

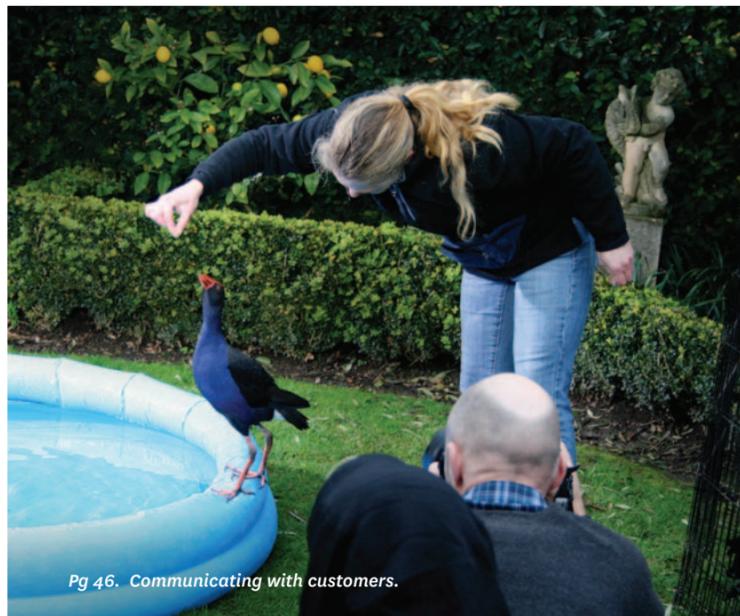


Genesis Power Limited

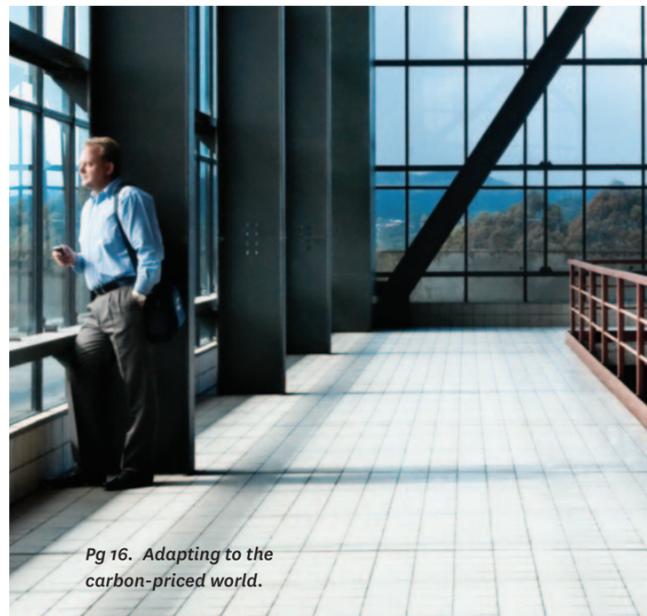
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Pg 46. Communicating with customers.



Pg 16. Adapting to the carbon-priced world.



Pg 32. Creating unique connections with New Zealanders.

## WE'RE PREPARED

*with a response to change  
our future focus and tackle  
future challenges...*

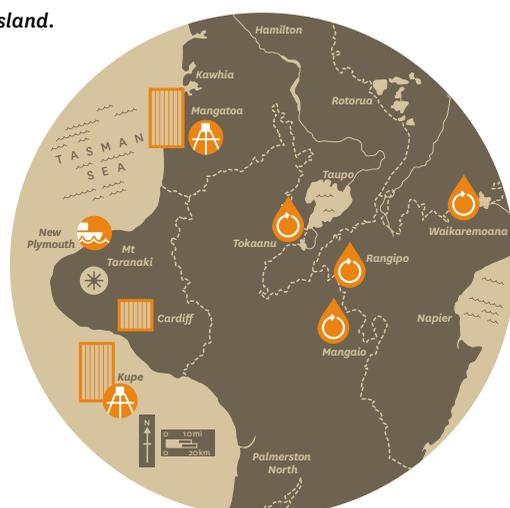
KEY INSIGHTS

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*Our resources include gas fields, prospects and hydro stations in the North Island.*

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## Chairman's report

### — Generating discussion

New Zealand's energy industry faces two major challenges: increasing demand for energy on the one hand and the need to reduce greenhouse gas emissions on the other. As the country's largest thermal generator, Genesis Energy shares part of the responsibility for meeting these challenges and, in the case of reducing emissions, can make the largest difference in the stationary energy sector.

*Genesis Energy must meet policy and regulatory requirements to reduce emissions while at the same time ensuring our customers are supplied with their energy needs. These challenges, combined with the need to make a reasonable return on our assets, are sometimes conflicting goals for our business which require a considered response from the Board and the senior management team. We are preparing the company for the future with a flexible and responsive business plan.*

Left to Right: Murray Jackson (former Chief Executive), Brian Corban (Chairman) and Andy Hema (Tongariro Maintenance Manager) at Rangipo Station.



*Genesis Energy has reported its highest-ever net profit after tax of \$99.1 million*

The conditions of the 2007/2008 year epitomised many of the complexities facing the company. Genesis Energy experienced periods of low and high generation during a year characterised by low lake levels and generation constraints. It was a roller-coaster year for the company as we encountered many of the generation scenarios envisaged in our strategic plan.

#### Financial performance

The extremes experienced during the year are reflected in the company's financial performance. Genesis Energy has reported its highest-ever net profit after tax of \$99.1 million, yet almost 70 per cent of the full year profit was earned in the second half and this was largely due to high volumes of production from our generating plant in the last quarter. Revenue was also up – an increase of 40 per cent to \$2,482 million from \$1,771 million in the previous year.

During the first half of the financial year, our electricity production business was required to burn expensive gas in Units 1 – 4 at Huntly as a result of surplus gas arising from delays in commissioning our new 400MW combined cycle gas turbine, Unit 5. This was not the most efficient use of the gas. Suppressed wholesale prices during the first half also impacted the returns for that period. As a result, our net earnings for the first half were largely achieved by our retail business, which has remained strong and vibrant, attracting new customers with new product offerings despite strong competition from other retailers.

#### Hydrology management drove output

Despite below-average hydro lake levels in the first half of the year, wholesale electricity prices were modest and our thermal plant, particularly Huntly Units 1 – 4, were dispatched far less often than we had forecast they would be.

The increased gas burn in Huntly Units 1 – 4, combined with the low overall generation output in the first half of the year, resulted in the coal stockpile increasing to 1.2 million tonnes at its peak. This highlights the challenges the company faces at Huntly as a result of hydrology and the market behaviour of our competitors.

Output from the Huntly site was again restricted during January with the worst Waikato River heating constraints experienced since the company commenced operating in 1999. Had it not been for the investment in a 250MW capacity cooling tower at Huntly in 2006, output would have been further constrained, placing pressure on the electricity system.

We interrupted our plans to drain the Poutu Canal within the Tongariro Power

Chairman's report continued



01

Scheme for major remedial work lasting several months in late summer/early autumn and urgently put the canal back into service in late March 2008 due to falling national hydro reserves. As the canal went back into service, we were fortunate to receive more rainfall in the Tongariro Power Scheme catchment restoring our hydroelectricity output which had been exceptionally low through summer due to drought conditions in the North Island.

During the period February to June 2008, national hydro reserves continued to fall and our thermal plant was dispatched at maximum capacity.

The hydrological conditions, which had largely kept hydro reserves below average in the first half of the year, were compounded by the decommissioning of the New Plymouth Power Station and Pole 1 of the HVDC interisland link.

Consumption of coal at Huntly Power Station grew from 10,000 tonnes of coal

a week in October 2007 to 10,000 tonnes per day in May 2008. At the end of the financial year, our total fuel burn reached 70PJ, at a cost of \$401.5 million.

Our new 400MW high-efficiency combined cycle gas turbine, Huntly e3p, now known as Unit 5, was taken over for operation on 29 June 2007. It has been the single biggest addition to the country's generation capability in eight years.

The integration of Unit 5 is a credit to the Generation Development and Production teams. The first planned maintenance outage was delivered both on time and on budget. Unit 5 generated 3,235GWh in the 2007/2008 financial year with an availability of 96 per cent. The availability and performance of the plant has been excellent.

Genesis Energy was involved in, and helped fund, a Powersavers conservation campaign during the latter weeks of the financial year. The electricity industry



02

worked together to put the campaign in place and undertook work to maximise generation out of existing plant and to send as much power as possible to the South Island to save water.

