FY15 to help generate more worker engagement with this critical part of our business, and we are already seeing impressive results.

Our standing corporate worker committee, made up of a cross section of staff from across the business, has maintained its focus on managing initiatives that promote the health and well-being of our people. The committee membership is about six percent of our total workforce.

We welcome the reforms to New Zealand's health and safety system, including new legislation. We spoke to our submission supporting the Health and Safety Reform Bill at the Select Committee, and members of our team are participating in industry working groups held by the Ministry of Business, Innovation and Employment to help structure supporting HSSE regulations. Read our submission here: http://z.co.nz/assets/Health-and-Safety-Reform-Bill-Z-Energy-submission.pdf

We are preparing for the new legislative environment and in doing so are continuing to emphasise our commitment to healthy and safe people, secure assets and an unaffected environment.

Our significant investment and efforts to prevent robberies and maintain the personal security of our people is paying off. There were three robberies across the network in FY15. While any robbery is devastating for those involved, this outcome represents the lowest on record for Z.

Unfortunately 14 people suffered injuries at work in FY15 that required at least one day off work. This represents a slight increase on previous years. Most of these incidents (11) occurred in our retail network. In total, 65 days were lost due to injuries suffered at work in FY15.

Our analysis showed that six of the 14 lost-time injuries (LTIs) occurred as a result of an individual slipping while working at a retail site, so we looked into why these incidents were occurring and have made improvements to prevent this type of accident.

Health, safety, security and the environment (HSSE)

Key performance indicators - financial year ending 31 March 2015[a]

		FY 2015	FY 2014	FY 2013
Exposure hours (millions)	Total	4.4	4.5	4.6
	Employees	0.3	0.3	0.3
	Contractors[b]	4.1	4.1	4.3
Life-saving rules infringement (total number)		12	12	32
Safety-critical maintenance completed on time		100%	100%	100%
Lost-time injuries (number)	Total	14	13	8
	Employees	2	0	0
	Contractors (recordable scope)[c]	12	13	8
	Contractors (non-recordable)[c]	4		
Lost work days (number)[d]	Total	65	50	66
	Employees	5	0	0
	Contractors (recordable scope)[c]	60	50	66
	Contractors (non-recordable)[c]	13		
Lost-time injury frequency (LTIF)[e]	Total	0.63	0.58	0.35
	Employees	1.33	0.00	0.00
	Contractors[b]	0.58	0.63	0.37
TRC[f] (number)	Total	20	21	15
	Employees	3	1	0
	Contractors (recordable scope)[c]	17	20	15
	Contractors (non-recordable)[c]	5		
TRCF[e,f]	Total	0.91	0.94	0.66
	Employees	1.99	0.62	0.00
	Contractors[b]	0.83	0.97	0.70
Occupational diseases rate	Total	0	0	0
	Employees	0	0	0
	Contractors (recordable scope)[c]	0	0	0
	Contractors (non-recordable)[c]	0		
Absentee rate	Employees	1.21%	0.87%	0.85%
Work-related fatalities	Total	0	0	0
	Employees	0	0	0
	Contractors (recordable scope)[c]	0	0	0
	Contractors (non-recordable)[c]	0		
Number of spills (loss of containment)[g]		0	1	8

Notes:

Injury, occupational disease, and lost workday information following New Zealand record requirements. These are classified and measured by applying criteria based on US OSHA guidelines.

a) April 2014 to March 2015.

b) In this table, contractors are workers of independent contractors working at Z sites and operations. These include retail site staff, Mini-Tankers, maintenance and repair, construction and transport contractors.

c) In FY15, the scope of recording incidents involving contractors is further defined to align with Z's Persons Conducting a Business or Undertaking or PCBU Policy to separate retail site staff and Mini-Tankers (recordable scope) from other contractors (non-recordable).

d) Time in calendar days that could not be worked as a consequence of the worker or workers being unable to perform their usual work because of a work injury or occupational disease.

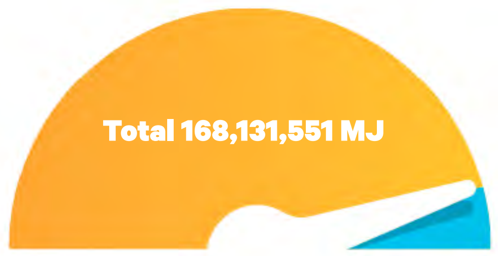
e) Frequency rates are calculated per 200,000 exposure hours as per Global Reporting Initiative (GRI) protocols.

f) TRC – total recordable cases – include medical treatment cases (MTC), restricted work cases (RWC) and lost-time injuries (LTI).

g) LOC – loss of containment – represents reportable cases as per API RP754 classification.

Energy

Energy consumption within Z



Electricity

Consumption
32,259,982 kWh

kJ equivalent
116,135,936 MJ

Non-renewable fuel

Consumption
730,791 litres

kJ equivalent
25,997,808MJ

One of our sustainability commitments addresses using less and wasting less in our business: this includes using less energy. Our main use of energy is the electricity that powers our retail sites and offices. We have a reduction target of 10 per cent less electricity use on retail sites by the end of 2015, and so we monitor and manage our usage on a monthly basis.

This year we finished installing LED lights at 171 retail forecourts throughout our network. We've also installed internal LED lights in more than 20 retail stores. The reduction in energy use from the lights has offset much of the additional energy consumption from our increased food and drink offers.

We also use energy in fuel for deliveries and conducting our business. We have a target to reduce the distance we travel to deliver fuel by an average of 15 per cent for every litre of fuel delivered and to also reduce delivery emissions by 25 per cent.

We've increased our average drop size, reducing the kilometres travelled to deliver fuel per vehicle. We've added three 50-MAX trucks to the delivery fleet, which carry 25 per cent more fuel, and rolled out SAFEDNZ (Safe and Fuel Efficient Driving) driver training to 46 truck drivers.

Emissions

Our second sustainability commitment states, 'In the way that we conduct our business and the tools we have provided to customers, we have reduced the carbon emissions of Z and our customers.' Our specific carbon targets for the end of 2015 are to:

- reduce the carbon footprint of our head office by 25 per cent
- reduce the carbon footprint of our retail stores by 10 per cent
- work with suppliers to reduce the intensity of our shared activities by 25 per cent
- reduce our customers' fuel consumption.

This year we have changed our carbon footprint reporting from a calendar year to align with our financial year (1 April to 31 March). We haven't changed our base year, which remains as the calendar year 2012.

Reductions in Z's emissions have resulted from reductions in waste to landfill, reductions in electricity usage by switching to LED lights, and reductions in our fuel use through changing our corporate car fleet to hybrids. These reductions have been offset through increases in other areas.

We've failed to meet our commitment to reduce our corporate carbon profile through travel, which makes up almost 80 per cent of our corporate carbon footprint. We've asked the business some hard questions and have set some internal goals to make cuts in this area and we've enabled better technology solutions to avoid the need to travel in order to meet face-to-face.

This was a hard target given we have grown our employee base by about 50 per cent since setting the goal. While way off any absolute reduction, our carbon footprint (excluding our value chain) per employee has reduced from 51 tCO_2e to 29 tCO_2e.

We've reduced emissions by 4.5 per cent by reducing the distance we travel to deliver every litre of fuel, as well as ensuring that our own heavy vehicle fleet is driven as efficiently as possible.

We are currently working with 23 of our suppliers to see how we can reduce the carbon footprint of our supply chain. We've continued our initiative to change out our leased vehicles to hybrids resulting in a 40 per cent reduction in emissions. We've decreased the temperature at which we keep the bunker fuel oil in our marine fuel barge, the *Awanuia*, and reduced associated emissions by an estimated five per cent per annum. We are also investigating whether we can connect this vessel to mains electricity when we are in port to avoid running the diesel generator.

We introduced 'follow me' printing and double sided printing as a standard to our corporate offices and estimate we have reduced emissions from printing by 38 per cent.

Supplier assessment

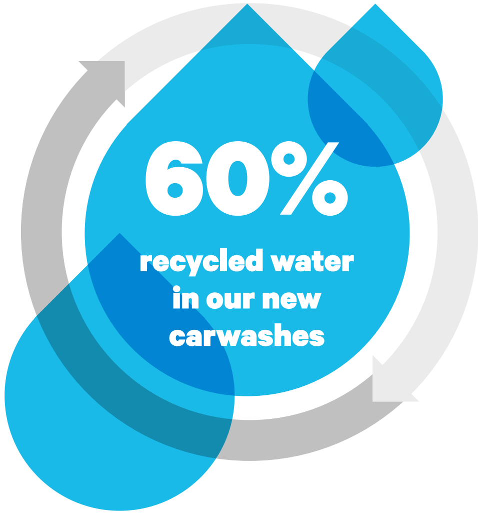
- Thirty-eight suppliers were subject to assessments of emissions impact on our supply chain
- Twenty-six of these suppliers identified as having significant actual and potential negative emissions impact
- We estimate these suppliers contribute approximately 216,964 tCO2 to our supply chain (this excludes production of fuel)

We haven't agreed any improvements nor terminated relationships with suppliers as a result of these assessments.

Tonnes CO_2e	Calendar year 2012 (base year)	FY15
Scope 1 - Z offices & retail sites	797	2,250
Scope 2 - Z offices & retail sites	5,984	5,323
Scope 3 - Z offices & retail sites	5,140	2,463
Scope 3 - New Zealand supply chain	21,167	23,213
Scope 3 - share of refinery	542,590	430,645
Scope 3 - rest of supply chain	612,911	522,062
Scope 3 - Z product emissions from our customers	6,101,736	5,649,743
Total emissions	7,290,325	6,635,699


Z2O
Wash
Exit
Exit
PG swap

Water



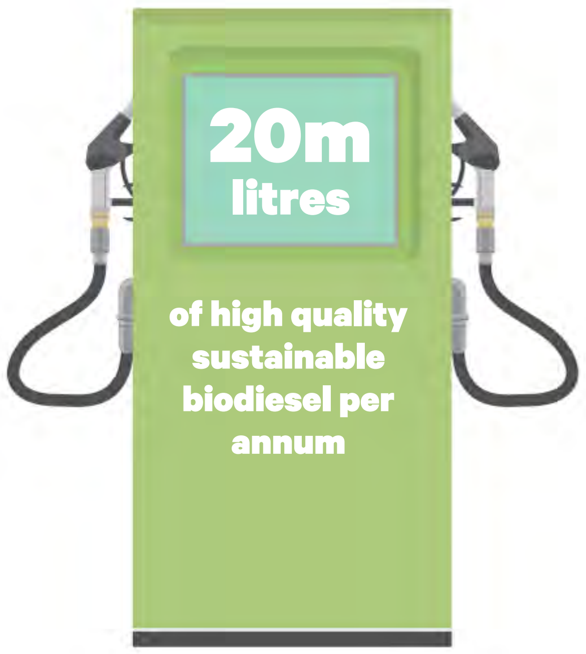
Saving water reduces the energy required to process and deliver water and, in the end, saves us money. As part of our use less, waste less sustainability commitment, we've targeted using 50 per cent less water in our retail network operations by the end of 2015. However, since setting this aspirational goal, we've discovered that there are no quick wins for us to reduce our water usage, and as such we will not deliver on this commitment. Part of that comes from recognising that when we set the targets we didn't consider the impact of selling 70,000 cups of coffee a week through our upgraded stores.

Over the last couple of years we've installed 40 high-tech recyclers in our new car washes, meaning 60 per cent of the water used in those car washes is recycled – while still ensuring a quality wash for your car. Between them these car washes recycle and reuse 44,033 kilolitres of water per year (about 18 per cent of our total water use).

We regularly ask sites to check for leaks, report dripping taps and reduce water usage. We have trialled a rainwater capture tank at one of our sites and are currently looking at where these might best be implemented.

We've estimated that we use around 241,135 kilolitres of water in our retail sites and offices per year; this is equivalent to about eight average households' usage per site. On our retail sites we use water in car washes, washing windscreens, making coffee, providing fresh food and flushing toilets.

Being part of the solution



Our commitment to being at the heart of sustainability solutions is made truly evident through our investment in New Zealand's first commercial-scale biodiesel plant. The plant in Wiri, South Auckland, will produce 20 million litres of high quality, sustainable biodiesel per annum.

The plant is currently in construction and we aim to have renewable biodiesel available to our commercial customers in FY16.

The biodiesel will use inedible tallow – a by-product from New Zealand's meat rendering industry – as its primary feedstock and will meet New Zealand and European fuel quality standards and specifications. Z's biodiesel will be safe and high quality, with substantially fewer carbon emissions and particulate emissions.

Our commercial customers have shown a commitment to start using a sustainable alternative to mineral diesel, and have supported us from the early stages of the project. We're delighted to give our commercial customers the opportunity to use a product that will help reduce their carbon footprint and ultimately New Zealand's.

Z's proposed biodiesel manufacturing plant in Wiri, South Auckland.


IS FOR
NEW ZEALAND
No Smoking Within 6 Metres

Our finances

> This section sets out our commitment to good corporate governance and measures our compliance with the eight fundamental principles of the ASX Principles throughout the financial year ended 31 March 2015.