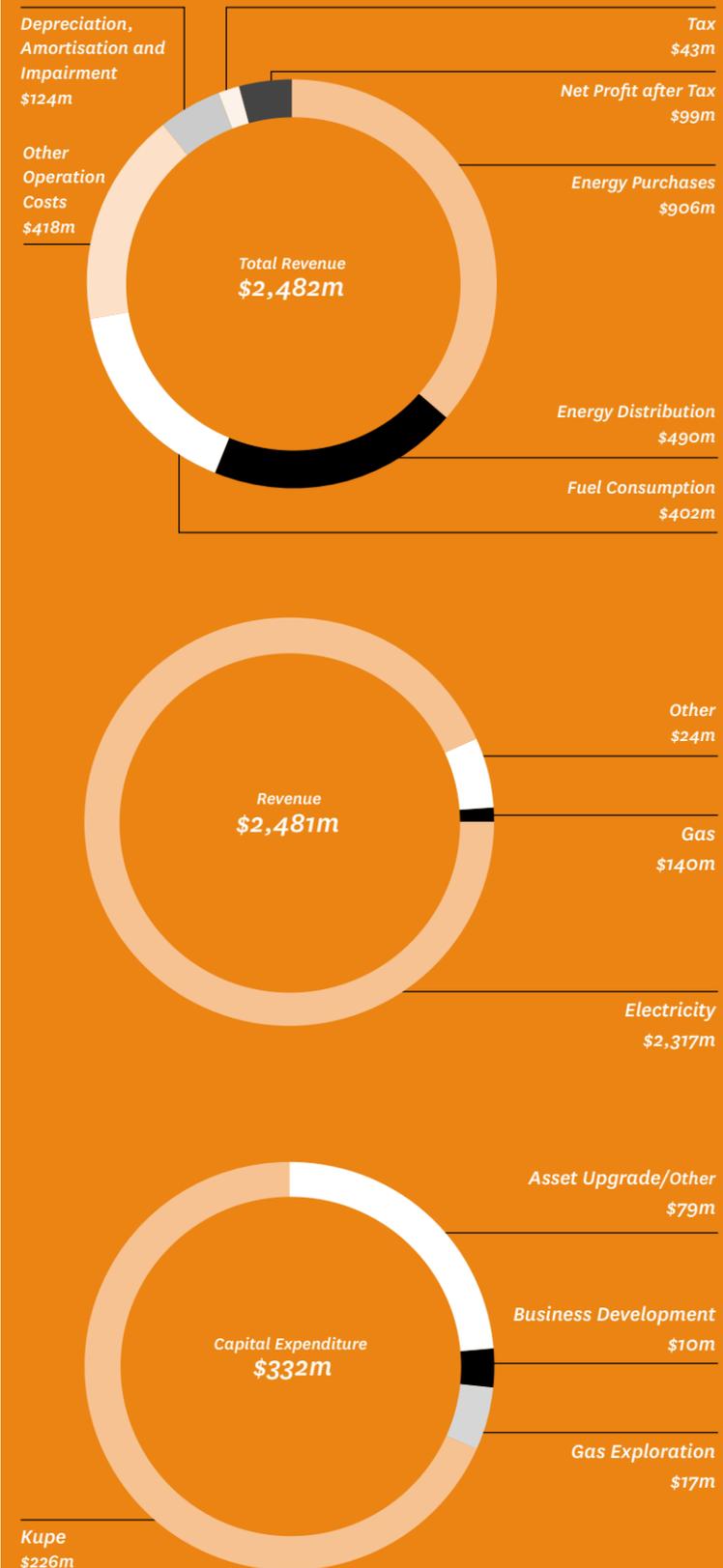
**Responding to changing policy**

The New Zealand Energy Strategy recognised the importance of Huntly Power Station to the New Zealand electricity system and Genesis Energy is committed to maintaining it as the country's backbone generator.

However, Huntly Units 1 – 4 are likely to sustain a more variable mode of operation with the introduction of new renewable energy sources, though retirement from the market ultimately depends on the level of backup generation needed to ensure security of supply.

Genesis Energy continues to underpin the risk exposure of hydro generators by maintaining without compensation coal reserves and by generating plant being available on call.

Our results for year ending 30 June 2008



Previous page:

- 01 **Brian Corban visiting the Taupo for Tomorrow classroom.**
- 02 **Signing extended agreement for Taupo for Tomorrow with Paul Green, DOC Regional Conservator.**

With the commencement of the proposed New Zealand Emissions Trading Scheme at 1 January 2010, the company will need, at a minimum, to surrender emissions credits to match emissions attributed to its thermal generation.

In the long-term, a greater use of low-emitting, high-efficiency, gas-fuelled generation and new renewable energy will reduce our reliance on coal-fired generation. However, in the short-term it is likely that Genesis Energy will be required to purchase and surrender a substantial number of carbon credits. For that reason, a carbon trading team has been established.

At this stage, Genesis Energy is seeking to minimise its exposure to future carbon liabilities through acquiring a portfolio of tradeable emissions credits. While important in its own right, Genesis Energy's 500MW of renewable generation becomes a fundamental platform to its production mix in an increasingly carbon-constrained world and the need to manage water allocation issues from catchments is also a significant strategic issue.

The company is also endeavouring to help its customers change their energy consumption behaviours. To that end, the Tree People campaign was launched in 2008. Tree People is an online, interactive initiative that encourages people, and mostly young people, to reduce their energy use by making pledges in order to grow a virtual tree. The Schoolgen programme also continued to grow with 16 schools generating their own solar power by the end of the year. The Schoolgen programme has so far resulted in the member schools reducing their combined carbon footprint by 4.2 tonnes.

With the ultimate goal of being able to assist customers to better monitor and manage their own energy usage, substantial progress has been made towards

## Chairman's report continued

the roll-out of advanced meters to residential customers. It is Genesis Energy's intention to commence a five-year staged roll-out of advanced meters to most of its electricity and gas customers from the first half of 2009.

**Investing in the future**

Capital expenditure during the year exceeded \$330 million with the company's key project being the offshore Kupe oil and gas field, in which Genesis Energy holds a 31 per cent interest. Substantial progress was made on the construction of the offshore platform, pipelines and processing plant during the year with first gas scheduled for the middle of 2009. Three operating wells have been drilled successfully in preparation to bring ashore oil and gas.

An additional exploration well, Momoho, drilled in the Kupe outer field was found to contain uneconomic reserves resulting in the expenditure incurred to 30 June 2008 being impaired. The Cardiff exploration well of which Genesis Energy holds a 40 per cent interest also was found to contain uneconomic reserves and has been impaired in the current financial year. Seismic recording began on the Mangatua prospect, a largely offshore licence between Awakino and Kawhia on the west coast of the North Island.

The company has continued to invest in its existing generation plant with the successful completion of the phased upgrade of the control and instrumentation equipment of a third Huntly unit. Another substantial project at the Huntly site is a condenser upgrade on three units with the first unit successfully completed during the year. Both of these upgrades will improve efficiency and reduce the likelihood of outages.

The company also completed a major upgrade of its retail customer

**Financial performance summary**

	12 months ended 30 June 2008	12 months ended 30 June 2007
Thermal generation GWh	7,575	6,318
Hydro and wind generation GWh	1,551	1,674
Total generation GWh	9,126	7,992
Average wholesale electricity price \$/MWh	115.13	52.29
Retail sales GWh	7,143	7,362
Average energy purchase price \$/MWh	113.5	56.5
Gas used in internal generation PJ	34.4	26.2
Coal used in internal generation PJ	35.8	40.9
Total fuel used in internal generation PJ	70.2	67.1
Gas sales PJ	6.8	8.8

information system, Gentrack, used to bill the company's large electricity and gas customer base. This upgrade is fundamental to our ability to consistently offer customers new energy products and services.

**Looking forward**

The years ahead hold great opportunities and challenges for Genesis Energy, including the need to continue delivering on all the above aspects of our business as well as the uncertainty around carbon, and the need to remain flexible in the uncertain world in which we operate. While these may appear imposing challenges, they are no greater than any other we have faced in the recent past and the Board is confident we will address them with the same expertise, commitment and single-mindedness we have always shown.

At the end of August 2008, our founding Chief Executive, Murray Jackson, departed the company. Murray has been the driving force behind the growth and success of Genesis Energy for almost 10 years. His contribution to the company, the community and the economy cannot be underestimated. The Board congratulates Murray for his achievements, commitment and passion for the business and wishes him well for the future.

Albert Brantley became Chief Executive of Genesis Energy on 1 September 2008. During the year, two members of the Board – Geraldine Baumann and Denis McNamara – completed their terms of office. The Directors thank them for their contribution and have welcomed Barbara Elliston and Sara Lunam to the Board. We also acknowledge the superb efforts of the Genesis Energy staff in meeting the energy needs of our customers in the past year.

We have more than demonstrated our ability to be nimble in the past and this is what will continue to be required of us in the future. We must continue to ensure that our generation assets and our people are well placed to accept the challenges and opportunities that come our way in what is a complex and changing energy landscape.



**Brian Corban, QSO**  
Chairman  
Genesis Energy

## Maori translation of Chairman's report

— Te Pūrongo A Te Tiamana

**He whakaara kōrero**

E rua ngā wero nui ki te ahumahi pūngao o Aotearoa: ko tētahi ko te piki haere o te tono pūngao, ko tētahi atu ko te hiahia ki te whakaiti i ngā putanga hau kōtuhī. Ko Genesis Energy te pukuhiko ngāwhā nui rawa o Aotearoa, ā, kei runga i a ia tētahi o ngā kawenga ki te whakatūtaki i ēnei wero, ā, mō te whakaiti i ngā putanga, ka taea e ia ngā panonitanga nui rawa i roto i te rāngai whakanao hiko, wera hoki.