Corporate governance

Our approach to corporate governance

Z Energy Limited was incorporated in New Zealand and is not subject to chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001. The acquisition of securities in Z may be limited under New Zealand law by the Takeovers Act 1993 (which restricts the acquisition by a person and/or associate of more than 20 per cent of Z other than via a takeover offer, or other ancillary rights, under the Code) or the effect of the Overseas Investment Act 2005 (which restricts the acquisition of New Zealand assets by overseas persons).

Framework

Z shares are listed on the NZX Main Board (NZSX) of NZX Limited, and on the Australian Securities Exchange (ASX). Z must comply with the NZX Main Board and ASX Listing Rules. Z has also issued three series of retail bonds, which are quoted on the NZX Debt Market (NZDX), and as a result must also comply with the NZX Debt Market Listing Rules.

Z's investor relations website http://z.co.nz/investor-centre/governance/, contains copies of the following corporate governance documents referred to in this section.

- Director Code of Ethics
- Z Constitution
- Z Board Charter
- Audit and Risk Committee Charter
- Human Resources and Nominations Committee Charter
- HSSE and Reputation Committee Terms of Reference
- ASX Corporate Governance Statement (given to ASX on listing)
- Disclosure Policy
- Diversity Policy
- External Auditor Independence Policy
- Risk Management Policy
- Shareholder Communication Policy
- Code of Conduct
- Insider Trading Policy

The Board is responsible for establishing and implementing Z's corporate governance framework and is committed to doing so according to recommendations issued by NZX Limited, ASX Limited and the New Zealand Financial Markets Authority, including the NZX Corporate Governance Best Practice Code (NZX Code) and the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council (ASX Principles).

This section sets out our commitment to good corporate governance and measures our compliance with the eight fundamental principles of the ASX Principles throughout the financial year ended 31 March 2015 (and through that, our compliance with the NZX Code). Z considers that during the reporting period, the corporate governance principles adopted and followed by it did not materially differ from the NZX Code.

Wellington Retailer, Ras Singh, lending a helping hand to the site staff at Z Hutt Road.

Principle 1

Lay solid foundations for management and oversight

The Board has the final responsibility for all decision-making within Z, having a core objective to represent and promote the interests of shareholders with a view to adding long-term value to the company. The preparation of the annual report, including the financial statements that comply with GAAP, is the responsibility of the directors.

The Board Charter describes the Board's role and responsibilities and internal procedures. The Board has delegated some of its powers to committees and to the CEO. This framework also establishes the authority levels for decision-making within the management team.

The Board directs the business and supervises the management of Z including:

- ensuring that the company's goals are clearly established and that strategies are in place for achieving them
- ensuring that performance is reviewed against these strategic objectives
- approving transactions relating to acquisitions and divestments and capital expenditure above delegated authority limits
- ensuring that business risks are regularly assessed and that there are appropriate control and accountability systems in place to manage them
- establishing policies aimed at strengthening the performance of the company, including through innovation, initiative, technology and new products
- monitoring the performance of management.

The performance of the CEO and the senior management team is reviewed annually in accordance with formal review procedures disclosed in Z's Corporate Governance Statement given to ASX on listing.

In the financial year ended 31 March 2015, each member of the senior management team participated in a formal performance review process in accordance with these formal review procedures, which formed the basis of a review by the CEO. The performance review included assessment against targeted key performance indicators and company values. The performance of the CEO was also reviewed in accordance with these procedures with the review being undertaken by the chairman of the Board.

The performance of the senior management team was reviewed in the previous financial year in accordance with this process.

Principle 2

Structure the board to add value

The Board's structure and its governance arrangements are set out in its Board Charter. The directors on the Board as at 31 March 2015 (and their respective appointment dates and periods in office) are as follows.

Peter Griffiths
Chairman – Independent
2 April 2010
(5 years)

Marko Bogoievski
1 April 2010
(5 years)

Paul Fowler
Independent
2 April 2010
(5 years)

Justine Munro
Independent
15 May 2013
(1 year, 10 months)

Alan Dunn
Independent
2 April 2010
(5 years)

Bruce Harker
19 February 2014
(1 year, 1 month)

Abby Foote
Independent
15 May 2013
(1 year, 10 months)

The skills, experience and expertise of each director are set out in the profiles on page 31.

The Board actively seeks to ensure that it has an appropriate mix of diversity, skills and expertise to enable it to effectively discharge its responsibilities and be well equipped to provide the range of knowledge, views and experiences relevant to the company's business. Matters relating to Board (and Board committee) composition are considered by the Human Resources and Nominations Committee.

Principle 2
(Continued)

The Board has determined that for the purposes of the NZSX Listing Rules and the ASX Principles:

- Peter Griffiths, Abby Foote, Alan Dunn, Paul Fowler and Justine Munro are independent directors, and
- Marko Bogoievski and Bruce Harker are not independent directors.

In order for a director to be considered independent, the Board must affirmatively determine that the director does not have a disqualifying relationship (other than solely as a consequence of being a director). The basis for determining whether a director has a disqualifying relationship is set out in the Board Charter. In accordance with the Board Charter, NZSX and NZDX Listing Rules and ASX Principles, only relationships that are material will be considered for the purposes of assessing director independence. Materiality is considered from the perspective of Z, the relevant director and the person or organisation with which the director is related (for example, the customer, supplier or adviser).

Board access to independent professional advice and training

The Board has adopted a procedure under which directors may take independent professional advice and training at Z's expense as described in the Board Charter.

Board committees

The Board has three standing committees to assist in carrying out its responsibilities.

Audit and Risk Committee (ARC)

The Audit and Risk Committee helps the Board oversee all matters relating to risk management, financial management, accounting, audit and reporting.

Risk management and internal audit (assurance) are critical governance and management functions within the company. Robust policy and compliance assurance in both risk management and financial audit is important for investors in Z, financial markets more generally and for internal assurance as to the transparent, safe and financially responsible management of the company.

Chair: Abby Foote

Members: Paul Fowler, Marko Bogoievski, Peter Griffiths and Justine Munro

Human Resources and Nominations Committee (HRN)

The Human Resources and Nominations Committee helps the Board oversee people policies and strategies and promotes the continual improvement of good corporate governance, as expected of a NZX Main Board, NZX Debt Market and ASX listed organisation, in accordance with the framework set out in the Human Resources and Nominations Committee Charter.

The HRN is responsible for developing and recommending to the Board for its approval an annual evaluation process of the Board and its committees. This includes identifying and recommending individuals for nomination (including rotation and reappointment) to membership of the Board and Board committees, taking into account such factors that it considers are appropriate. These factors will include skills, experience and expertise in transport fuels, marketing, retail and sales, finance and legal, as well as relevant qualifications, judgements, the ability to work with other directors and fit with the culture of Z.

The HRN also recommends to the Board annual remuneration increase guides and budgets.

Chair: Alan Dunn

Members: Justine Munro and Marko Bogoievski

Principle 2
(Continued)

Health, Safety, Security, Environment (HSSE) and Reputation Committee

The role of the HSSE and Reputation Committee is to assist the Board to fulfil its responsibilities and objectives in relation to HSSE and reputational matters arising out of the activities of Z, as these activities affect employees, contractors, communities and the environment in which Z operates.

The HSSE and Reputation Committee provides a specific governance focus on risks arising from the company's physical (not financial) operations, HSSE policy and risk mitigation programmes, and any matters that may affect the company's reputation outside of the financial risks addressed by the Audit and Risk Committee.

Chair: Paul Fowler

Members: Alan Dunn, Abby Foote and Bruce Harker

Review of Board and director performance

The performance evaluation for the Board, its committees and directors has taken place in the reporting period and was done so in accordance with the process disclosed in the Board Charter. During the 2015 financial year, the Board engaged an external third party, Propero, to review the performance of the Board and its committees.

Attendance at Board meetings

The table below sets out attendance at the Board and Board committee meetings held in the year ended 31 March 2015.

Director	Board meetings	ARC	HRN	HSSE and Reputation
Total number of meetings held	8	4	5	6
Peter Griffiths	8/8	2/4	-	-
Marko Bogoievski	7/8	4/4	4/5	-
Alan Dunn	7/8	-	5/5	6/6
Abby Foote	8/8	4/4	-	6/6
Paul Fowler	8/8	4/4	-	6/6
Justine Munro	8/8	4/4	5/5	-
Bruce Harker	8/8	-	-	6/6

Principle 3

Promote ethical and responsible decision-making

Code of Conduct

The Board maintains high standards of ethical conduct, and the CEO is responsible for ensuring these standards are maintained by all staff. The Code of Conduct (which can be found on Z's website) is a cornerstone of expected behaviour and company culture.

This Code is designed to help guide and inform the choices that Z employees make on a daily basis and ensure they do the right thing. It is designed to help Z's people succeed through making choices that are consistent with two key parts of the company's foundations: Z's values and policies.

Diversity at Z

The Board is committed to a culture that promotes diversity and inclusiveness because it believes that diversity within Z's workforce makes our organisation stronger and more capable. For Z, diversity encompasses gender, race, ethnicity, disability, age, sexual orientation, physical capability, family responsibilities, education and cultural background.

With a diverse team, we are better able to understand our broad-ranging customer and stakeholder needs and to respond effectively to them. In practice, this means that we actively seek out people with a variety of thinking styles, backgrounds and abilities. This enables Z to increase the breadth of the recruitment pool and for Z people to be the best they can be at work. The principal criteria for selection and promotion in Z are an individual's relative prospects for adding value to, and his or her probability of contributing to, Z's objectives. A copy of our Diversity Policy is available on our website.

Consistent with our values, we want to make sure that diversity and inclusion are central to our policies and practices throughout our organisation. Z believes that embracing diversity in its workforce contributes to the achievement of its corporate objectives and enhances its reputation. It enables Z to:

- recruit the right people based on merit from a diverse pool of talented candidates
- make more informed and innovative decisions, drawing on the wide range of ideas, experiences, approaches and perspectives that employees from diverse backgrounds, with differing skill sets, bring to their roles and so better represent the diversity of its stakeholders and markets.

The ASX Principles recommend establishing and disclosing measurable objectives for achieving gender diversity, as well as reporting on progress towards achieving the objectives. Z has not established measurable objectives for achieving gender diversity, as it is working towards developing a diversity strategy before implementing such objectives for the future. Through Z's commitment to Women's Empowerment Principles, the Board evaluates the company's performance as having met the objectives of the Diversity Policy, other than the measurable objectives for achieving gender diversity as they are yet to be developed. Z intended to have completed this development in FY15, however Z is working to set targets on a broader measure rather than just gender.

Principle 3
(Continued)

Z gender composition

The gender composition at various levels of the Z workforce (permanent employees only) as at 31 March 2015 is outlined below, alongside comparable figures for the past two years.

Female

	FY2015		FY2014		FY2013	
	#	%	#	%	#	%
Board	2	29	2	29	0	0
Senior management	3	30	2	25	2	25
Overall organisation	113	44	95	39	96	37

Male

	FY2015		FY2014		FY2013	
	#	%	#	%	#	%
Board	5	71	5	71	5	100
Senior management	7	70	6	75	6	75
Overall organisation	143	56	150	61	161	63

Z age composition

The age profile of Z's staff and Board as at 31 March 2015 is as follows.

By age	Board	Senior management	Overall organisation
Under 30 years old	0%	0%	14%
30-50 years old	29%	80%	66%
Over 50 years old	71%	20%	20%

Z gender pay ratios

The ratios of female-to-male average pay for permanent Z employees as at 31 March 2015 are set out below.

	Senior management	Overall organisation
Average basic salary woman to man	68%	87%
Average remuneration woman to man	65%	85%

The senior management category ratios reflect the fact that the Chief Executive and general managers of the revenue-generating parts of the business are male and remuneration benchmarks for these roles are higher than non-revenue generating roles.

Gender details of Z's new employee hires and employee turnover during the reporting period follow, together with data on the company's return to work and retention rates after parental leave for permanent employees only.

Principle 3
(Continued)

Total number and rates of new employee hires and employee turnover by age group and gender

	New employees	Rate of new employee hires	Employee turnover	Rate of employee turnover
Male	20	7.5%	26	9.8%
Female	27	10.2%	8	3.0%
Under 30 years old	9	3.4%	3	1.1%
30-50 years old	28	10.5%	21	7.9%
Over 50 years old	10	3.8%	10	3.8%

Return to work and retention rates after parental leave

All employees who meet legislative requirements are entitled to parental leave, although no male employees have taken parental leave during this period.

	Employees who took parental leave	Employees who returned to work after parental leave ended	Employees still employed twelve months after return to work	Return to work rate	Retention rate
Male	0	0	0		
Female	14	7	6	88%	86%

Principle 4

Safeguard integrity in financial reporting

Financial reporting

The Board is committed to a transparent system of auditing and reporting on the company's financial performance. The Audit and Risk Committee is central to achieving this.

The Audit and Risk Committee's principal functions are:

- to assist the Board in ensuring that appropriate accounting policies and internal controls are established and followed
- to assist the Board in producing accurate financial statements that comply with all applicable legal requirements and accounting standards
- to ensure the efficient and effective management of business risks.

The external auditors are invited to attend meetings when the committee considers it appropriate. The committee comprises five non-executive directors, four of which are independent directors, and is chaired by an independent director who is not the chairman of the Board. A full description of the Audit and Risk Committee's role is contained in its charter, which can be found on the Z website.

Principle 5

Make timely and balanced disclosure

Z is committed to maintaining a fully informed market for its securities through effective communication and complying with the NZX Main Board/Debt Market Listing Rules and the ASX Listing Rules. Our Disclosure Policy is available on the Z website. This policy assists the Board with keeping Z's investors and markets informed in a timely, clear and balanced way that includes both positive and negative news.

During the financial year ended 31 March 2015, the General Counsel and Company Secretary was the Market Disclosure Officer, and in this capacity has created a Disclosure Committee (made up of the Board chairman, the chair of the Audit and Risk Committee, the CEO, the Chief Financial Officer and the Corporate Communications and Investor Relations Manager) which is ultimately responsible for ensuring that Z complies with its disclosure obligations. All market disclosures are made to the NZX and ASX, and on Z's website.

Principle 6

Respect the rights of shareholders

Z is committed to high standards of communication with its shareholders and other stakeholders and to ensuring they have all the information required to make informed assessments of Z's value and prospects. Z believes effective communication is achieved by providing equal access to timely, accurate and complete information. Z's Shareholder Communication Policy shows how we ensure shareholders and other stakeholders have access to all relevant information.

The Board encourages active participation by shareholders at the annual meeting of the company, and shareholders can submit questions for the Board prior to or at the meeting.

Principle 7

Recognise and manage risk

The identification and effective management of Z's risks is a priority of the Board.

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, while the HSSE and Reputation Committee has a particular focus on health, safety, security and environment operational risks.

Z has in place an overarching Enterprise Risk Framework supported by a suite of risk management policies, including a Risk Management Policy (available on Z's website), a HSSE Policy and a HSSE Management System, a Treasury Policy and a Manual of Authorities. The framework aims to embed within Z a group-wide capability in risk management and a consistent method of identifying, assessing, controlling, monitoring and reporting existing and potential risks faced by Z. The Risk Management Policy sets out the risk management objectives and requirements and from there Z management conducts structured risk management.

As a New Zealand company, section 295A of the Australian Corporations Act 2001 is not applicable to the company. However, the company's CEO and Chief Financial Officer have provided equivalent assurances to the Board as part of the annual external audit process, which confirm Z's financial statements are based on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

Z's management has provided the Board with reports as to the effectiveness of our management of our material business risks.

Principle 8

Remunerate fairly and responsibly

Human Resources and Nominations Committee

Z's remuneration framework and policies are managed by the Human Resources and Nominations Committee in accordance with the Human Resources and Nominations Committee Charter (available from the Governance section of Z's website). The purpose and roles of the committee are described under Principle 2, where attendances at the meetings of the committee are also disclosed.

The remuneration of senior executives and the leadership team is made up of three components: fixed remuneration, short-term performance incentives and a long-term incentive plan (with grants that vested up until 31 March 2015), which has now been replaced with a Restricted Share Long-Term Incentive Plan – which vests over three years resulting in the first payment potentially being made in April 2016.

No directors are entitled to any retirement benefits.

Transactions in associated products

Z's Insider Trading Policy prohibits directors, officers, employees, contractors or secondees of Z or any of its subsidiaries, where they are entitled to participate in any equity-based remuneration scheme, from entering into any transaction that would limit the economic risk of participating in any unvested entitlement that they are eligible for under that remuneration scheme.

Remuneration

Remuneration

The Z Board and management are committed to a remuneration framework that aims to achieve a high-performance culture, linking remuneration to the achievement of the company strategy and business objectives.

As part of ensuring management is motivated to create sustainable shareholder wealth, the Board has established a Human Resources and Nominations Committee, which operates under the delegated authority of the Board. The role and membership of the committee is set out under Principle 2 in the Corporate Governance section.

Z's remuneration strategy aims to attract, retain and motivate high-calibre employees to all levels of the organisation, in turn driving performance, a strong customer focus and personal growth. Underpinned by a company-wide philosophy of paying for performance, this strategy supports and promotes strategic business objectives, behaviours and values and is based on a practical set of guiding principles that provide consistency, fairness and transparency.

All permanent Z employees have a fixed remuneration and short-term incentive (STI) component in their remuneration packages. A limited number of Z's most senior employees are also entitled to participate in a Restricted Share Long-Term Incentive Plan (RSLTIP).

Fixed remuneration

The fixed remuneration model is informed and adjusted each year based on data from independent remuneration specialists. Employees' fixed remuneration is based on a matrix of their own performance and their current position in the market range.

Short-term incentive scheme (STI)

STI values are calculated as a percentage of fixed remuneration and determined based on the complexity and seniority of the roles. Employees' STI payments are determined following a review of the company's performance and individual performance and may be paid out at a multiplier of zero time to three times an individual's target STI value. This model is focused on articulating performance goals, driving for outcomes with appropriate behaviours, differentiating high performance and rewarding delivery.

Long-term incentive scheme (LTI)

Z has historically operated a cash-based LTI scheme for selected employees who have been classified as a senior executive or part of the leadership team (currently, this covers 19 employees). The LTI scheme was designed to reward and retain our key talent, align those employees' interests with the interest of our shareholders and encourage longer-term decision-making and performance. The final date in which the cash-based LTI scheme vests is April 2015.

Restricted Share Long-Term Incentive Plan (RSLTIP)

Following listing, Z replaced its LTI scheme with a restricted share, long-term incentive plan (RSLTIP) for selected senior employees. The RSLTIP is intended to incentivise these employees to achieve long-term shareholder returns by providing a proportion of their remuneration on an 'at-risk' basis aligned to the achievement of defined performance targets. The first time this scheme may vest is April 2016.

Employee Share Purchase Plan (ESPP)

Post listing, Z established an employee share purchase plan for eligible employees of Z to buy and hold shares in the company at a discount to the listing price. The plan is an Inland Revenue Department approved DC12 plan and has a three-year vesting period on the shares purchased. One hundred and thirty-nine employees are currently participating in the plan.

Chief executive remuneration

Mike Bennetts's employment agreement for his role as CEO commenced on 1 April 2010.

The key terms of Mike's employment are as follows.

- Mike currently has a base salary of $725,000 per annum, which is reviewed annually with effect from 1 April each year.
- In addition to his base salary, Mike may also be paid an annual STI payment with an on-target value of 50 per cent of his base salary and a maximum payment of up to 150 per cent of his base salary. Payment of a STI amount is at the Board's discretion and is assessed in the first quarter of each financial year, based on the business's performance in the previous financial year and Mike's performance in reference to certain key performance indicators. If Mike is made redundant, then he will be entitled to a proportional STI-based performance payment up to his departure.
- Mike may also be entitled to LTI payments calculated against his base salary. Mike's potential entitlements to LTI payments (including under the RSLTIP) may be paid in 2015 and 2016, based on the business's performance against specific financial objectives for each year. The maximum LTI payments to which Mike may be entitled to in 2015 total $1,092,000. The maximum entitlements to which Mike may be entitled to under the RSLTIP is $428,532 in 2016 and $485,747 in 2017.
- Z has also agreed to pay Mike's reasonable accommodation and living expenses in Wellington, and reasonable travel expenses for national travel (particularly between Wellington and Auckland).
- Either Z or Mike can terminate his employment on three months' notice. Z can also terminate his employment for redundancy or for ill health (in both cases, also on three months' notice).
- Mike has also agreed to non-solicitation commitments (applying to Z's suppliers and staff) and a restraint of trade (restricting him from involvement in the downstream oil industry in New Zealand). Both of these generally apply for 12 months after the end of his employment as CEO, but the restraint of trade does not apply if Mike is made redundant.

Remuneration of directors

None of the directors is entitled to any remuneration from Z other than by way of directors' fees and reasonable travel, accommodation and other expenses incurred in the course of performing duties or exercising powers as directors.

The total remuneration pool for Z's non-executive directors has been set at $900,000 per annum. This pool enables flexibility to deal with any changes in the Board.

The directors' remuneration is paid in the form of directors' fees. Additional fees are paid to the chair and members in respect of work carried out by directors on various Board committees to reflect the additional time involved and responsibilities of these positions.

Details of the total remuneration of each director of Z (including the value of all benefits received) during the financial year ended 31 March 2015 are as follows.

Director[1]	Fee
Peter Griffiths	$160,000
Marko Bogoievski	$95,000
Paul Fowler	$105,000
Alan Dunn	$105,000
Abby Foote	$105,000
Justine Munro	$95,000
Bruce Harker	$85,000

1. Abby Foote, Justine Munro and Bruce Harker also received $17,500, $23,750 and $10,625 respectively in relation to directors' fees paid in FY15 relating to FY14.

Employee remuneration

As at 31 March 2015, Z's total workforce equalled 2,292 comprising 292 corporate employees (of which 266 are permanent) and approximately 2,000 retail staff members (employed by retailers).

There were 157 Z employees (or former employees) who received remuneration and other benefits in excess of $100,000 in their capacity as employees during the year ended 31 March 2015, as set out in the table below.

Amount of remuneration	Employees
$100,000 to $110,000	14
$110,001 to $120,000	18
$120,001 to $130,000	18
$130,001 to $140,000	12
$140,001 to $150,000	10
$150,001 to $160,000	17
$160,001 to $170,000	9
$170,001 to $180,000	11
$180,001 to $190,000	5
$190,001 to $200,000	7
$200,001 to $210,000	5
$210,001 to $220,000	1
$220,001 to $230,000	2
$230,001 to $240,000	6
$240,001 to $250,000	2
$260,001 to $270,000	1
$270,001 to $280,000	2

Amount of remuneration	Employees
$280,001 to $290,000	1
$300,001 to $310,000	1
$310,001 to $320,000	1
$320,001 to $330,000	1
$370,001 to $380,000	1
$380,001 to $390,000	1
$390,001 to $400,000	1
$410,001 to $420,000	2
$420,001 to $430,000	1
$430,001 to $440,000	1
$470,001 to $480,000	1
$610,001 to $620,000	1
$640,001 to $650,000	1
$680,001 to $690,000	1
$740,001 to $750,000	1
$2,021,001 to $2,030,000	1

This includes salary, short- and long-term performance bonuses, settlement payments and redundancy payments for all permanent employees.

Disclosure of directors' interests

The following disclosures of interests have been made by directors in terms of section 140(2) of the New Zealand Companies Act 1993.

Director	Position	Company
Peter Griffiths	**Director**	New Zealand Oil & Gas Limited, New Zealand Diving and Salvage Limited, NZDS Properties (No 2) Limited, Shoman Limited, Hemnestral Limited, Kupe Royalties Limited, National Petroleum Limited, Nephrite Enterprises Limited, NZOG Services Limited, Petroleum Equities Limited, Stewart Petroleum Co Limited, Marsden Maritime Holdings Limited, Island Leader Limited, Z Energy Limited, Civil Aviation Authority
Marko Bogoievski	**Director**	Zig Zag Farm Limited, Morrison & Co International Limited, Infratil No. 5 Limited, NZ Airports Limited, Infratil Gas Limited, Infratil Energy Limited, Swift Transport Limited, Infratil Australia Limited, Morrison & Co. Ventures Limited, Morrison & Co Funds Management Limited, Infratil 1998 Limited, Morrison & Co Infrastructure Management Limited, Infratil Securities Limited, Infratil No. 1 Limited, H.R.L. Morrison & Co Limited, Woodward Capital Limited, Infratil Ventures Limited, Infratil UK Limited, H.R.L. Morrison & Co Offshore Limited, Morrison & Co Wealth Management Limited, H.R.L. Morrison & Co Group GP Limited, Infratil Infrastructure Property Limited, Morrison & Co Property Group Limited, Morrison Leasing Limited, Infratil Europe Limited, North West Auckland Airport Limited, Infratil Insurance Co Limited, Woodward Partners Funds Management Limited, Infratil Investments Limited, Morrison Asian Investments Limited, Infratil Limited, Morrison Capital Limited, Infratil Energy New Zealand Limited, Z Energy LTI Trustee Limited, Infratil Asia Limited, Infratil Outdoor Media Limited, Morrison & Co PIP Limited, Trustpower Limited, Aotea Energy Holdings Limited, Aotea Energy Holdings No 2 Limited, Aotea Energy Limited, Z Energy Holdings Limited, Z Energy ESPP Trustee Limited, Infratil Finance Limited, Z Energy Limited
Alan Dunn	**Director**	Burger Fuel Worldwide Limited, New Zealand Post Limited, Z Energy Limited, Z Energy ESPP Trustee Limited, Z Energy LTI Trustee Limited
Abby Foote	**Director**	Transpower New Zealand Limited, New Zealand Local Government Funding Agency Limited, BNZ Life Insurance Limited, BNZ Insurance Services Limited, Livestock Improvement Corporation Limited, Z Energy Limited
Paul Fowler	**Director**	Z Energy Limited
Justine Munro	**Director**	Z Energy ESPP Trustee Limited, Z Energy LTI Trustee Limited, Z Energy Limited, Maia Consulting Limited, Munro Crockett Trustees Limited
Bruce Harker	**Director**	IKEGPS Group Limited, Trustpower Metering Limited, Trustpower Limited, Z Energy Limited

Directors' interests in share transactions

No director disclosed any acquisition or disposal of a relevant interest in shares to the company pursuant to section 148 of the New Zealand Companies Act 1993 during the year ended 31 March 2015.

Directors' interests in shares and bonds

Directors disclosed the following relevant interests in shares and bonds as at 31 March 2015.