Me tutuki i a Genesis Energy ngā whakaritenga kaupapa me ngā ture hei whakaiti i ngā putanga hau, ka mutu i taua wā tonu ko te āta whakarite kei te eke ngā whakararanga hiko ki tā ngā kaiutu e hiahia ana. Ko ēnei wero, tae atu hoki ki te huene kia hua he moni whitake mai i ā mātau hua, i ētahi wā he whāinga ēnei e tukituki ki te kaupapa o tā mātau pakihī, ā, e hiahia kia āta whakaarohia tētahi urupare mai i te Poari me te rōpū tumu whakahaere matua. Kei te whakaritea e mātau te pakihī mō ngā rā e tū mai nei me tētahi mahere pakihī mauminamina, ngāwari hoki.

I whakatauiratia e ngā āhuatanga o te tau 2007/2008 ngā whiwhiwhinga maha kei mua i tā mātau pakihī. I roto i te tau i kitea te hāhaka o ngā wai roto me ngā herenga tare, whakanaonga hiko hoki me ngā wā whakanaonga hiko iti me te rahi a Genesis Energy. He tau tēnei i pā mai ai ngā piki me ngā heke ki a Genesis Energy i te mea i pā mai ngā tūmomo āhuatanga whakanaonga hiko i matekietia i roto i tā mātau mahere ratauki.

**Whakatutukitanga pūtea**

Ko ngā mutunga mai i pā mai i roto i te tau kei te whakaatahia i roto i te whakatutukitanga pūtea a Genesis Energy. Kua pūrongotia e te pakihī tana huamoni more nui rawa atu i muri i te tāke, arā he

\$99.1 miriona, otirā tata ki te 70 paiheneti o te hua moni mō te tau katoa i hua mai i te wāhanga tuarua o te tau, ka mutu ko te nuinga o tēnei i riro mai nā ngā huanga nui mai i ā mātau teihana pūhiko i te hauwhā whakamutunga o te tau. I piki anō ngā whiwhinga moni, arā, 40 paiheneti te piki ki te \$2,482 miriona mai i te \$1,771 miriona i te tau o mua atu.

I roto i te wāhanga tuatahi o te tau pūtea i whakahauhia tā mātau pakihī huanga hiko ki te tahu kapuni nui te utu i ngā Wāhanga 1 – 4 i Rāhui Pōkeka nā ngā toenga kapuni i pupū i te tōmuri o te whakaaetanga ki tō mātau pukuhiko kapuni hou 400MW (Wāhanga 5). Ehara tēnei i te whakamaahi kakama i te kapuni. Ko ngā utu hoko rarawe i pēhia i te wāhanga haurua tuatahi o te tau i pā hoki ki ngā hua moni mō taua wā. Nā tēnei i riro mai te nuinga o ngā moni hua more mō te wāhanga haurua tuatahi mai i tā mātau pakihī hokohoko, e noho kaha me te tīkorikori tonu, te whakamanea i ngā kaiutu hou me ngā tukutanga hua hou ahakoa ngā whakataetae kaha mai i ētahi atu kaihokohoko.

**Nā te whakahaere wai hiko i ārahi i ngā putanga**

Ahakoa i raro ngā tau toharite o ngā pae roto whakahiko i te wāhanga haurua tuatahi o te tau, āhua iti ngā utu hoko rarawe, ka mutu ko ā mātau teihana ngāwhā, otirā ngā Wāhanga 1 – 4, he tino iti te whakamaahi ki tērā i tūmanakotia. Ko te whakapiki i te tahu i te kapuni i ngā Wāhanga 1 – 4 i Rāhui Pōkeka, me ngā putanga whakanao hiko iti whānui i te wāhanga tuatahi o te tau, i eke ngā putunga waro ki te 1.2 miriona tana te nui rawa. E whakaatu tēnei i ngā wero kei mua i te pakihī i Rāhui Pōkeka nā te wai hiko me te whanonga o te māketē

mō ā mātau hoa whakataetae. I whakatikihia anō ngā putanga i Rāhui Pōkeka i te marama o Kohitātea me ngā whakatiki whakawera i te awa o Waikato tino hē mai i te ōrokohanga o te pakihī i te tau 1999. Mēnā kāore i tuku haumi mō tētahi pourewa whakamakariri i Rāhui Pōkeka i te tau 2006, ka tino whakatikihia rawa atu ngā putanga me te whakataumaha i te pūnaha hiko.

I aruaruhia e mātau anō tā mātau mahere ki te tātari i te Waikeri o Poutu i roto i te Kaupapa Hiko a Tongariro mō ngā mahi whakatika nui e haere ana mō ngā marama maha i te pito o te raumati ki te tīmatanga o te koanga me te whakatika whāwhai i te waikeri kia mahi anō i te mutunga o Poutū-te-rangi 2008 nā te hāhaka haere o ngā putunga wai hiko ā-motu. I te mahitanga anō o te waikeri, i waimarie mā tau i whai ua anō ngā awa o te Kaupapa Hiko a Tongariro me te whakapiki anō i ngā putanga wai-hiko i tino hāhaka haere i roto i te raumati nā ngā āhuatanga tau-rakitanga i Te Ika-a-Māui.

Mai i te Hui-tanguru ki te Pipiri 2008 i heke haere tonu ngā putunga wai hiko ka whakahauhia te teihana ngāwhā ki te mahi ki tōna kaha mutunga rawa.

I whakauauatia ngā āhuatanga mō ngā mahi wai hiko, i pupuri hoki i ngā putunga wai hiko ki raro i ngā tau toharite i te wāhanga tuatahi o te tau, nā te katitanga o te Teihana Hiko o Ngāmotu me te Pou 1 o te hononga HVDC i waenga i Te Ika-a-Māui me Te Waipounamu.

I whakapikitia te whakapau waro i te Teihana Hiko o Rāhui Pōkeka mai i te 10,000 tana waro i te wiki i te marama o Whiringa-a-nuku 2007 ki te 10,000 tana i te rā i te marama o Haratua 2008. I te mutunga o te tau pūtea i eke te tōpū tahu waro ki te 83PJ, ko te utu he \$401.5 miriona.

## Maori translation continued Haere tonu te whakamāori Māori

Ko tā mātau pukuhiko kāpuni kakama nui 400MW hou, arā, te e3p o Rāhui Pōkeka, e mōhiotia ana ināianei ko te Wāhanga 5, i taunahatia ngā whakahaerenga i te 29 o Pipiri 2007. Koinei te tāpiritanga takitahi nui rawa atu ki ngā āheitanga whakanao hiko o te motu i roto i ngā tau e waru. Ko te kōmitimititanga o te Wāhanga 5 i hua nā ngā rōpū Whanaketanga Whakanao Hiko me te Huangā. Ko te mahi whakatikatika aukati tuatahi i whakatakototia i tutuki i te wā tika me te ū tika ki te whakatakotoranga pūtea. He 3,235GWh i mahia e te Wāhanga 5 mō te tau pūtea 2007/2008 me te 96 paihēneti o tōna wāteatanga. Kua eke katoa ngā tūmanako mō te wāteatanga me te whakatutukitanga o te teihana. I whai wāhi, i āwhina hoki a Genesis Energy ki te tuku pūtea mō tētahi whakahau tiaki Powersavers i ngā wiki whakamutunga o te tau pūtea. I mahi tahi ngā umanga hiko katoa ki te whakatinana i te kaupapa, ā, i mahi tahi anō kia eke ngā mahi ki tōna mōrahi mai i ngā teihana me te tuku hiko mutunga rawa ki Te Waipounamu hei penapena wai.

### Te urupare ki ngā kaupapa hurihuri

I āhukahukatia e te Rautaki Pūngao o Aotearoa te hiratanga o te Teihana Hiko o Rāhui Pōkeka ki te pūnaha hiko o Aotearoa, ā, e mau pūmau tonu ana a Genesis Energy kia noho taua teihana hei pukuhiko taituara mā te motu katoa. Engari, ko te āhua nei ka taurangi te āhua o te whakahaere i ngā Wāhanga 1 – 4 o Rāhui Pōkeka me te whakaurutanga o ngā puna pūngao hangarua, ahakoa ko te tango i ngā teihana mai i te māketē kei te nui o ngā putunga hiko tautoko e hiahiatia ana hei whakapūmau i tōna tukutanga. E papare tonu a Genesis Energy i te mōrearea o ngā pukuhiko wai mā te mau

tonu me te noho mataara o ngā putunga waro me te teihana mahi hiko mō te kore utu paremata.

Nā te tīmatanga o te Kaupapa Whakawhiti Putanga o Aotearoa ā te 1 o Kohitātea 2010, e hiahiatia ana te pakihi kia tuku, i te iti rawa, ngā whiwhinga putanga hei whakakapi i ngā putanga mai i ana pūhiko ngāwhā.

I roto i te wā roa ko te whakamahi nui i ngā pūhiko kapuni whai kakama, putanga iti hoki me ngā pūngao hangarua hou ka whakaiti i te whirinakitanga ki ngā pūhiko tahu waro. Engari, i roto i te wā poto ko te āhua nei e herea ana a Genesis Energy ki te hoko me te tuku i ngā whiwhinga waro maha. Nā tērā i whakatūhia he rōpū hokohoko waro.