Director	Number of shares or bonds in which a relevant interest is held
Marko Bogoievski	Infratil Limited – 1,618,299 shares
Peter Griffiths	Z Energy Limited – 42,847 shares The New Zealand Refining Company Limited – 18,744 shares Infratil Limited – 22,783 shares
Abby Foote	Z Energy Limited – 14,285 shares Infratil Limited – 21,292 shares held by The Balmerino Trust
Paul Fowler	Caltex Australia Limited – 500 subordinated notes
Bruce Harker	Bondholder of: ZEL010 - $300,000 ZEL030 - $125,000 Both bonds are held by the BJ & JS Harker Trust

Executives' interests in shares and bonds

Executives disclosed the following relevant interests in shares and bonds as at 31 March 2015.

Executive	Number of shares or bonds in which a relevant interest is held	Z RSLTIP interest	Z ESPP interest
Mike Bennetts	Z Energy Limited – 28,571 shares	122,438 shares for the period ending 31 March 2016 126,421 shares for the period ending 31 March 2017	786
Chris Day	Z Energy Limited – 7,142 shares	53,600 shares for the period ending 31 March 2016 39,234 shares for the period ending 31 March 2017	786
Mark Forsyth	Z Energy Limited - 5,714 shares	44,209 shares for the period ending 31 March 2016 32,618 shares for the period ending 31 March 2017	-
Lindis Jones	Z Energy Limited – 4,285 shares	40,766 shares for the period ending 31 March 2016 30,078 shares for the period ending 31 March 2017	786
Meredith Ussher	Z Energy Limited – 1,428 shares	22,914 shares for the period ending 31 March 2016 24,063 shares for the period ending 31 March 2017	-
Jane Anthony	-	19,331 shares for the period ending 31 March 2017	786
Julian Hughes	Z Energy Limited – 340 shares	-	-
Sharlene Taylor	-	-	-
David Binnie	-	13,881 shares for the period ending 31 March 2017	-
Robert Wiles	Z Energy Limited - 14,285 shares	30,558 shares for the period ending 31 March 2016 28,358 shares for the period ending 31 March 2017	-

NZX Main Board and ASX waivers

Z has no waivers from the requirements of the NZSX Main Board Listing Rules.

As part of its application to list on the ASX, Z applied for and was granted waivers from the ASX Listing Rules that are standard for a New Zealand company listed on both the NZX Main Board and the ASX:

- Z has a waiver from ASX Listing Rule 6.10.3 to the extent necessary to permit Z to set the specified time to determine whether a security holder is entitled to vote at a shareholders' meeting in accordance with the requirements of the relevant New Zealand legislation.
- Z has a waiver from ASX Listing Rule 7.1 to permit Z to issue securities without security holder approval, subject to the following conditions:
  - Z remains subject to, and complies with, the NZSX Listing Rules with respect to the issue of new securities.
  - Z certifies to ASX on an annual basis (on or about 30 June each year) that it remains subject to, has complied with, and continues to comply with the requirements of the NZSX Listing Rules with respect to the issue of new securities.
  - If Z becomes aware of any change to the application of NZSX Listing Rules with respect to the issue of new securities, or that Z is no longer in compliance with the requirements of the NZSX Listing Rules with respect to the issue of new securities, it must immediately advise ASX.

  Without limiting ASX's right to vary or revoke its decision pursuant to ASX Listing Rule 18.3, ASX reserves the right to revoke this waiver from ASX Listing Rule 7.1 if:
  - Z fails to comply with any of the above conditions, or
  - there are changes to the NZSX Listing Rules in respect of the issue of new securities such that, in ASX's opinion, the regulation of the issue of new securities under those NZSX Listing Rules ceases to be comparable to the regulation of the issue of new securities under the ASX Listing Rules.
- Z has a waiver from ASX Listing Rule 15.7 to permit Z to provide announcements simultaneously to both ASX and NZX.
- Z has a waiver from ASX Listing Rules 15.13, 15.13A and 15.13B to the extent necessary to permit Z to divest shareholders of less than a minimum holding in accordance with the procedure set out in Z's Constitution.

Donations

For the year ended 31 March 2015, Z made donations of $897,000. Z's subsidiaries made no donations during the period.

Indemnity and insurance disclosure

As permitted by its Constitution, Z has entered into a deed of indemnity indemnifying its directors and its personnel who serve as directors of related companies for potential liabilities or costs they may incur for acts or omissions in their capacity as directors of Z or its related companies. Z has a directors' and officers' liability insurance policy in place. This provides insurance for the liabilities of the directors and employees of Z for acts or omissions in their capacity as directors or employees. Neither the indemnity nor the insurance policies cover dishonest, fraudulent, malicious, or wilful acts or omissions.

Results disclosure

The reporting period for this annual report relates to the 12 months to 31 March 2015.

The previous reporting period relates to the 12 months to 31 March 2014.

	12 months to 31 March 2015 ($m)	Percentage change
Operational results		
Revenues from ordinary activities	3,064	(9)%
Profit (loss) from ordinary activities after tax attributable to security holders	7	(93)%
Net profit (loss) attributable to security holders	7	(93)%

Dividend disclosure

	Amount per security (cents)	Imputed amounts per security (cents)
2015 interim dividend	7.7	2.9944
Record date		21 November 2014
Payment date		3 December 2014
2015 final dividend	16.5	6.4167
Record date		22 May 2015
Payment date		3 June 2015

Professional fees and audit fee disclosure

Total fees paid to KPMG in their capacity as auditors for the year ended 31 March 2015 was $225,360 (2014: $246,030).

Total fees paid to KPMG for other professional services for the year ended 31 March 2015 was nil (2014: $520,918).

KPMG has been the external auditor of Z and its subsidiaries for five years. The tenure and reappointment procedure of the external auditor is detailed in the external auditor Independence Policy which is available on our website. The Audit and Risk Committee oversees and monitors the performance of the external auditor and assesses the external auditor's independence to ensure that independence is maintained and its ability to carry out its statutory duties is not impaired. All non-audit work performed by the external auditor must be approved by the chair of the Audit and Risk Committee which will detail what work is to be performed and how auditor independence and objectivity is maintained. Note 5 of the financial statements details what non-audit work has been performed.

The audit report is based on the audited group financial statements. KPMG has provided an audit report on the financial statements.

Net tangible assets per security

Net tangible assets per security as at 31 March 2015 is 57 New Zealand cents (31 March 2014: 67 New Zealand cents).

Group disclosures – subsidiaries

Harbour City Property Investments Limited (HCPIL)

Directors as at 31 March 2015: Michael John Bennetts and Mark Andrew Forsyth.

The directors of HCPIL are employees of Z and do not receive any remuneration in their capacity as directors of HCPIL. HCPIL does not have employees.

Disclosure of directors' interests – HCPIL

Director	Position	Company
Michael John Bennetts	Director	Auckland Iron Works Limited Loyalty New Zealand Limited The New Zealand Refining Company Limited
Mark Andrew Forsyth	Director	Loyalty New Zealand Limited

Z Energy ESPP Trustee Limited

Directors as at 31 March 2015: Marko Bogoievski, Alan Dunn, Justine Munro.

Z Energy LTI Trustee Limited

Directors as at 31 March 2015: Marko Bogoievski, Alan Dunn, Justine Munro.

The directors' interests in Z Energy ESPP Trustee Limited and Z Energy LTI Trustee Limited are disclosed on page 64.

The directors of Z Energy ESPP Trustee Limited and Z Energy LTI Trustee Limited do not receive any remuneration in their capacity as directors of those companies. Both Z Energy ESPP Trustee Limited and Z Energy LTI Trustee Limited do not have any employees.

Shareholder information

Z shares are quoted on the NZX Main Board and on the ASX. Z trades under the ticker codes ZEL (NZSX) and ZNZ (ASX). Z has registered with the Australian Securities and Investment Commission (ASIC) as a foreign company. Z has been issued an Australian Registered Body Number (ARBN) of 164 438 448.

As at 31 March 2015, there were 400,000,000 fully paid ordinary shares in Z (Z Shares) on issue. Each Z Share confers on its holder the right to attend and vote at a shareholder meeting of Z, including the right to cast one vote on a poll on any shareholder resolution.

The content of this Shareholder Information section was prepared on 31 March 2015, being a date not more than six weeks before the release of this annual report.

There is currently no on-market buy back of Z Shares.

Shareholders holding less than a marketable parcel

As at 31 March 2015, there were five shareholders holding between one and 99 Z Shares (less than a minimum holding number according to the NZSX Listing Rules) and, based on the market price of A$5.02 at that date, there were 11 holders that held less than a marketable parcel of A$500 of Z Shares under the ASX Listing Rules.

Distribution of ordinary shares and shareholders

As at 31 March 2015

Size of holding	Number of shareholders	Percentage of holders	Number of shares	Percentage of issued capital
1 – 1,000	1,379	14.58%	1,036,630	0.26%
1,001 – 5,000	5,317	56.21%	13,756,309	3.44%
5,001 – 10,000	1,711	18.08%	12,150,235	3.04%
10,001 – 100,000	993	10.49%	20,877,351	5.22%
100,001 and over	61	0.64%	352,179,475	88.04%
Totals	9,461	100%	400,000,000	100%

Substantial product holders

As at 31 March 2015, Z had received notices under section 26 of the Securities Markets Act 1988 (which was replaced by the Financial Markets Conduct Act 2013 on 1 December 2014) that the following shareholders were substantial product holders in respect of Z Shares.

Substantial product holders	Number of voting products in substantial holding (ordinary Z Shares)	Date of notice
NZSF Aotea Limited	80,000,000	28 February 2014
Aotea Energy Investments Limited	80,000,000	28 February 2014
Infratil Limited	80,000,000	28 February 2014
Coopers Investors Pty Limited	24,937,044	20 September 2013
H.R.L Morrison & Co Group Limited	160,000,000	21 August 2013

* The total number of ordinary Z Shares on issue as at 31 March 2015 was 400,000,000.

Twenty largest shareholders

As at 31 March 2015

Rank	Holder name	Holding	Percentage
1	Aotea Energy Investments Limited	80,000,000	20.00%
2	New Zealand Superannuation Fund Nominees Limited	80,000,000	20.00%
3	National Nominees New Zealand Limited	25,476,573	6.37%
4	National Nominees Limited	14,055,400	3.51%
5	HSBC Nominees (New Zealand) Limited	13,680,302	3.42%
6	HSBC Nominees (New Zealand) Limited	10,109,610	2.53%
7	HSBC Custody Nominees (Australia) Limited	10,029,561	2.51%
8	Accident Compensation Corporation	9,531,586	2.38%
9	RBC Investor Services Australia Nominees Pty Limited	9,115,538	2.28%
10	J P Morgan Nominees Australia Limited	8,543,698	2.14%
11	FNZ Custodians Limited	8,192,091	2.05%
12	JPMORGAN Chase Bank, N.A.	7,469,555	1.87%
13	Citibank Nominees (New Zealand) Limited	6,852,300	1.71%
14	Custodial Services Limited	6,039,695	1.51%
15	Citicorp Nominees Pty Limited	5,800,429	1.45%
16	BNP Paribas Noms Pty Ltd	5,135,195	1.28%
17	Forsyth Barr Custodians Limited	4,865,447	1.22%
18	Cogent Nominees Limited	4,153,071	1.04%
19	RBC Investor Services Australia Nominees Pty Limited	3,882,609	0.97%
20	Private Nominees Limited	3,290,504	0.82%

In the above table, the shareholding of New Zealand Central Securities Depository Limited (NZCSD) has been re-allocated to the underlying beneficial owners.

Our financial results

Statement of comprehensive income

for the year ended 31 March 2015

	Notes	2015 $m	2014 $m
Revenue	4	**3,064**	3,371
Excise and carbon expense		**(562)**	(546)
Purchases of crude and product		**(2,073)**	(2,311)
Primary distribution expenses		**(25)**	(25)
Operating expenses	5	**(321)**	(281)
Share of earnings/(losses) of associate companies (net of tax)	14	**10**	(5)
Earnings before interest, taxation, depreciation (including gains and (losses) on sale of fixed assets), amortisation and fair value movements in interest rate derivatives (EBITDAF)		**93**	**203**
Depreciation and amortisation	11,12	**(43)**	(39)
Impairment	11	**-**	1
Loss on sale of fixed assets		**-**	(4)
Net financing expense	6	**(37)**	(25)
Loss on interest rate derivatives		**(7)**	(2)
Net profit before taxation		**6**	**134**
Taxation benefit/(expense)	16	**1**	(39)
Net profit for the year		**7**	**95**
Net profit attributable to owners of the company		**7**	**95**
Other comprehensive income that will not be reclassified to profit or loss			
Asset revaluation reserve after tax		**(3)**	143
Share of associate other comprehensive income after tax		**(1)**	1
Other comprehensive (loss)/income net of tax		**(4)**	**144**
Total comprehensive income for the year		**3**	**239**
Total comprehensive income attributable to owners of the company		**3**	**239**
Basic and diluted earnings per share (cents)	19	**2**	39

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 31 March 2015

	Notes	Capital $m	Retained earnings $m	Employee share reserve $m	Asset revaluation reserve $m	Total equity $m
Balance at 1 April 2013		10	587	-	-	597
Net profit for the year		-	95	-	-	95
Other comprehensive income		-	1	-	143	144
Disposal of revalued assets		-	2	-	(2)	-
Total comprehensive income for the year		**-**	**98**	**-**	**141**	**239**
Transactions with owners recorded directly in equity:						
Change in share capital	18	422	-	-	-	422
Own shares acquired		-	-	(2)	-	(2)
Dividends to equity holders		-	(665)	-	-	(665)
Total transactions with owners recorded directly in equity		**422**	**(665)**	**(2)**	**-**	**(245)**
Balance at 31 March 2014		**432**	**20**	**(2)**	**141**	**591**
Balance at 1 April 2014		**432**	**20**	**(2)**	**141**	**591**
Net profit for the year		-	7	-	-	7
Other comprehensive income		-	(1)	-	(3)	(4)
Disposal of revalued assets		-	3	-	(3)	-
Total comprehensive income/(loss) for the year		**-**	**9**	**-**	**(6)**	**3**
Transactions with owners recorded directly in equity:						
Own shares acquired		-	-	(1)	-	(1)
Dividends to equity holders		-	(88)	-	-	(88)
Supplementary dividends to equity holders		-	(4)	-	-	(4)
Tax credit on supplementary dividends		-	4	-	-	4
Total transactions with owners recorded directly in equity		**-**	**(88)**	**(1)**	**-**	**(89)**
Balance at 31 March 2015		**432**	**(59)**	**(3)**	**135**	**505**

The accompanying notes form part of these financial statements.

Statement of financial position

as at 31 March 2015

	Notes	2015 $m	2014 $m
Shareholders' equity		**505**	591
Represented by:			
Current assets			
Cash and cash equivalents	10	**206**	178
Accounts receivable and prepayments	7	**163**	227
Inventories	9	**304**	479
Derivative financial instruments	22	**4**	1
Income tax receivable	16	**16**	-
Total current assets		**693**	**885**
Non current assets			
Property, plant and equipment	11	**536**	511
Intangible assets	12	**32**	35
Investments in associates and subsidiaries	14,15	**105**	96
Derivative financial instruments	22	**6**	12
Other non current assets		**1**	1
Total non current assets		**680**	**655**
Total assets		**1,373**	**1,540**
Current liabilities			
Accounts payable, accruals and other liabilities	8	**351**	424
Income tax payable	16	**-**	12
Provisions	17	**10**	11
Derivative financial instruments	22	**6**	2
Total current liabilities		**367**	**449**
Non current liabilities			
Other liabilities		**17**	17
Provisions	17	**27**	21
Derivative financial instruments	22	**9**	10
Bonds	21	**430**	430
Deferred tax	16	**18**	22
Total non current liabilities		**501**	**500**
Total liabilities		**868**	**949**
Net assets		**505**	**591**

Approved on behalf of the Board on 6 May 2015

Peter Griffiths
Chairman

Abigail Foote
Director

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 31 March 2015

	2015 $m	2014 $m
Cash flows from operating activities		
Receipts from customers	**3,113**	3,387
Dividends received	**-**	1
Proceeds from insurance recoveries	**1**	2
Interest received	**22**	24
Payments to suppliers and employees	**(2,328)**	(2,714)
Excise and carbon paid	**(550)**	(546)
Interest paid	**(51)**	(44)
Taxation paid	**(25)**	(29)
Net cash inflow from operating activities	**182**	**81**
Cash flows from investing activities		
Proceeds from sale of investments	**-**	1
Proceeds from sale of property, plant and equipment	**7**	7
Purchase of intangible assets	**(4)**	(10)
Purchase of The New Zealand Refining Company	**-**	(100)
Purchase of property, plant and equipment	**(63)**	(63)
Net cash (outflow) from investing activities	**(60)**	**(165)**
Cash flows from financing activities		
Issue of shares	**-**	422
Cash from IPO settlement	**-**	162
Cash to IPO settlement	**-**	(324)
Purchase of shares	**(2)**	(2)
Dividends paid to owners of the company	**(92)**	(111)
Net cash (outflow)/inflow from financing activities	**(94)**	**147**
Net increase in cash	**28**	63
Cash balances at beginning of year	**178**	115
Cash at end of year	**206**	**178**

The accompanying notes form part of these financial statements.

Reconciliation of net profit for the year to cash flows from operating activities

	2015 $m	2014 $m
Net profit for the year	**7**	95
Adjustments to reconcile profit to net cash inflow from operating activities		
Depreciation and amortisation	**43**	39
Impairment	**-**	(1)
Equity accounted earnings and income of associates	**(10)**	5
Bad debts expense	**4**	4
Fair value of derivatives	**9**	2
Gain on sale of fixed assets	**-**	4
Other	**(3)**	(3)
Changes in assets and liabilities, net of non-cash, investing and financing activities		
Change in accounts receivable and prepayments	**63**	14
Change in inventories	**175**	3
Change in accounts payable, accruals and other liabilities	**(78)**	(91)
Change in taxation	**(28)**	10
Net cash flow from operating activities	**182**	**81**

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 31 March 2015

(1) Basis of accounting

Reporting entity

Z Energy Limited is registered in New Zealand under the Companies Act 1993 and is an issuer for the purposes of the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013. Z Energy Limited is party to listing agreements with the NZX Limited and ASX Limited with its ordinary shares, and three series of bonds quoted on the NZX Debt Market. The Group financial statements (referred to as "Z Energy" or "the Group") at, and for the year ended 31 March 2015 comprise the Parent, its subsidiaries and the Group's interests in associates and jointly controlled operations.

Basis of preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP') and the Financial Reporting Act 2013. They comply with the NZ equivalents to International Financial Reporting Standards ('NZ IFRS') as appropriate for profit-oriented entities, and with International Financial Reporting Standards ('IFRS').

The functional and reporting currency used in the preparation of the financial statements is New Zealand dollars, rounded to the nearest million ($m). The financial statements have been prepared on a GST exclusive basis except billed receivables and payables which include GST.

The financial statements are prepared on the basis of historical cost, except certain financial derivatives which are valued in accordance with the accounting policy in note 22 and Property, Plant and Equipment which is valued in accordance with the accounting policy in note 11.

Basis of Consolidation

A list of subsidiaries and associates is shown in notes 14 and 15. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements. Intra-group balances and any unrealised income or expenses arising from intra-group transactions are eliminated in preparing the Group financial statements.

(2) Changes in accounting policies

No changes to accounting policy have been made during the year and policies have been consistently applied to all years presented in the financial statements.

Presentational changes

Certain amounts in the comparative information have been reclassified to ensure consistency with the current period's presentation.

Adoption status of relevant new financial reporting standards and interpretations

Z has chosen not to early adopt NZ IFRS 9 Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018), which has been issued. The adoption of this standard is not expected to have a material impact on the financial statements.

(3) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The principal areas of judgement in preparing these financial statements are set out below.

Provisions

Liabilities are estimated for the decommissioning and restoration of certain sites of operation. Such estimates are valued at the net present value of the expenditure expected to settle the obligation. Key assumptions have been made as to the expected amount and timing of expenditure to remediate based on the expected lives of the assets employed on the sites, discounted using a market-based risk-free interest rate.

Valuation of investments in associates and subsidiaries

Management performs an assessment of the carrying value of investments at least annually and considers objective evidence for impairment on each investment taking into account observable data on the investment, the fair value, the status or context of capital markets, its own view of investment value, and its long term intentions. For more detail refer to note 14 and 15.

Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values. For further information about the assumptions made in measuring fair values refer to the notes.

(4) Revenue

Revenue comprises the fair value of consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Sales of goods are recognised when a Group entity has supplied products to the customer, the customer has accepted the products and the collectability of the related receivables is reasonably assured.

	2015 $m	2014 $m
Fuel	**3,003**	3,287
Non-Fuel	**61**	59
Chemicals	**-**	25
Total revenue	**3,064**	**3,371**

(5) Operating expenses

	2015 $m	2014 $m
On-site expenses	(51)	(46)
Selling commissions	(59)	(56)
Secondary distribution	(44)	(46)
Employee benefits	(44)	(50)
Storage and handling	(14)	(18)
Insurance	(6)	(8)
Administration and other expenses	(34)	(26)
Marketing expenses	(21)	(19)
Professional fees	(21)	(19)
Operating expenses excluding realised/unrealised gains/(losses) on foreign exchange and commodity transactions	**(294)**	**(288)**
Realised/unrealised (losses)/gains on foreign exchange	(11)	10
Realised/unrealised losses on commodity transactions	(16)	(3)
Total operating expenses	**(321)**	**(281)**

Included in Professional fees are fees paid to auditors. These include audit and audit related fees of $225,360 (2014: $246,030) and other services of nil (2014: $520,918). Audit and audit related fees comprise $187,000 (2014: $172,000) for the audit and review of financial statements, carbon emission reporting review of $16,860 (2014: $18,422), technical accounting opinions of $3,500 (2014: $37,608), fees for audit of bank covenants and trustee reporting of $12,000 (2014: $12,000) and agreed upon procedures for license fee return of $6,000 (2014: $6,000). Other Services comprise tax compliance of nil (2014: $6,628), financial model review of nil (2014: $14,385) and continuous improvement initiative of nil (2014: $499,905).

Included in Employee benefits are Directors fees of $0.8m (2014: $0.7m).

(6) Net financing expenses

Interest revenues are recognised as accrued, taking into account the effective yield of the financial asset.

	2015 $m	2014 $m
Interest income from cash	2	9
Interest income from swaps	20	15
Other finance income	1	2
Total financing income	**23**	**26**
Interest expense on swaps	(20)	(13)
Interest expense on bonds	(30)	(31)
Financing fees	(4)	(4)
Other finance expense	(6)	(3)
Total financing expense	**(60)**	**(51)**
Net financing expense	**(37)**	**(25)**

(7)
Accounts receivable and prepayments

Receivables, classified as loans and receivables, are initially recognised at fair value. Thereafter they are measured at amortised cost less any provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect the amount due. Receivables which are no longer collectible are written off.

	2015 $m	2014 $m
Trade receivables	**149**	211
Provision for doubtful debts	**(2)**	(1)
Prepayments	**10**	9
Other receivables	**6**	8
	163	**227**

(8)
Accounts payable, accruals and other liabilities

	2015 $m	2014 $m
Accounts payable	**308**	397
Accruals and other liabilities	**27**	13
Employee benefits payable	**16**	14
	351	**424**

(9)
Inventories

Inventory is stated at the lower of cost or net realisable value. The cost of inventories is based on the first-in-first-out principle. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

	2015 $m	2014 $m
Raw materials and consumables	**96**	147
Finished goods/trading products	**208**	332
	304	**479**

During the year the write down of inventories to net realisable value amounted to $9m (2014: $4m). The write down is included in 'Purchases of crude and product' in the Statement of Comprehensive Income.

(10)
Cash and cash equivalents

Cash and cash equivalents comprise cash on deposit at banks and investments in money market instruments, excluding outstanding bank overdrafts.

(11)
Property, plant and equipment

Property, plant and equipment (PPE) is measured at fair value based on periodical valuations by an independent valuer less accumulated depreciation and any impairment after the date of revaluation. Additions to PPE subsequent to the most recent valuation are recorded at cost. Cost includes expenditure that is directly attributable to the acquisition of the item, including: the cost of all materials, direct labour, resource management consent costs, and an appropriate portion of variable and fixed overheads. An assessment of fair value is performed annually to assess the underlying assumption of each asset class to determine whether a full revaluation is required. At a minimum, a full revaluation will be performed every five years. The last full revaluation was performed on 1 April 2013.

Depreciation is provided on a straight line basis. The major depreciation periods (in years) are:

Buildings	10-35
Plant and machinery	5-35
Land improvements	15-35

(11) Property, plant and equipment

(Continued)

Year ended 31 March 2015

March 2015	Construction in progress $m	Buildings $m	Land and improvements $m	Plant and machinery $m	Total $m
Cost/valuation					
Balance at beginning of year	47	52	154	289	542
Additions	67	-	-	-	67
Disposals	-	(1)	(4)	(6)	(11)
Transfers between asset classes	(67)	8	6	53	-
Balance at end of year	**47**	**59**	**156**	**336**	**598**
Accumulated depreciation and impairment losses					
Balance at beginning of year	-	(4)	(1)	(26)	(31)
Depreciation	-	(4)	(2)	(29)	(35)
Disposals	-	-	-	4	4
Balance at end of year	**-**	**(8)**	**(3)**	**(51)**	**(62)**
Carrying amounts					
At 1 April 2014	47	48	153	263	511
At 31 March 2015	47	51	153	285	536

Included in buildings $8m and plant and machinery $1m are assets held under finance leases (2014: buildings $9m and plant and machinery $1m).

During the year no assets were transferred to Intangibles (2014: $5m cost, $1m accumulated depreciation).