I tēnei wā, e rapu ana a Genesis Energy ki te whakaiti i tana mōrearea ki ngā taunaha waro ā tōna wā mā te whakaemi i tētahi kōpaki whiwhinga putanga ka taea te hokohoko. Ahakoa he mea nui i runga i tōna ake kaupapa, ko te pūhiko hangarua 500MW a Genesis Energy ka noho hei tūāpapa taketake ki roto i ōna kohinga pūhiko i roto i tētahi ao e iti haere ana te waro, ā, ko te hiahiā anō ki te whakahaere tauwhiro i te tohanga wai mai i ngā puna awa, koinei tētahi take rautaki nui anō.

Kei te ngana anō te pakihi ki te āwhina i ana kaiutu ki te whakarerekē i ō rātau whanonga whakapau pūngao. Nā tēnei ka whakarewahia te whakahau Tree People i te tau 2008. Ko te Tree People he kaupapa pāhekoheko ā-ipurangi e whakatītina ana i ngā tāngata, ko te nuinga he taiohi, ki te whakaiti i ā rātau whakapaunga pūngao mā te kī taurangi ki te whakatipu i tētahi rākau ā-ipurangi. E tipu haere tonu ana te kaupapa Schoolgen me te mahi hiko kōmaru o

ngā kura 16 i te mutunga o te tau. Nā te kaupapa Schoolgen kua whakaitihia e ngā kura o tēnei kaupapa ō rātau pānga waro mā te 4.2 tana.

Ko te whāinga taumata ko te āwhina i ngā kaiutu kia pai ake tā rātau aroturuki me te whakahaere i ā rātau ake whakamahitanga pūngao, ā, kua kaunēke rawa atu te haere ki te whakaputa i ngā pūrere ine matatau ki te nuinga o ā mātau kaiutu hiko, kapuni hoki mai i te wāhanga haurua tuatahi o te tau 2009. E rima tau te roa o taua kaupapa mahi.

### Te haumi ki roto i ngā rā e tū mai

Ko ngā whakapaunga moni i roto i te tau i eke ki te \$330 miriona, ā, ko te kaupapa matua a te pakihi ko te papa kapuni me te hinu o Kupe i te moana, he 31 paihēneti ngā pānga o Genesis Energy. He nui te kaunēketanga o ngā hanganga i te pūhara moana, ngā paipa me te teihana mahi i roto i te tau, ā, e tūmanakohia ana te kapuni tuatahi mō te weheruatanga o te tau 2009. E toru ngā puna kua wero tikahia mō te whakareri ki te heri mai i te hinu me te kapuni ki uta.

Ko te puna tāpiri, a Momoho, i werohia i ngā wāhi ō waho rawa o te papa o Kupe, ā, kitea kāore i whaihua ngā putunga, whāia ka ngaro te whakapaunga ki te 30 o Pipiri 2008. Ko ngā raputanga puna i Cardiff, he 40 paihēneti ngā pānga o Genesis Energy, i kitea anō i koinei kāore i whai hua ōna putunga, ā, kua pāngia anō ki te tau pūtea mōhoā nei. I tīmatahia hoki ngā mahi ine i Mangatōa, he raihana kei te moana i waenga i Awakino me Kāwhia i te taha hauāuru o Te Ika-a-Māui.

Kei haumi tonu te pakihi ki roto i ana teihana pūhiko me te whakaoti pai o te whakahoutanga raupapa o ngā taonga whakatina me te mahi o tētahi

“E mau pūmau tonu ana a Genesis Energy kia noho te Teihana Hiko o Rāhui Pōkeka hei pukuhiko taituara mō Aotearoa”

01 **Brian Corban** visiting the Taupo for Tomorrow classroom.

Ko Brian Corban, kei te taiwhanga ako o 'Taupo for Tomorrow'.



01

wāhanga tuatoru i Rāhui Pōkeka. Ko tē tahi atu kaupapa nui i Rāhui Pōkeka ko te whakahoutanga pūrere whakatōtā o ngā wāhanga e toru me te whakaoti pai i te wāhanga tuatahi i roto i te tau. Ka whakapai ake ēnei whakahoutanga i te kaka-matanga me te whakaiti i te pānga mai o ngā whakawetotanga. Ka tutuki anō i te pakihi tētahi whakahoutanga o tana pūnaha pārongo kaiutu hokohoko, arā, Gentrack, hei tuku pire ki ngā kaute a ngā kaiutu hiko me te kapuni 700,000, tae atu ki Energy Online. He mea taketake tēnei whakahoutanga e whai kaha ana mātau ki te tuku haere tonu i ngā ratonga me ngā hua pūngao hou ki ngā kaiutu.

### Te titiro whakamua

Kei roto i ngā tau e tū mai ana ngā mea angitu nui me ngā wero mō Genesis Energy, tae noa ki te whakarato haere tonu i ngā āhuatanga katoa o tā mātau pakihi i runga ake me ngā āwan-gawanga mō te waro, me te hiahiā anō ki

te noho ngāwari tonu i roto i tēnei ao ā wangawanga e mahi nei tātau. Ahakoa ki te tirohanga he marutuna ēnei wero, kā ore e nui atu ki ērā kua pā mai i roto i ngā rā kua hipa me te noho māia o te Poari ka whakaritea e mātau i runga anō i taua ngaioatanga, pūmautanga me te ngākau tapatahi e whakaputa tonu ana e mātau. I te mutunga o te marama o Here-turikōkā 2008, i wehe te Manahautū tuatahi, a Murray Jackson mai i te pakihi. Ko Murray te kaiarataki i te tipu haere me te toa o Genesis Energy mō ngā tau tata ki te 10. Kāore e taea te whakaiti ana tino whai wāhitanga ki te pakihi, ki te hapori me te ōhanga whānui. E whakamahi atu te Poari ki a Murray mō ana whakatu-tukitanga, tana pūmautanga me tōna manawanui ki te pakihi me te tuku mihi whakaaro ki a ia mō ngā rā e tū mai nei. I roto i te tau, e rua ngā mema o te Poari – Geraldine Baumann rāua ko Denis McNamara – i tutuki i a rāua tō rāua wāhanga i runga i te Poari. Ka whakamahi

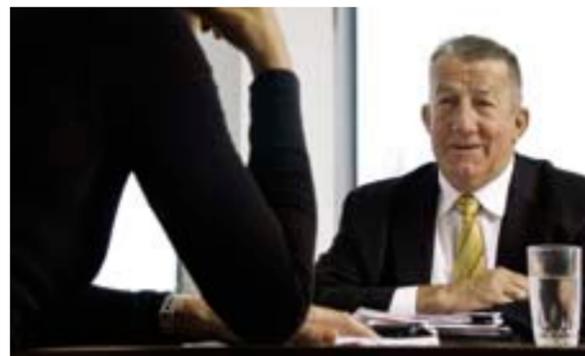
atu ngā mema o te Poari ki a rāua mō ō rāua whakapau kaha me te pōhiri mai i a Barbara Elliston rāua ko Sara Lunam ki te Poari. E whakamana ana anō mātau i ngā kaha whakamā haro o ngā kaimahi a Genesis Energy mō te tutuki i ngā hiahiā pūngao o ā mātau kaiutu i roto i te tau kua hipa.

Kua tino eke rawa atu i a mātau tō mātau āheitanga ki te mahi wawe tonu i ngā rā ki muri, ā, ka mau tonu mātau ki tēnei mō ngā rā kei mua i a mātau. Me mātua whakarite e mātau e tika ana te

noho a ā mātau rawa pūhiko me ā mātau kaimahi ki te whakatūtaki ki ngā wero me ngā mea angitu e arā mai ana i roto i tētahi horopaki pūngao whiwhiwhi, panoni haere hoki.

**Brian Corban, QSO**  
Tiamana  
Genesis Energy

**An interview with Murray Jackson**  
 — Chief Executive, April 1999 – August 2008



**“A fleeting interest in an unloved, unwanted oil and gas field has, for us, turned into a \$1.75-billion revenue project, for an outlay of \$400 million.”**

— Murray Jackson

**Q & A**

**After an extraordinary ten years that began with a small office in Manukau City and a handful of staff, Genesis Energy has grown into an asset-rich business with the largest retail gas and electricity base in the country. But there’s much more to Genesis Energy than margins and balance sheets. As foundation Chief Executive Murray Jackson prepares to take on new challenges back in Australia, we discuss the mark he’s made on our country, with his business acumen, his community projects and an enviable company culture that’s strong enough to withstand his departure.**

**Murray, you were there at the beginning of Genesis Energy in April 1999. What was your initial focus?**

Well my first assignment, on a three-year contract, was to determine whether in fact this company comprising a diverse set of assets, divvied up through the split of ECNZ, could become a viable competitive business. I took accommodation in Auckland, down on Tamaki Drive, within running distance of the office, expecting it to all be over in a few years. However, it soon became apparent that Genesis Energy could be a strong competitive energy company and that the shareholder was looking to long-term ownership. The challenge then became to grow the business and the

dividends to the shareholder. There was a clear long-term focus, which was very appropriate and timely as it enabled me to focus on some more robust investments and look at the assets of the business, the people and the market share over a longer period.

At the beginning, there was grave concern at Board and media level that this company was at risk. It was the only large fuel-burning generator in New Zealand and it looked like it could be pushed out of the market by competitors, who were primarily relying on hydro reserves. A file of newspaper clippings was even sent to my home in the Australian Alps [where he’d just concluded a five-year term as commissioner of the Snowy Mountain Hydro scheme]. I saw there were a number of steps that needed to be taken to ensure that it wouldn’t be the runt of the litter, as had been foreshadowed.