(11) Property, plant and equipment

(Continued)

Year ended 31 March 2014

March 2014	Construction in progress $m	Buildings $m	Land and improvements $m	Plant and machinery $m	Total $m
Cost/valuation					
Balance at beginning of year	33	108	107	351	599
Offset of accumulated depreciation on revaluation	-	(80)	(30)	(177)	(287)
Additions	71	-	-	-	71
Disposals	-	(1)	(4)	(5)	(10)
Revaluation adjustment	-	20	77	77	174
Transfers between asset classes	(57)	5	4	43	(5)
Balance at end of year	**47**	**52**	**154**	**289**	**542**
Accumulated depreciation and impairment losses					
Balance at beginning of year	-	(80)	(30)	(178)	(288)
Offset of accumulated depreciation on revaluation	-	80	30	177	287
Depreciation	-	(4)	(1)	(27)	(32)
Impairment	-	-	-	1	1
Transfers between asset classes	-	-	-	1	1
Balance at end of year	**-**	**(4)**	**(1)**	**(26)**	**(31)**
Carrying amounts					
At 1 April 2013	33	28	77	173	311
At 31 March 2014	47	48	153	263	511

(11) Property, plant and equipment

(Continued)

Level 3 fair value

PPE is valued using a level 3 fair value measurement in accordance with the fair value hierarchy.

The following table shows the valuation technique used in measuring the fair value of PPE, as well as the significant unobservable inputs used.

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land is valued using the direct capitalisation approach. This method involves striking a sustainable market rental which is capitalised at an appropriate rate of return or yield derived from an analysis of sales of comparable assets. The market rental is built up from: - Fuel throughput margin (adjusted downward for loyalty participation rate where a percentage of throughput is deemed to be derived from the flybuys loyalty scheme) and - Estimated shop rental (for non-fuel sales) A total value for land and buildings is determined by this approach. The value ascribed to the land is then the residual value after deducting the building value which is determined using the depreciated replacement cost approach below.	Throughput rental rate (cents/litre) 1.20 - 1.75 (Retail) Throughput rental rate (cents/litre) 0.70 - 0.80 (Truckstop) Loyalty participation rate 5% - 15% Shop rental $150 - $450 per square metre Capitalisation rate 6.50% - 10.25%	The estimated fair value would increase (decrease) if: throughput margin were higher (lower); loyalty participation rate were lower (higher); shop rental rates were higher (lower); capitalisation rate were lower (higher).
Buildings, plant and machinery are valued using the depreciated replacement cost approach. This approach is based on the gross current replacement cost, reduced by factors providing for age, physical depreciation and technical and functional obsolescence taking into account an asset's total estimated useful life and anticipated residual value (if any).	Cost estimates sourced from: contracting machinery suppliers and cost analysis of recent projects.	The estimated fair value would increase (decrease) if: cost was higher (lower); remaining useful life were higher (lower); technical and functional obsolescence were lower (higher).

Highest and best use

Z holds properties where the current market value in use is lower than the highest and best alternative use, however Z holds these properties as part of its strategic network and therefore does not currently intend to change the use of these assets. The assets are recorded at their highest and best alternative use valuation.

(12) Intangible assets

Emissions trading scheme

Units acquired are carried at cost less any accumulated impairment as they are held for settlement of emissions obligation. Currently, overseas units have a finite life and NZ units an indefinite life.

Other intangibles

Other intangibles includes software, franchise rights, domain name, and occupation rights. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over three years on a straight line basis. Intangible assets with indefinite lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

	2015 $m	2014 $m
Intangible assets – emissions units		
Balance at beginning of year	20	16
Additions at cost	3	46
Utilised	(2)	(42)
Balance at end of year	21	20
Intangible assets – other		
Balance at beginning of year	15	11
Additions at cost	4	11
Amortisation	(8)	(7)
Balance at end of year	11	15
Total intangible assets	32	35

(13) Emissions trading scheme

The Group is required to deliver emission units to a government agency to be able to sell products which emit pollutants. A provision is recognised in the Statement of Financial Position and is measured at the average cost of units acquired to satisfy the emissions obligation.

Stock of units	2015 Units millions	2014 Units millions
Balance at beginning of year	**5**	7
Units acquired and contracted for	**2**	1
Units utilised	**(2)**	(3)
Balance at end of year	**5**	**5**

Obligation	2015 Units millions	2014 Units millions
Obligation payable at 31 March	**3**	**3**

(14) Investments in associates

Associates are entities in which the Group has significant influence, but not control, over the operating and financial policies. The Group financial statements include the Group's share of the net surplus of associates on an equity accounted basis from the date significant influence commences to the date significant influence ceases.

The Group is considered to have significant influence over its investment in The New Zealand Refining Company (Refining NZ) due to the fact that it has representation on the Board of Directors and therefore has equity accounted this investment. Based on its closing share price of $2.60 the fair value of the Group's investment in Refining NZ is $125m (2014: $1.75, $84m).

(14) Investments in associates

(Continued)

Carrying amounts	2015 $m	2014 $m
Listed		
The New Zealand Refining Company Limited (Refining NZ)	**103**	95
Unlisted		
Loyalty New Zealand Limited (Loyalty)	**1**	1
New Zealand Oil Services Limited (NZOSL)	**-**	-
Wiri Oil Services Limited (WOSL)	**-**	-
Penagree Limited[1] (Penagree)	**-**	-
Coastal Oil Logistics Limited (COLL)	**1**	-
	105	**96**

[1] On 29 December 2014 Penagree Limited was amalgamated into Coastal Oil Logistics Limited.

Movements in carrying amounts	2015 $m	2014 $m
Carrying amount at beginning of year	**96**	1
Dividends received / receivable	**-**	(1)
Share of profits/(losses) from associate	**10**	(5)
Share of other comprehensive income from associate	**(1)**	1
Purchase of investment	**-**	100
Carrying amount at end of year	**105**	**96**

(14) Investments in associates

(Continued)

Summary financial information for equity accounted investments, not adjusted for the percentage ownership held by the Group (all with a reporting date of 31 December, except for Loyalty NZ which has a 31 March reporting date):

	Principal activity	Ownership 2015	Ownership 2014
Listed			
New Zealand Refining Company Limited	Refinery	15%	15%
Unlisted			
Loyalty New Zealand Limited	Marketing	25%	25%
New Zealand Oil Services Limited	Fuel Storage	50%	50%
Wiri Oil Services Limited	Fuel Storage	28%	28%
Penagree Limited	Ship Charterer	-	25%
Coastal Oil Logistics Limited	Shipping Operator	25%	25%

2015	Refining NZ $m	Loyalty $m	NZOSL $m	WOSL $m	COLL $m
Current assets	178	85	5	3	10
Non current assets	1,076	7	-	-	2
Current liabilities	156	73	5	3	11
Non current liabilities	453	13	-	-	-
Income	233	85	43	17	54
Profit	10	3	-	-	-
Other comprehensive income	(10)	-	-	-	-

2014	Refining NZ $m	Loyalty $m	NZOSL $m	WOSL $m	Penagree $m	COLL $m
Current assets	122	77	6	2	1	11
Non current assets	942	15	1	-	12	2
Current liabilities	122	70	7	2	2	11
Non current liabilities	351	19	-	-	11	-
Income	223	83	45	16	2	52
(Loss)/Profit	(5)	2	-	-	-	-
Other comprehensive income	27	-	-	-	-	-

(15) Investment in subsidiaries and joint operations

Subsidiaries are those entities controlled, directly or indirectly, by Z. The purchase method of accounting is used to account for the acquisition of subsidiaries by Z. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The financial statements of subsidiaries are included in the Group financial statements from the date control commences to the date control ceases.

The subsidiaries of the Group and their activities are shown below:

The financial statements of the subsidiaries are included in the Group's financial statements. The financial year-end of all subsidiaries is 31 March.

	2015 Holding	2014 Holding	Principal activity	Country of incorporation
Subsidiaries				
Harbour City Property Investments Limited	**100%**	100%	Property	New Zealand
Z Energy ESPP Trustee Limited	**100%**	100%	Trustee	New Zealand
Z Energy LTI Trustee Limited	**100%**	100%	Trustee	New Zealand

Joint operations are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Group financial statements includes the Group's proportionate share line by line.

The Group has participating interests in three unincorporated jointly controlled operations relating to the storage and distribution of petroleum products. The revenues and expenses are allocated on a performance/usage basis rather than the share of the joint arrangement. The Group has rights to the assets and obligations for the liabilities relating to the jointly controlled operations. As at 31 March 2015 there were no contingent liabilities in respect of the jointly controlled operations (2014: nil). The value of assets in these interests is $9m (2014: $9m).

	2015 Holding	2014 Holding	Principal activity
Joint Operations			
Joint User Hydrant Installation	**25%**	25%	Fuel Storage
Joint Interplane Fuelling Services	**50%**	50%	Fuel Distribution
Jointly Owned Storage Facility	**50%**	50%	Fuel Storage

(16) Taxation

Taxation expense comprises both current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Income tax is recognised as an expense or benefit in the Statement of Comprehensive Income, except when it relates to items credited or debited directly to other comprehensive income or equity, in which case the deferred tax is also recognised directly in other comprehensive income or equity.

Taxation expense or benefit is determined as follows:

	2015 $m	2014 $m
Net profit before taxation	6	134
Less share of earnings of associate companies (net of tax)	(10)	5
Net (loss)/profit before taxation excluding share of earnings from associates	**(4)**	**139**
Taxation benefit/(expense) on (loss)/profit for the year at the corporate income tax rate of 28% (2014: 28%)	1	(39)
Plus taxation adjustments:		
Over provision in prior periods	(1)	-
Tax subvention payment	1	-
Taxation benefit/(expense)	**1**	**(39)**
Comprising:		
Current taxation	(2)	(44)
Deferred taxation	3	5
Taxation benefit/(expense)	**1**	**(39)**

(16) Taxation
(Continued)

Deferred tax

Deferred tax assets and liabilities are offset on the face of the Statement of Financial Position and presented as a net deferred tax asset/(liability). The movement in deferred tax assets and liabilities is provided below:

	Property, plant and equipment $m	Intangible assets $m	Employee benefits $m	Finance lease $m	Other provisions $m	Derivative financial instruments $m	Other items $m	Total $m
Balance at 1 April 2013	(8)	(1)	2	-	2	2	7	4
Recognised in the Statement of Comprehensive Income	2	-	(1)	-	-	(1)	1	1
Recognised in other comprehensive income	(31)	-	-	-	-	-	-	(31)
Under/(Over) provision in prior periods in the Statement of Comprehensive Income	3	-	-	5	-	-	(4)	4
Balance at 31 March 2014	**(34)**	**(1)**	**1**	**5**	**2**	**1**	**4**	**(22)**
Balance at 1 April 2014	(34)	(1)	1	5	2	1	4	(22)
Recognised in the Statement of Comprehensive Income	1	1	-	-	-	1	-	3
Recognised in other comprehensive income	1	-	-	-	-	-	-	1
Over provision in prior periods in the Statement of Comprehensive Income	(1)	-	-	-	-	-	1	-
Balance at 31 March 2015	**(33)**	**-**	**1**	**5**	**2**	**2**	**5**	**(18)**

(17) Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Estimated decommissioning and restoration costs are recognised at the estimated future cost. The estimated future cost is calculated using amounts discounted over the estimated useful economic life of the assets. The discount rate applied is the risk free rate of return which has been equated to be the New Zealand ten-year bond rate. Decommissioning and restoration costs expected to be settled within one year are classified as current liabilities. Decommissioning and restoration costs expected to be settled between one and thirty years are classified as non current.

Estimated remediation costs of sites are recognised on an accrual basis at the time there is a formal plan or obligation, legal or constructive, in place. The remediation costs are expected to be settled between one and thirty years depending on the location.

For the year ended 31 March 2015	Decommissioning and restoration $m	Remediation $m	Other $m	Total $m
Balance at beginning of year	20	4	8	32
Created	6	-	3	9
Utilised	(1)	(1)	(2)	(4)
Released	-	-	(1)	(1)
Unwind of discount	1	-	-	1
Balance at end of year	**26**	**3**	**8**	**37**
Current	2	-	8	10
Non current	24	3	-	27
Balance at end of year	**26**	**3**	**8**	**37**

For the year ended 31 March 2014	Decommissioning and restoration $m	Remediation $m	Other $m	Total $m
Balance at beginning of year	20	4	4	28
Created	2	1	5	8
Utilised	(1)	(1)	(1)	(3)
Released	-	-	-	-
Unwind of discount	(1)	-	-	(1)
Balance at end of year	**20**	**4**	**8**	**32**
Current	4	1	6	11
Non current	16	3	2	21
Balance at end of year	**20**	**4**	**8**	**32**

(18) Share capital and distributions

Ordinary shares (fully paid)	2015 $m	2014 $m
Total issued capital at beginning of year	**432**	10
Movements in issued and fully paid ordinary shares		
Shares Issued	-	422
Total issued capital at end of year	**432**	**432**

Ordinary shares (fully paid) in millions of shares	2015	2014
Total issued capital at beginning of year	**400**	5
Movements in issued and fully paid ordinary shares		
Shares Issued	-	395
Total issued capital at end of year	**400**	**400**

All fully paid ordinary shares have equal voting rights and share equally in dividends and equity. The issued shares have no par value. All authorised shares are issued.

944,235 shares at a cost of $3.6m are held by Z Energy LTI Trustee Limited for Z's restricted share long-term incentive plan (2014: 498,108, $1.8m).

	$m	cents per share
Dividend		
2013 Final dividend (paid June 13)[1]	29	580
2014 Special dividend (paid June 13)[1]	50	1,000
2014 Non-cash dividend to settle intercompany balances[1]	555	11,100
2014 Interim dividend (paid December 13)	31	8
2014 Final dividend (paid June 14)	**57**	**14**
2015 Interim dividend (paid December 14)	**31**	**8**

Final dividend declared subsequent to balance date not provided (refer to note 29).

1 Dividends paid pre Initial Public Offering.

(19) Earnings per share

	2015	2014
Profit after tax attributable to Shareholders of the parent company ($m)	**7**	95
Weighted average number of shares (million)	**400**	244
Basic and diluted earnings per share (cents)	**2**	39

(20) Interest-bearing loans and borrowings

	2015 $m	2014 $m
Facilities not utilised at reporting date		
Secured bank facilities	**400**	400

Financing arrangements

The Group's debt includes bank facilities secured against certain assets of the Group. The facilities require Z to maintain certain levels of shareholder funds and securities and operate within defined performance and gearing ratios. The arrangements also include restrictions over the sale or disposal of certain assets without bank agreement.

Throughout the year the Group has complied with all debt covenant requirements as imposed by lenders.

At 31 March 2015 the Group had a secured bank debt facility of $400m (2014: $400m). No amounts were drawn on the bank debt facility at 31 March 2015. The facility matures 21 October 2017.

The bank debt facilities are able to be drawn-down as required subject to Z being in compliance with undertakings in respect of those facilities. All loans must be repaid on the relevant due dates. Interest rates are determined by reference to prevailing money market rates at the time of draw-down plus a margin. Interest rates paid during the year ranged from 4.3% to 4.9% (2014: 3.7% to 3.9%).

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowing using the effective interest rate. Bond and bank debt issue expenses, fees and other costs incurred in arranging finance are capitalised and amortised over the term of the relevant debt instrument or debt facility using the effective interest rate method.

(21) Bonds

	2015 $m	2014 $m
Balance at beginning of year	**430**	430
Amortisation	**(1)**	(1)
Unwind of fair value loss on substitution	**1**	1
Balance at end of year	**430**	**430**
Current	**-**	-
Non current	**430**	430
Balance at end of year	**430**	**430**
Repayment terms and interest rates		
Maturing on 15 October 2016, 7.35% per annum fixed coupon rate	**148**	149
Maturing on 15 August 2018, 7.25% per annum fixed coupon rate	**149**	148
Maturing on 15 November 2019, 6.50% per annum fixed coupon rate	**133**	133
Balance at end of year	**430**	**430**

Fixed coupon

The fixed coupon bonds Z has on issue are at a face value of $1.00 per bond. Interest is payable bi-annually on the bond maturing 15 October 2016, and quarterly on the bonds maturing 15 August 2018 and 15 November 2019.

The bonds require Z to maintain certain levels of performance, security and gearing.

(22) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit and Risk Committee with responsibilities which include reviewing treasury practices and policies. The Group has established a Treasury Management Committee to review and set treasury strategy within policy guidelines and report on market risk positions and exposures. The Group has developed a comprehensive, enterprise wide risk management framework which guides management and the Board in the identification, assessment and monitoring of new and existing risks.

Management report to the Audit and Risk Committee and the Board on the relevant risks and the controls and treatments for those risks.

Derivatives are not hedge accounted and are required to be accounted for at fair value through the Statement of Comprehensive Income. Derivative financial instruments are recognised initially at fair value at the date they are entered into. Subsequent to initial recognition, derivative financial instruments are stated at fair value at each Statement of Financial Position date. The resulting gain or loss is recognised in the Statement of Comprehensive Income.

(22) Financial risk management

(Continued)

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 including those arising from trade receivables with its customers, financial derivatives and transactions (including cash balances) with financial institutions. The Group has adopted a policy to assure the credit-worthiness of our counterparties, as a means of mitigating the risk of financial loss from defaults. The Group minimises its exposure to credit risk of trade receivables through the adoption of counterparty credit limits and standard payment terms. Derivative counterparties and cash deposit transactions are limited to high-credit-quality financial institutions and organisations in the relevant industry. The Group's exposure and the credit ratings of counterparties are monitored, and the aggregate value of transactions concluded are spread amongst approved counterparties. The carrying amounts of financial assets recognised in the Statement of Financial Position best represent the Group's maximum exposure to credit risk at the reporting date. Generally, no security is held on these amounts. Concentration of credit risk with respect to trade receivables is limited due to the Group's large customer base. Less than 1% (2014 : 2%) of the Group's receivables are more than 30 days overdue.

Liquidity risk

Liquidity risk is the risk that assets held by the Group cannot readily be converted to cash to meet the Group's contracted cash flow obligations. Liquidity risk is monitored by continuously forecasting cash flows and matching the maturity profiles of financial assets and liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions. The Group manages liquidity risk by maintaining an adequate amount of committed credit facilities and spreading debt maturities in accordance with policy.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the earliest possible contractual maturity date at the year end. The amounts in the tables below are contractual undiscounted cash flows, which include interest through to maturity.

For the year ended 31 March 2015	6 months or less $m	6-12 months $m	1 to 2 years $m	2 to 5 years $m	5 years + $m	Contractual cash flows $m	Statement of financial position $m
Non-derivative financial liabilities							
Accounts payable	(308)	-	-	-	-	(308)	(308)
Finance leases	(1)	(1)	(2)	(7)	(11)	(22)	(12)
Bonds	(15)	(15)	(177)	(325)	-	(532)	(430)
	(324)	**(16)**	**(179)**	**(332)**	**(11)**	**(862)**	**(750)**
Derivative financial instruments liabilities							
Interest rate swaps	-	-	-	(2)	(4)	(6)	(4)
Commodity hedges	(1)	-	-	-	-	(1)	(1)
	(1)	**-**	**-**	**(2)**	**(4)**	**(7)**	**(5)**

(22)
Financial risk management
(Continued)

For the year ended 31 March 2014	6 months or less $m	6-12 months $m	1 to 2 years $m	2 to 5 years $m	5 years + $m	Contractual cash flows $m	Statement of financial position $m
Non-derivative financial liabilities							
Accounts payable	(397)	-	-	-	-	(397)	(397)
Finance leases	(1)	(1)	(2)	(7)	(13)	(24)	(13)
Bonds	(15)	(15)	(30)	(361)	(142)	(563)	(430)
	(413)	**(16)**	**(32)**	**(368)**	**(155)**	**(984)**	**(840)**
Derivative financial instruments (liabilities)/assets							
Interest rate swaps	-	-	(1)	(2)	8	5	2
Commodity hedges	(1)	-	-	-	-	(1)	(1)
	(1)	**-**	**(1)**	**(2)**	**8**	**4**	**1**

Market Risk

Interest rate risk

The Group's primary interest rate risk arises from its issued bonds (see note 21) which are sourced at fixed interest rates. In accordance with the Treasury Policy, Z manages its exposure to interest rate risk by entering into interest rate swaps (IRS). By managing the interest rate risk, Z aims to minimise the cost of debt and manage the impact of interest rate volatility on the Group's earnings. The aggregate notional principal amount of the outstanding IRS at 31 March 2015 is $790m (2014: $590m). The fair value of the IRS is $(4)m (2014: $2m).

Sensitivity analysis

At 31 March 2015, if bank interest rates at that date had been 100 basis points higher/lower with all other variables held constant, it would change post-tax profit for the year by $7m lower/higher (2014: $0.2m).

Foreign currency risk

The Group has exposure to currency risk on the value of its sales contracts, commodity/product supply purchases, other transaction flows, and assets/liabilities denominated in foreign currencies. The Group enters into forward exchange contracts under the terms of its Treasury Policy to reduce the risk from price fluctuations of foreign currency commitments mainly associated with the purchase of hydrocarbons.

(22) Financial risk management

(Continued)

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. The resulting gain or loss is recognised in the Statement of Comprehensive Income immediately.

The aggregate notional principal amount of the outstanding forward foreign exchange contracts at 31 March 2015 was $68m (2014: $17m). At balance date the fair value of forward foreign exchange contracts outstanding was $0.1m (2014: nil).

Sensitivity analysis

At 31 March 2015, if the New Zealand dollar had strengthened/weakened by 10% against the currencies with which the Group has foreign currency risk with all other variables held constant, post-tax profit for the year would change by $6m higher/$7m lower. (2014: $21m higher/$22m lower).

Commodity hedges risk

The Group has exposure to purchase timing risk on commodities. This is defined as the difference in timing of when purchases of crude and product are priced, and when volumes of product are sold each month.

The Group enters into commodity swap contracts under the terms of its Treasury Policy to reduce the risk from price fluctuations, by matching purchase and sales volumes in a particular month. All hedging is within a 6 month duration. At 31 March 2015 the fair value of commodity hedges was $(1)m (2014: $(1)m).

Sensitivity analysis

At 31 March 2015, if the Oil commodity price had weakened/strengthened by 10% in which the Group has Commodity price risk with all other variables held constant, the value of commodity derivatives would change post-tax profit for the year by $3m lower/higher (2014: $0.2m).

Fair value measurement in the financial statements

The carrying amount of financial assets and financial liabilities recorded in the financial statements is their amortised cost, with the exception of derivatives which are held at fair value.

The fair values of derivatives are calculated using observable market rates based on discounted cash flow analysis. The fair values determined capture the applicable credit risk of the counterparties and are a level 2 fair value measurement per the requirements of NZ IFRS 7 (explained below).

Where the fair value of a derivative is calculated using discounted cash flow analysis, the two key types of variables used by this valuation technique are as follows:

- forward price curve (for the relevant underlying interest rates, foreign exchange rates or commodity prices); and
- discount rates.

The selection of variables requires judgement and therefore there is a range of reasonably possible assumptions in respect of these variables that could be used in estimating the fair value of these derivatives.

(22)
Financial risk management
(Continued)

Asset and liability fair value classification 2015	Held for trading at fair value $m	Loans and receivables $m	Total carrying amount $m	Fair value $m
Assets				
Cash and cash equivalents	-	206	206	206
Derivatives	10	-	10	10
Trade receivables	-	149	149	149
Total assets	**10**	**355**	**365**	**365**

	Held for trading at fair value $m	Financial liabilities at amortised cost $m	Total carrying amount $m	Fair value $m
Liabilities				
Bonds	-	(430)	(430)	(465)
Derivatives	(15)	-	(15)	(15)
Finance leases	-	(12)	(12)	(12)
Accounts payable	-	(308)	(308)	(308)
Total liabilities	**(15)**	**(750)**	**(765)**	**(800)**

2014	Held for trading at fair value $m	Loans and receivables $m	Total carrying amount $m	Fair value $m
Assets				
Cash and cash equivalents	-	178	178	178
Derivatives	13	-	13	13
Trade receivables	-	211	211	211
Total assets	**13**	**389**	**402**	**402**

(22) Financial risk management

(Continued)

	Held for trading at fair value $m	Financial liabilities at amortised cost $m	Total carrying amount $m	Fair value $m
Liabilities				
Bonds	-	(430)	(430)	(451)
Derivatives	(12)	-	(12)	(12)
Finance leases	-	(13)	(13)	(13)
Accounts payable	-	(397)	(397)	(397)
Total liabilities	**(12)**	**(840)**	**(852)**	**(873)**

NZ IFRS 7 requires disclosure of fair value measurements using the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 31 March 2015, the fair value of Bonds disclosed in the table above was a Level 1 measurement (2014: level 1) and the fair value of derivatives was a Level 2 measurement (2014: Level 2). The fair value disclosed for Bonds is the quoted price of the Bonds on the NZDX as at 31 March 2015. The fair value disclosed for derivatives is calculated using observable market rates based on discounted cash flow analysis and for the remaining financial instruments recorded in the Statement of Financial Position, carrying value approximates fair value.

Capital management

The key factors in determining Z's optimal capital structure are:

- Nature of activities
- Forecast of earnings and cash flows
- Capital needs over the forecast period
- Available sources of capital and relative cost

The Group's capital includes share capital and retained earnings. The Company's borrowings are subject to certain compliance ratios relevant to the facility agreements or the trust deed applicable to the borrowings. The Group will seek to spread the maturities of its debt with no more than 50% of core debt facilities maturing in any forward 12 month period. Discussions on refinancing of bank debt facilities will normally commence at least 6 months before maturity with facility terms agreed at least 3 months prior to maturity. Bank facilities are maintained with AA- or above rated financial institutions, with a syndicate of four bank counterparties to ensure diversification.

(23) Leases

Operating leases

Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease term.

The Group has receivables from operating leases relating to the lease of premises. These receivables expire as follows:

	2015 $m	2014 $m
Operating lease receivables as lessor		
Between 0 to 1 year	**2**	3
Between 1 to 5 years	**9**	10
More than 5 years	**26**	29
	37	**42**

The Group has various non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The lease payables are predominantly for the lease of land and buildings.

	2015 $m	2014 $m
Operating lease payables as lessee		
Between 0 to 1 year	**20**	20
Between 1 to 5 years	**61**	65
More than 5 years	**60**	91
	141	**176**

Lease costs expensed and sub-lease income received through the Statement of Comprehensive Income during the year was $23m (2014: $23m) and $1m (2014: $1m) respectively.