**What steps were these?**

I felt that if we were at risk in the wholesale market, we’d need a substantial retail base to cover our position. Therefore, when it rains and the prices collapse, the

*“The challenge became to grow the business”*

An interview with Murray Jackson  
continued

company won't collapse. On the other side of the equation, when we have a drought sequence and abundant fuel reserves, Genesis Energy becomes the major supplier in the market and the company will be rewarded appropriately. Those two extremes have been happening, year in year out, in the 10 years since the company was founded. It's difficult but it works through good management by the Genesis Energy team.

In the early days when we had only a handful of customers, we'd roster ourselves on Saturdays to go into shopping malls and make ourselves known to customers. At that early stage,

*"We would go into malls to make ourselves familiar to customers and the community"*

I investigated the possibility of forming a partnership with other retailers but we eventually acquired the retail business of NGC, (formally TransAlta) taking our portfolio of electricity customers from 150,000 customers to over 500,000 customers. We made some other decisions, such as committing to the Hamilton call centre to be closer to our customer base, and establishing a gas portfolio, which is now the largest gas retailing portfolio in New Zealand. So this has all essentially underpinned what was otherwise a 20-year-old coal-fired power station which people looked down their noses at!

Another move was to acquire Energy Online. It provides Genesis Energy with a retail platform that can move quickly to secure new business across the country. It manages 65,000 customers from its contact centre in Newmarket and can now offer gas to customers.

**And along the way you built Huntly e3p?**

Yes, we knew somebody was going to have to build the next block of generation in New Zealand and I realised at an early stage that the Huntly Power Station was nearing its mid-life. I worked very hard to make sure we were the next proponents of a large power generator. And we did that – it was a 400MW machine, a \$500-million investment and a very successful one. This last financial year, the machine has been on full output nearly every day except for a five-day scheduled shutdown for service. Through the month of June, it achieved 100 per cent availability, which allowed us to pull through this last drought sequence.

**The Kupe Oil and Gas field has been another significant investment for Genesis Energy.**

In the early days, we were quietly increasing our interest in Kupe and because we had foreshadowed that the gas could possibly be worth as much as \$4 a GJ and oil as much as \$20 a barrel, we were approached by a number of overseas oil and gas exploration companies wanting to buy it out. It was very attractive to many developers from Houston, Texas. I held my line that there was no way that others were going to get Kupe away from me.

**And how has Kupe developed?**

We took our shareholding up to 81 per cent, then went to the market and sourced expressions of interest for someone to come in as operator of the



01

field and run it. Origin Energy Resources from Australia came on as 50 per cent partner, with our conditions allowing us to retain 100 per cent of the gas and 31 per cent of the oil from the field. A fleeting interest in an unloved, unwanted field has turned into a \$1.75-billion revenue project, for an outlay of just \$400 million. Kupe comes online in mid 2009. Again, like expanding our retail base, this underpins our investments and gives us certainty about future gas supplies.

**How else have you prepared Genesis Energy for the future?**

Well, coal is an interesting example. We saw that our coal reserves were being used up rapidly as a result of the Maui



02

**Previous page**

01 Murray Jackson with first intake of apprentices in 2005.

**This page**

02 Celebrating the First Anniversary of Genesis Energy.

03 Murray with Schoolgen display panel at Westlake Girls High School.

redetermination. Solid Energy is our principle supplier but they risk getting into trouble with rain and mud slips. So we decided we needed to find another source of coal to protect us. We knew there were log boats of 36,000 tonne capacity going off the East Coast to Malaysia and then coming back empty, so we started negotiating, found a source of coal that was suitable for Huntly's boilers, and then arranged for the boats to

come back past Indonesia's Kalimantan. We in no way want to be importers, we want to use our own resources, but having this alternative source of fuel provides protection for our business. Also, our new investments are gathering speed. We're working on wind farm projects, completing magnetotelluric studies on geothermal prospects at Tokaanu and commissioning mini-hydro schemes on the upper Tongariro catchment. All



03



04

04 Visiting staff at Tokaanu Power Station.

of these projects really give a buzz to the company.

**So the entire company is aware of your investments and explorations?**

We run what I call an 'open government' and it does require a lot of trust. If you were to attend our quarterly staff meetings for example, you'd learn a lot about strategies across the company. Generally these are held at Huntly because 250-300 people will turn up. They get

An interview with Murray Jackson  
continued

“I like putting people together, letting them grow and then supporting them.”

exposure to every part of the business, from our current proposals such as seismic researching for oil and gas fields at Mangatua through to the new smart metering proposals. And the executive team meets every Friday morning, so everyone knows what's going on, knowledge is shared and, if you're there, you're part of the decision-making. Feed-forward and feedback with our 500 staff are very much part of our business model.

**Is that something that came about organically or had you experienced this model before?**

As a young engineer in the Australian power industry, I worked amongst staff who would come to work at 7am and assemble in the freezing cold workshop ready to work, but would have to wait until 9am for instructions. Then in the afternoon they were often forced to ring their mums to say they'd be late for dinner, because they were staying behind to finish a job. Now we have changed all that with individuals sharing in decision-making and solving problems. We've got to a stage now where people own the business.

**How did the Genesis Oncology Trust come about?**

We were looking around for something that staff could contribute to and, after lots of discussion, the one thing that stood out for all of us was the dreaded cancer. So we had discussions with the Cancer Society, who introduced us to Dr Douglas Ormrod, who manages the grant rounds for the Neurological Foundation and now for the Genesis Oncology Trust. We established a Trust which has accumulated

sufficient funds now to award a million dollars a year in grants, in perpetuity. I remember a politician once saying to me, "With that money you could buy two linear accelerators", and I said, "But then what would my people do?" I thought, "No, you buy the linear accelerators and we'll make sure the radiologists are trained and don't migrate to hospitals in Sydney". Grants cover the full range of cancer research, postgraduate development and palliative care. Each month, 65,000 Genesis Energy customers contribute a dollar or more on their energy bill and our staff dream up events to help raise funds for the Trust.

**What has been your approach to career development?**

We are now mature enough that you can develop your career within the company. A typical executive may have started life as an apprentice, then become a technician and a plant operator, then come up to Greenlane to be a trader in the electricity market. We have a policy of having 10 per cent of our workforce as trainees across all classifications and my executives are measured on the number of trainees in their units. Due

to the number of vacancies arising from the growth of Genesis Energy and retirements, we have embarked on a National Apprenticeship Programme which utilises up to 20 industrial firms to take on up to 20 apprentices each year. We have recruited 60 apprentices so far into this programme with outstanding results.

**Genesis Energy has been involved in all manner of community projects, from sponsoring Taranaki rugby**

**through to fitting schools with solar panels. And I'm told you never miss the annual Golden Shears competition?**

Yes, I like the Golden Shears. I was born in a shearing shed. We're the major supplier of electricity and gas in the rural sector so shearing sheds and irrigation are all on our patch. Before we entered into a contract to sponsor Taranaki Rugby, the public was unsure who we were, often confusing us with Genesis Farm products or Genesis Research. Taranaki Rugby put us in the households of New Zealand. And Schoolgen, which involves putting photovoltaic solar panels into schools, has been good. Again it's that same approach of getting tomorrow's leaders to understand what sort of decisions you could make to manage your energy requirements.

**Is solar power going to be a significant energy source of the future?**

Well it's complementary; it's very good for a solar boost on hot water, for example. The water temperature right now in the Waikato is 12 degrees at best and we're wanting to get that water up to about 40 degrees, so if you can put just two degrees into that water through solar, that's great. What you'd like to happen is for the panels to be built into the architecture, rather than just bolted onto existing buildings.

**In what state is the company that you leave behind on August 29th?**

I think the company has a very good handle on its risk management and its assets; it's certainly got a good spread of retail business across the country, a strong generation base and, above all, it's got a great team of people with a lot of energy. And the feeling amongst the Executive is, it wouldn't matter who

“Feed-forward and feedback are very much part of our business model.”

01 **The proud engineer with the new 400MW gas turbine.**



01

came in to run this company, it wouldn't change the culture of this place. It's a 'get on and do it' culture. Decisions are made by the team and they have abundant experience. We don't do things in isolation from each other. The successful switch of generator controls on Huntly Unit 1 - 4 from analog to digital, and the replacement of condensers on the same machines reflects the 'can do' attitude.

**What are some of the challenges ahead for Genesis Energy?**

Carbon capture is clearly a major one given that we are a thermal generator facing carbon pricing. We have to achieve the right mix of renewable energy to balance out the traditional thermal energy that has been the backbone of the company. So, when we go forward, we have renewables and we have our backup thermals. And it's a great spot to be in. We don't run around telling everyone but we have 500MW of hydro capacity. We'd like to have more than that, so we're now building mini-hydros

as well. We're also looking at geothermal and, of course, wind. So it's in good shape. The culture has grown to the stage where staff feel accountable. It is a very open company, ready to take on new challenges.

**What is next for you?**

I've had a number of approaches with respect to further work in the power sector in New Zealand and Australia, but what really appealed to me was the opportunity to work on water reform. At the end of the day, whilst energy's been a scarce commodity, water is the ultimate scarce commodity. Wastewater needs to be reused and water that's lost out of circulation needs to be recaptured. I'll be managing director of one of the water authorities in Victoria, and one of a group of executives working towards real-time pricing of water at a wholesale level, then reflecting that through the retail markets, in much the same way as we've done with electricity.

**And are you looking forward to getting back to Australia?**

It will be great to catch up with my three children, seven grandchildren, family and friends. But in a sense I go where the challenges exist. I'd never leave New Zealand otherwise. New Zealand has been good to me. And there's still lots of the country I've yet to see. I haven't been to the tip of the north or the tip of the south; I still have to do the Milford Track and Ninety Mile Beach. Between work commitments and challenges within the community, you don't tend to leave yourself spare weekends to pack your tramping bags. That will come in time.

**And when you do have a spot of downtime?**

I make time to swim and surf the best beaches and ski the best mountains. I also love my golf. I've captained golf clubs and I've even built golf courses in my time, and I have golf courses waiting to be built.

**It seems that you are, at heart, a builder.**

Yes, well that equates to building physical things as well as building organisations. I like putting people together, helping them grow and then watching them succeed.

Murray Jackson  
Chief Executive  
Genesis Energy  
August 2008

## Responding to the New Zealand Energy Strategy and Emissions Trading Scheme

**WE KNOW THE ENERGY SECTOR IS CHANGING. WE ARE PREPARING FOR THE FUTURE OF CARBON PRICING AND TRADING.**

*Changing times: Peter Kimber – from cadet to Huntly Plant Operator and Wholesale Market Manager to Carbon Strategy Manager. His career at Genesis Energy mirrors the changing times.*

## WE'RE PREPARED

*Genesis Energy is ready to adapt quickly to the carbon-priced world.*

The 'Objective' to which each article corresponds is shown with a number. For more detail about each objective, please see the Targets and Actions table on page 132.

**Objective 7: To develop and constantly improve internal policies and strategies to allow Genesis Energy to effectively respond to external climate change policies and regulations.**

**We are preparing to meet key Government policy changes**

**The major Government energy and climate change policy initiatives announced in the New Zealand Energy Strategy (NZES) and the Framework for a New Zealand Emissions Trading Scheme (ETS) have substantially altered the strategic outlook for Genesis Energy.**

As a result, the company is now preparing itself for the onset of a carbon-priced world and the need to reduce carbon emissions from its generating activities. As a substantial emitter of carbon dioxide, Genesis Energy must adapt quickly to the carbon-priced world.

Genesis Energy's strategic theme of 'delivering responsible energy solutions to our customers' has not altered but the company is placing more energy and focus in certain areas:

- We are actively seeking to build more renewable generation and high-efficiency gas turbines to displace carbon-intensive generation; and
- We are rapidly building up our resources, skills and knowledge in the field of carbon credit trading in preparation for the introduction of an emissions trading scheme.

Genesis Energy is accelerating its renewable generation research and developments. We are also seeking to contribute to national grid security by developing other legislation-compliant thermal generation projects.

The magnitude of the recent policy initiatives and their likely impacts present a range of significant operational challenges for Genesis Energy. In our submission

on the NZETS, we voiced our concern over a range of uncertainties that fall out of the policy.

Some of the key uncertainties are:

- The cost of carbon credits and their availability;
- The impact of carbon charges on generation output from Huntly Power Station (Units 1 – 4);
- The ability to recover the cost of acquiring a substantial number of carbon credits;
- The impact of the renewable preference clause on gas exploration; and
- The cost and timing of renewable energy investment.

Added to these uncertainties are the risks of an increasingly vulnerable transmission grid, access and timing of gas supplies and ongoing regulatory uncertainty.

### Managing the carbon liability

Genesis Energy will have one of the largest carbon liabilities of any company in New Zealand. We recognise this fact and are preparing to manage the liability accordingly.

The NZES recognised the importance of the Huntly Power Station to the New Zealand electricity system and Genesis Energy is committed to maintaining it as the country's backbone generator. However, Huntly is likely to sustain a more variable mode of operation with the introduction of carbon pricing. It is not likely to be retired as a result of the New Zealand ETS but may have a more flexible operating range depending on the commissioning of new renewable energy generation and the cost of acquiring carbon credits.

When the NZETS is up and running, the company will need to surrender emissions units to match emissions attributed to its thermal generation. The company will be required to manage a direct annual carbon emissions obligation of between 3.5 and 5.5 million tonnes amounting to \$140 million to \$220 million per year, based on an emission

Upper North Island interests



continued

**Our renewable energy plans**

credit value of \$40. The company's immediate challenge is to secure a portfolio of emissions credits.

A key move in the past financial year was the formation of a carbon strategy and trading desk, reporting to the General Manager of Production and Trading. The team is developing a strategy to manage the company's carbon liability.

**Objective 3: To reduce the carbon intensity of Genesis Energy's generation portfolio over time.**

**Genesis Energy's 500MW of hydro and wind generation has, over the years, proved to be an essential contributor to the company's generation portfolio. The country's need for more renewable generation is well accepted and Genesis Energy is actively seeking economically viable opportunities.**

The company is positive about building more renewable generation assets and is actively pursuing new project opportunities in many renewable technologies. Genesis Energy has a firm focus on hydro and wind and is positioned to enter geothermal generation.

Genesis Energy has completed a magnetotelluric 'MT' resistivity survey of the Tokaanu-Waihi prospect, south of Lake Taupo, with the view to entering the geothermal generation arena.

The move is an important one for the geothermal movement in New Zealand with Genesis Energy entering this space for the first time. Previously, landowners in New Zealand's geothermal region

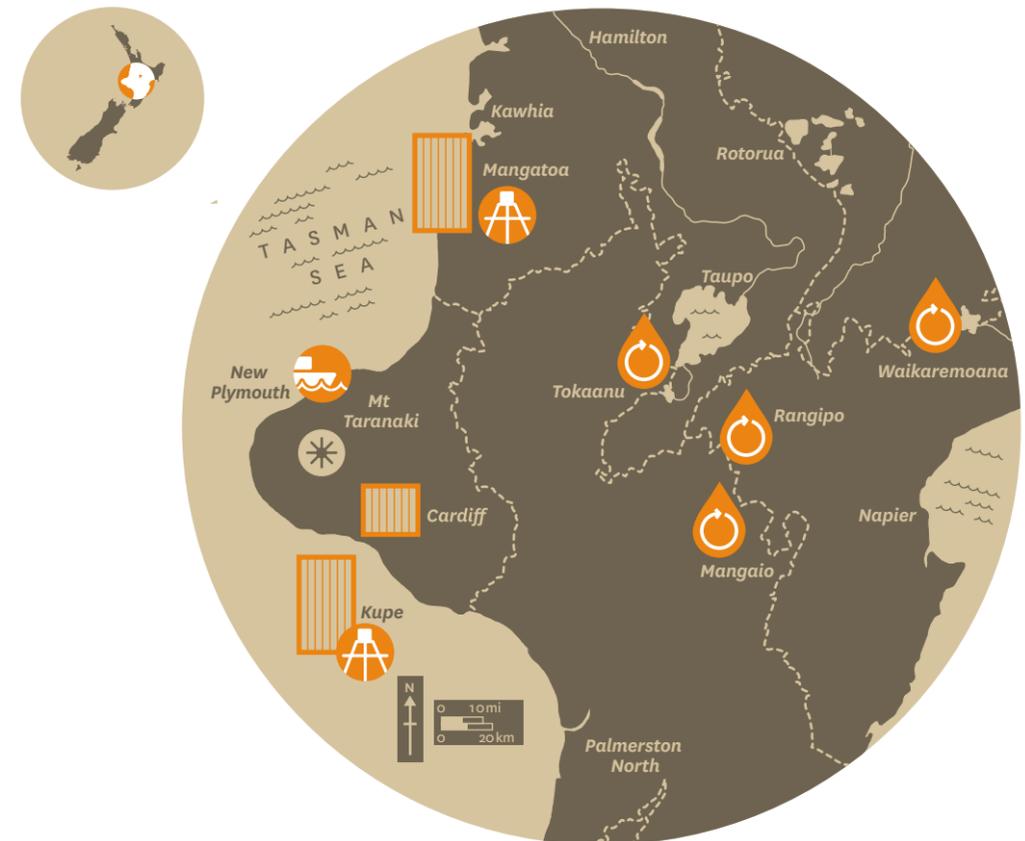
have had only one or two options in terms of choice of generators for developing their fields. Genesis Energy is actively engaging with the landowners who are predominantly Maori Trusts.

Genesis Energy has been looking at geothermal for 12 to 18 months in the Taupo volcanic region. An Italian contractor, Geosystem, was engaged to complete the survey. SKM was engaged to supervise and prepare an integrated resource assessment. The company is in discussions with the landowner at Tokaanu, Ngati Tuwharetoa, who agreed to the MT survey going ahead.

In the hydro sector, Genesis Energy is taking a fresh approach to identifying opportunities across the country. This involves new work on mapping and reviewing data in order to identify potential new mini-hydro projects.

Extensive work is also under way in the area of wind farm development. A number of high-potential wind farm sites have been identified and work streams are well advanced on these projects. Advanced planning has been completed and negotiations are under way with landowner representatives.