(23) Leases

(Continued)

Finance leases as lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items, are capitalised at the lower of fair value or present value of the minimum lease payments. The leased assets and corresponding liabilities are therefore recognised and the assets are depreciated in line with the Group's depreciation policy to reflect the estimated useful lives. Each lease payment is allocated between the liability and finance charges so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

The Group has finance leases arising from the sale and leaseback of buildings and plant and machinery with a carrying amount of $9m (2014: $10m). These lease contracts expire within 5 to 14 years and have additional terms of renewal. The Group also receives some sub-lease income on these assets but this does not have a significant impact on the Statement of Comprehensive Income.

	2015 $m	2014 $m
Present value of minimum lease payments		
Between 0 to 1 year	**1**	1
Between 1 to 5 years	**3**	3
More than 5 years	**8**	9
Present value of minimum lease payments	**12**	**13**

	2015 $m	2014 $m
Lease liability under Finance Leases		
Between 0 to 1 year	**2**	2
Between 1 to 5 years	**9**	9
More than 5 years	**11**	13
Minimum lease payments	**22**	**24**
Less interest attributable to future years	**10**	**11**
Present value of minimum lease payments	**12**	**13**
Present value of minimum lease payments - Short term	**1**	1
Present value of minimum lease payments - Long term	**11**	12
	12	**13**

(24) Share based payments

Z Energy Restricted Share Long Term Incentive (LTI) Plan

Z provides an LTI for selected senior Z employees. Under the LTI plan, ordinary shares in the Z Energy Limited (Parent) are issued to, or purchased on-market by, Z Energy LTI Trustee Limited (the Trustee), a subsidiary of the Parent. Participants purchase shares from the Trustee with funds lent to them by the Parent company. The amount of shares that vest will depend on Z's total shareholder return ranking within a peer group of the NZX50 over a three year period, although a reduced period may be used in some cases. If the individual is still employed by the Parent at the end of the vesting period, the employee is provided a cash bonus which must be used to repay the loan and the shares are then transferred to the employee.

Grant date	Vesting date	Exercise price	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at the end of the year Number	Vested and exercisable at the end of the year Number
2015								
19 August 2013	31 March 2016	$3.71	498,006	-	-	(100,715)	397,291	-
20 May 2014	31 March 2017	$3.84	-	458,432	-	(56,298)	402,134	-
Total			**498,006**	**458,432**	**-**	**(157,013)**	**799,425**	**-**
Weighted average exercise price						$3.76	$3.78	
2014								
19 August 2013	31 March 2016	$3.71	-	498,006	-	-	498,006	-

Measurement of fair values

The fair value of the LTI plan has been determined using the framework of the Black-Scholes and Margrabe option pricing models.

	2015	2014
Weighted average share price at grant date	$3.84	$3.71
Contractual life	2.86 years	2.61 years
Risk free rate	3.9%	3.7%
Standard deviation of Z share price	17.0%-22.5%	17.5%-22.5%
Standard deviation of NZX50	9.2%	9.0%
Correlation between Z share price and NZX50	0.32-0.54	0.28-0.57
Estimated fair value per share	$1.24	$1.26

The volatility and correlation measures were derived from measuring the standard deviation of Z's share price with reference to the standard deviation of returns for listed companies that operate in the NZ and Australian petroleum and retail sectors.

There was insufficient historical data to base the measures on Z's share price alone. The standard deviation of the NZX50 was based on historical returns for the NZX50 Gross Index over a three year period. The risk free rate was based on annualised government bond yield for the term.

(24) Share based payments

(Continued)

Assumptions have been made that the participants will remain employed with Z and will achieve the minimum performance levels in each period to the vesting date. Dividends paid on shares are not material to the value of the shares granted under the plan.

The fair value of the share based payments is recognised as an expense, with a corresponding increase in equity, over the vesting period of the plan. The expense relating to the LTI plan in the year ended 31 March 2015 is $0.4m (2014: $0.2m). The unamortised fair value of the remaining share at 31 March 2015 is $0.8m (2014: $0.5m).

An employee share purchase programme also exists which does not have a material impact on these financial statements.

(25) Related parties

Included in the Statement of Comprehensive Income are sales and expenses which arise from transactions between Group and associated companies. Such transactions comprise sales and purchases of goods and services in the ordinary course of business on normal trading terms, but also include dividends and interest.

Certain Z Directors have relevant interests in a number of companies with which Z has transactions in the normal course of business. A number of Z Directors are also Non-Executive Directors of other companies. Any transactions undertaken with these entities have been entered into as part of the ordinary business.

Key management personnel have been defined as the Directors, the Chief Executive and the Executive team for the Group. Executive members also participate in the Group's restricted share LTI Plan (see note 24).

(25) Related parties

(Continued)

	2015 $m	2014 $m
Transactions with related parties		
Received/(paid)		
Associates – sale of goods and services	**2**	2
Associates – purchase of goods and services		
Refining NZ – processing fees, customs and excise duties	**(465)**	(429)
Coastal Oil Logistics Limited - distribution	**(19)**	(19)
Other	**(29)**	(34)
Infratil Group		
Sales of goods and services	**1**	1
Tax subvention payment	**(1)**	-
Purchase of goods and services	**-**	(1)
Key management personnel		
Short-term employee benefits	**5**	4
Other long-term benefits	**2**	2
Termination benefits	**-**	1
Balances at the end of the period		
Associates – payable		
Refining NZ – processing fees, customs and excise duties	**(41)**	(40)
Other	**(1)**	(3)

(26) Commitments

Capital commitments relate to property, plant and equipment and contracts for the purchase of ETS units.

	2015 $m	2014 $m
Contracted but not provided for	**21**	18

(27) Contingent liabilities

The Group has a contingent liability in respect of back dated excise duty claims by the New Zealand Customs Service ("Customs") against WOSL (an associate of Z). The potential claims relate to duty arising on the volume of motor spirit manufactured as a result of the common industry practice of blending motor spirit with other substances that do not attract excise duty. Z has recorded a provision of $5m (2014: $5m) for any reassessed excise duty for the period January 2011 to March 2015. A letter was received by WOSL dated 4 May 2015 containing a reassessment of such excise duty and additional late payment duties for an amount in respect of which the Group's share could be up to $20m, and indicating that additional late payment duties for the period prior to 2007 may also be payable. The Group is not yet in a position to assess either the claim or the Group's share of it. Given this uncertainty, no additional or increased provision has been recorded for such excise duties (nor any excise duty that may relate to periods before 2007). There is no other contingent liability (2014: $5m).

(28) Contingent assets

The Group has no contingent assets (2014: $2m).

(29) Events after balance date

Subsequent to 31 March 2015 Directors have approved a fully imputed dividend of $0.165 per share, which is equal to $66.0m to be paid on 3 June 2015 (2014: $57.2m, $0.143 per share).

Independent auditor's report

KPMG

To the shareholders of Z Energy Limited

We have audited the accompanying consolidated financial statements of Z Energy Limited and its subsidiaries ("the group") on pages 73 to 107. The financial statements comprise the consolidated statement of financial position as at 31 March 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand and the New Zealand Equivalents to International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the consolidated financial statements.

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

Our firm has also provided other services to the group in relation to assurance and general accounting services. Subject to certain restrictions, partners and employees of our firm also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Opinion

In our opinion, the consolidated financial statements on pages 73 to 107 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the consolidated financial position of Z Energy Limited as at 31 March 2015 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

KPMG

6 May 2015

Wellington

Supplementary financial information

for the year ended 31 March 2015

The supplementary financial information does not form part of the financial statements. To assist in understanding the Group's performance, the directors have provided additional disclosure of the Group's results for the year on a replacement cost basis.

Income statement on replacement cost basis[1]

	2015 $m	2014[2] $m
Revenue	3,064	3,371
Excise and carbon expense	(562)	(546)
Purchases of crude and product	(2,073)	(2,311)
Primary distribution expenses	(25)	(25)
Cost of sales adjustment (COSA) (net of tax)	158	11
Operating expenses	(321)	(281)
Replacement cost operating EBITDAF	**241**	**219**
Share of earnings/(losses) of associate companies (net of tax)	10	(1)
Rerplacement cost EBITDAF	**251**	**218**
Depreciation and amortisation	(43)	(39)
Impairment	-	1
Loss on sale of fixed assets	-	(4)
Net financing expense	(37)	(33)
Loss on interest rate derivatives	(7)	(2)
Rerplacement cost net profit before taxation	**164**	**141**
Taxation benefit/(expense)	1	(37)
Tax on COSA	(44)	(3)
Rerplacement cost net profit before taxation	**121**	**101**

Notes:

1. Replacement cost is a non-GAAP measure used by the downstream fuel industry to report earnings on a replacement cost basis. The difference between HC earnings and RC earnings is the Cost of Sales Adjustment (COSA). Full reconciliation from Statutory Net Profit After Tax to RC operating EBITDAF is provided.
2. FY14 results are prepared on a pro forma basis. The difference relates to the pro forma information being prepared as if the listing and all the associated transactions had occurred on 1 April 2013.

Reconciliation from statutory NPAT to replacement cost operating EBITDAF

	2015 $m	2014 $m
Net profit for the year	7	95
Share of earnings in RNZ from 1 April to 18 August	-	4
Net financing expense from 1 April to 4 July	-	(8)
Replacement cost of sales adjustment (net of tax)	158	8
Taxation	(44)	2
Rerplacement cost net profit after tax	**121**	**101**
Depreciation and amortisation	43	39
Net financing expense	37	33
Other	7	5
Taxation (including tax on COSA)	43	40
Share of earnings in associates (net of tax)	(10)	1
Rerplacement cost net profit before taxation	**241**	**219**

GRI index

We've applied the Global Reporting Initiative (GRI) G4 guidelines to a 'Core' level of compliance. We've chosen not to have our first report third-party verified this year.

General Standard Disclosures

Standard disclosure	Standard disclosure title	Page number
Strategy and Analysis		
G4-1	Statement by CEO and chair	01 – 02
Organisational Profile		
G4-3	Name	02
G4-4	Primary brands, products, services	02
G4-5	Head office	113
G4-6	Locations	01
G4-7	Legal form	02
G4-8	Markets served	01 – 02
G4-9	Scale of organisation	01 – 02, 72 – 109
G4-10	Workforce	63
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G4-13	Business changes	10 – 11
G4-14	Precautionary approach	42
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Standard disclosure	Standard disclosure title	Page number
Identified Material Aspects and Boundaries		
G4-17	Organisation	72 – 109
G4-18	Report content and boundaries	03
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G4-20	Boundaries inside organisation	all except below
G4-21	Boundaries outside organisation	24, 25, 28
G4-22	Restatements	NA
G4-23	Changes	45
Stakeholder Engagement		
G4-24	Stakeholder groups engaged	04 – 05
G4-25	Selection of stakeholder	04 – 05
G4-26	Organisation's approach	04 – 05
G4-27	Key topics and concerns	04 – 05
Report Profile		
G4-28	Reporting period	01
G4-29	Date of previous report	73
G4-30	Reporting cycle	01
G4-31	Contact	113
G4-32	GRI compliance	Core
G4-33	Assurance	Not assured
Governance		
G4-34	Governance	52 – 56
Ethics and Integrity		
G4-56	Values	58

Specific Standard Disclosures

Economic

Economic Performance

Standard disclosure	Standard disclosure title	Page number
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G4-EC1	Direct economic value generated and distributed	08 – 09
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	48

Environmental

Energy

Standard disclosure	Standard disclosure title	Page number
G4-DMA	Generic disclosures on management approach	44
G4-EN3	Energy consumption within the organisation	44
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Water

Standard disclosure	Standard disclosure title	Page number
G4-DMA	Generic disclosures on management approach	47
G4-EN10	Percentage and total volume of water recycled and reused	47

Emissions

Standard disclosure	Standard disclosure title	Page number
G4-DMA	Generic disclosures on management approach	45
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	45
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	45
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	45
G4-EN19	Reduction of greenhouse gas (GHG) emissions	45

Effluents and Waste

Standard disclosure	Standard disclosure title	Page number
G4-DMA	Generic disclosures on management approach	41
G4-EN23	Total weight of waste by type and disposal method	41
G4-EN24	Total number and volume of significant spills	43

Transport

Standard disclosure	Standard disclosure title	Page number
G4-DMA	Generic disclosures on management approach	45
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	45

Supplier Environmental Assessment

Standard disclosure	Standard disclosure title	Page number
G4-DMA	Generic disclosures on management approach	45
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	45

Social

Labour Practices and Decent Work

Employment

Standard disclosure	Standard disclosure title	Page number
G4-DMA	Generic disclosures on management approach	57
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	59
G4-LA3	Return to work and retention rates after parental leave, by gender	59

Standard disclosure	Standard disclosure title	Page number
Occupational Health and Safety		
G4-DMA	Generic disclosures on management approach	42
G4-LA5	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	43
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	43
Training and Education		
G4-DMA	Generic disclosures on management approach	34
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	34
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	34
Diversity and Equal Opportunity		
G4-DMA	Generic disclosures on management approach	57
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	58

Standard disclosure	Standard disclosure title	Page number
Equal Remuneration for Women and Men		
G4-DMA	Generic disclosures on management approach	57
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	58

Society

Standard disclosure	Standard disclosure title	Page number
Local Communities		
G4-DMA	Generic disclosures on management approach	36
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	36

Product Responsibility

Standard disclosure	Standard disclosure title	Page number
Product and Service Labelling		
G4-DMA	Generic disclosures on management approach	16, 23
G4-PR5	Results of surveys measuring customer satisfaction	17, 23

Directory

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