Central North Island interests



Key:

- Hydro
- Thermal
- Exploration
- Gasbridge
- Gas/Oil Field or prospect

**Rodney Power Station proposal**

**In order to ensure that security of supply can be maintained in the future, it is prudent to work towards gaining consented sites to allow for generation construction.**

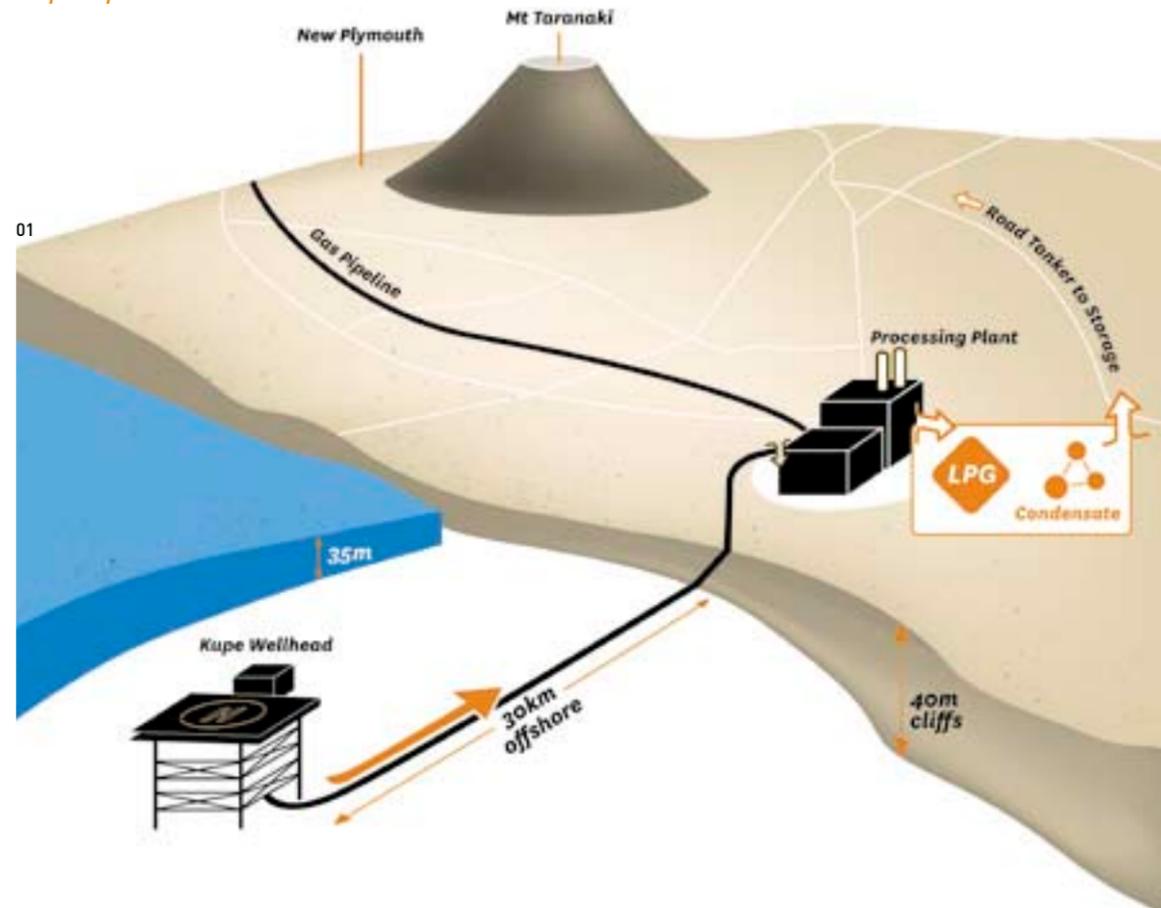
Genesis Energy is seeking resource consents for the ability to develop a gas-fired power station on land north of Helensville in the Rodney district. Genesis Energy has proposed an envelope-style consent application that would allow it to construct gas turbines with a capacity of a nominal 480MW in stages.

The development of a new station on the site would necessarily be consistent with the renewable preference clause of the Climate Change Bill.

During the financial year, resource consent applications, a private plan

change application and supporting documents were prepared and lodged with the Rodney District Council and Auckland Regional Council. The consents were publicly notified on 3 April 2008. During this period, a comprehensive consultation programme was also implemented to address a wide range of stakeholders. Also, a number of properties was acquired in the district to enable the proposed development plus other infrastructure that may be required.

## Kupe update



Genesis Energy is preparing for New Zealand's future gas requirements by investing in new gas supplies such as the Kupe Gas Project, in which it has a 31 per cent equity share and 100 per cent of the natural gas contracted. The importance of Kupe to the country's economy and future gas, LPG and oil supplies cannot be underestimated. Kupe is a proven reserve of around \$5.65 billion of fuels (at current prices).

In June 2008, the Kupe joint venture announced the achievement of a major milestone in the Kupe Gas Project – the completion of the offshore facilities.

Once onshore works are completed, the Kupe Oil and Gas Field will supply 15 per cent of New Zealand's projected gas demand, 50 per cent of the LPG demand

and 14.7 million barrels of condensate over the projected life of the field.

The offshore well head platform, three production wells and the pipeline to shore, which are half the cost of the entire project, are now ready for production and await completion of the onshore production station next year before starting to flow gas and associated hydrocarbon liquids from the Kupe field.

All of these wells have been production tested and high flow rates of gas and condensate have been demonstrated from each, as expected.

Completion of this part of the project is a credit to the project team, which includes development partners Technip, drilling management advisors Australian Drilling Associates and Ensco Drilling, as well as the local workforce and the wider community.

The successfully completed Kupe Gas Project offshore programme of work included:

- The fabrication and installation of a normally unmanned well head platform 30km offshore from South Taranaki;
- The drilling and testing of three production wells;
- The fabrication and installation of a 12-inch pipeline to carry the well fluids from the wells to the production station situated on the cliff tops near Hawera; and
- The fabrication and installation of a pipeline to carry power, controls and chemicals from the production station to the well head platform.

- 01 A schematic of the Kupe Oil and Gas Project.
- 02 At forecast revenues, Kupe has a fuel reserve of \$5.65 billion (at today's prices).

- 03 The Ensco 107 jack up rig installing the Kupe production platform (obscured).



## Gasbridge project nears consenting phase

**Objective 3: Safeguard current gas turbine generation investment by consenting a site for importing LNG.**

Steady progress was made during the year towards securing an insurance policy in the form of resource consents for a liquefied natural gas importation and regasification terminal at New Plymouth.

Key documents were prepared by the Gasbridge joint venture partners Genesis Energy and Contact Energy. In

preparation for a formal application, draft versions of the Assessment of Environmental Effects and the supporting technical reports were submitted to the consenting authorities, New Plymouth District Council and Taranaki Regional Council for their review.

To support the consultation process, public 'open days' were held near Port Taranaki, the site of the proposed terminal. Gasbridge managers and technical advisers from New Zealand and abroad

attended the open days. They met with members of the public who came along to express their views or hear more about the project. Consultation on the project is continuing with key stakeholders and interested parties as the project progresses.

Maximising  
our generation  
portfolio

# WE KNOW THAT OUR HYDRO ASSETS ARE ESSENTIAL TO OUR GENERATION PORTFOLIO.



Working with our resources:  
Intake structure on the  
Wahianoa Aqueduct with  
Mt Ruapehu in the distance.

## Generation performance



01

**Objective 12: To provide robust generation solutions.**

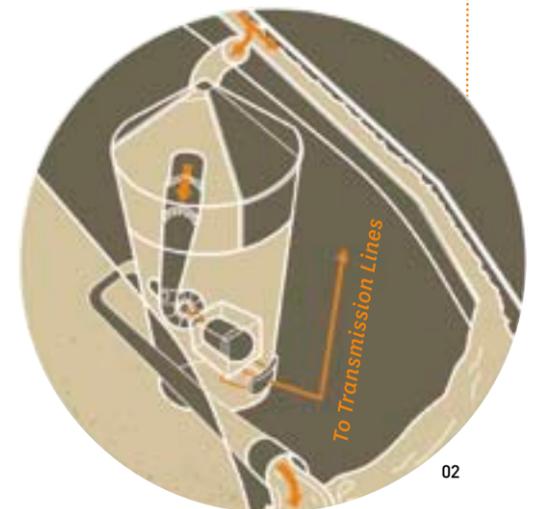
### Renewable energy

The achievements at Genesis Energy's renewable energy sites can be characterised as much by the way our people responded to the unforeseen 'opportunities' that came their way during the year as by the delivery of their projects and business-as-usual outcomes. It was a busy year for the team and they more than demonstrated their ability to respond to events and get the job done.

### Significant events

**Tokaanu 11kV Cable Failure** – in November 2007, failure of Tokaanu's G3 11kV transformer cables, most likely triggered by a faulty join in the 30-year-old cable, caused significant damage. A lengthy outage was required to replace the cables and a damaged transformer winding. The unit was returned to service in March 2008.

**Mount Ruapehu Eruption and lahar** – an unexpected volcanic eruption of Mount Ruapehu in November 2007 again tested the Tongariro Power Scheme's Volcanic Response Plan. The plant was immediately shut down and diversions closed. The event was short lived with no damage to

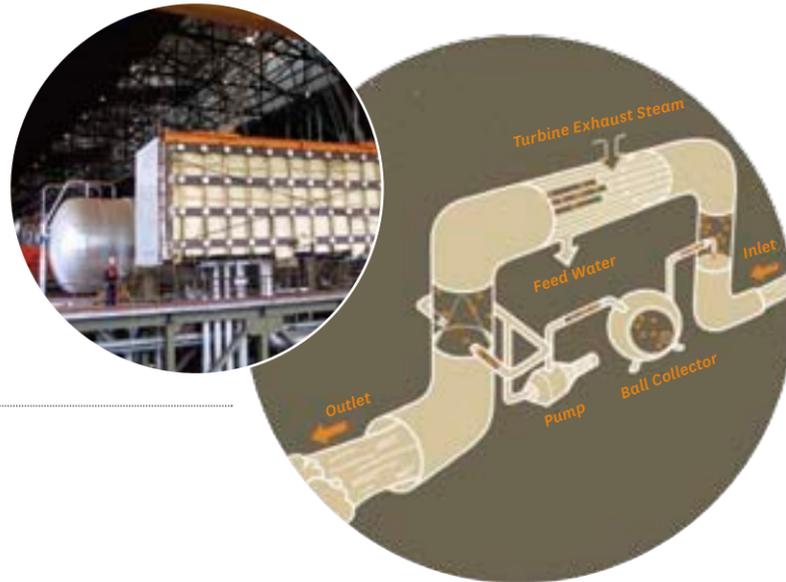


02

- 01 **Inspecting the Mangaio tail-race and outfall.**
- 02 **The Mangaio scheme comprises a 2MW hydro plant that utilises head and water from the Mangaio Outfall structure. Modifications have been made to the existing Wahianoa Aqueduct and Mangaio Tunnel to support the operation of the new mini-hydro station.**

**Image:**  
Condenser about to be installed, in Unit 4, Huntly.

**Illustration:**  
The new Taprogge system that cleans the condenser pipes and maintains efficient cooling.



Generation performance continued

any Genesis Energy assets and the scheme was reinstated the next day.

**Poutu Canal Repairs** – A significant project to repair the expansion joints and invert concrete erosion on the 5.8km Poutu Canal commenced in January 2008. This is the first time major repairs have been undertaken on this canal since commissioning and the work required a three-month canal outage significantly impacting generation at both Rangipo and Tokaanu Power Stations. A major public awareness and operational programme was carried out in order to reduce the potential public safety risk caused by higher-than-natural flows in the heavily utilised Tongariro River. Due to severe North Island generation constraints, the outage was called off in February but, as the situation improved, the repair work restarted in late March. Over half the work was completed prior to winter setting in and a further outage is planned for October – December 2008 to complete the work.

**Didymo scare**

In October 2007, a community biosecurity emergency response was initiated when didymo was thought to have been identified in several diverted waterways within the Tongariro Power Scheme. Routine surveillance picked up dead didymo cells in samples collected from rivers within the Tongariro Power Scheme. As required by the Biosecurity Act, Genesis Energy immediately ceased the diversion of waters

in order to limit contamination. Diversions remained closed for five days until monitoring confirmed the results as false. The initial positive result was found to be caused by NIWA laboratory contamination. Genesis Energy has since worked closely with NIWA and Biosecurity to ensure that robust systems are in place to stop this happening again. Genesis Energy continues to be involved in the coordinated inter-agency approach to keeping the North Island didymo-free.

**Thermal energy**

Genesis Energy recognises the critical role of Huntly Power Station and is continuing to invest in it to ensure its continued availability and reliability into the future. This includes capital-intensive projects such as replacement of three steam condensers, and the retrofit of control systems, which has been under way, unit by unit, for three years.

**Significant events**

**Condenser** – In 2006/2007, a contract was let to Siemens for the replacement and upgrade of the main condenser and turbine condenser on Unit 4; this also included the installation of online tube cleaning systems for both condensers.

During the 2008 Unit 4 Cold Survey, the condenser upgrade and tube cleaning system installation was carried out by Siemens. The new condensers have stainless steel tubing which will eliminate copper discharge into the Waikato River. The condensers are performing well with

the main condenser performance about 1 to 2 mbar better than the guaranteed value. This performance will be maintained by a new tube cleaning system from Taprogge of Germany.

On average, the vacuum of the main condenser should be improved by 18 mbar over the previous condenser over the last two years. This will result in an annual fuel saving of about \$0.5 million and a reduction of CO<sub>2</sub> emissions of about 10,000 tonnes per annum if the load factor is similar to that of recent years.

The condenser was designed and manufactured by Siemens. The removal of the old condensers and installation of the new ones and the tube cleaning systems was supervised by Siemens and conducted predominantly by New Zealand tradespeople. A Hamilton-based company – PFS – was subcontracted to Siemens to provide this labour resource and most of the general equipment. Another local company provided the weld inspection services.

During the Unit 4 Cold Survey, the third of four new control systems was installed.

**Additional stockpiling**

To assist in the ongoing management of coal, a further stockpile was constructed. This allows additional storage of 350,000

Generation performance continued

Resource consent compliance

tonnes and increases total storage to 1.8 million tonnes.

**Winter security**

During the periods of low lake levels, output from the Huntly site reached record levels and underpinned the ability of the New Zealand system to survive this difficult supply period.

**Objective 8: To ensure that all reasonable steps are taken to manage the potential adverse effects that our activities have on the environment.**

Genesis Energy operates its power stations under a wide range of resource consent conditions. The conditions and performance against them can be found at [www.genesisenergy.co.nz](http://www.genesisenergy.co.nz)

There were a number of resource consent breaches at the generation sites with minor or no adverse effects on the environment. Regulatory authorities were notified of seven of the events (outlined below) and corrective actions were taken to address these.

In November 2007, at the Huntly Power Station, a pipe from the ash plant cracked, causing wastewater to overflow

into a stormwater drain. Staff were able to quickly identify the cause and contain most of the wastewater in the drain before it reached the Waikato River. Wastewater in the drain and near the outfall in the river was recovered and safely disposed of.

Five further breaches reported to the regulatory authorities for Huntly Power Station related to the 25 degree water temperature restrictions during the 2007/2008 summer period.

At the Tongariro Power Scheme, data management errors at hydrology monitoring sites resulted in lost flow data. The regulatory authority was notified and there were no environmental impacts.

Genesis Energy continues to aim for 100 per cent resource consent compliance and has implemented preventative measures to reduce reoccurrence.

Generation performance results

Generation – GWh	2004/2005	2005/2006	2006/2007	2007/2008
Huntly Units 1 – 4	4,958	6,009	5,578	4,239
Unit 5	0	0	372	3,187
Huntly Unit 6	229	250	246	149
Te Awamutu	178	135	122	0
Tongariro*	1,434	1,245	1,233	1,113
Waikaremoana	493	517	409	413
Hau Nui	13	27	31	25
<b>TOTAL</b>	<b>7,305</b>	<b>8,183</b>	<b>7,991</b>	<b>9,126</b>

\*includes Kourarau and Mangaio

- 01 Recording boat and cable-laying and retrieval boat.
- 02 Monitoring recording equipment.

- 03 Connecting land and offshore seismic recording cables.



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### Mangatoa seismic survey

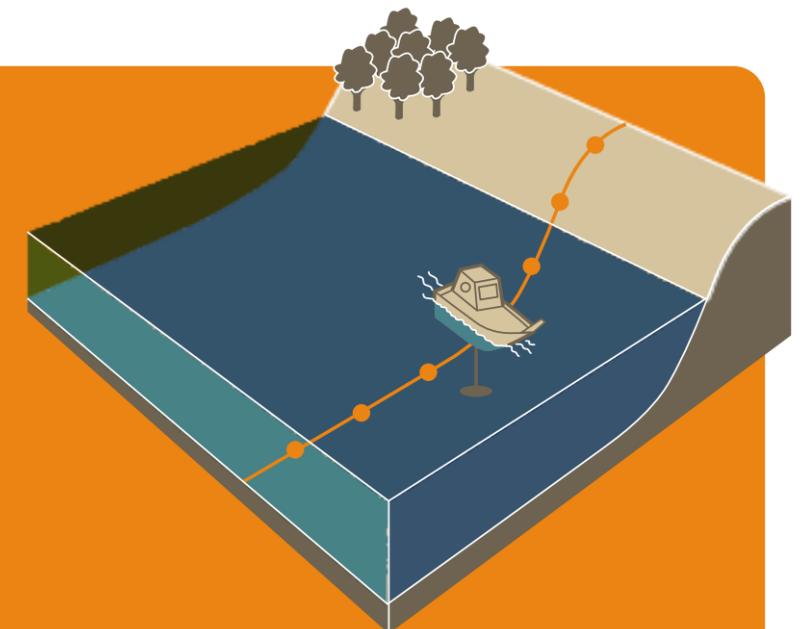
Genesis Energy views its presence in domestic gas exploration as strategically important to enable it to secure priority gas supplies and reduce our reliance on high-emitting coal-fired generation. In February 2008, the company extended the exploration acreage of its Mangatoa permit in north Taranaki. The permit area was extended south to enable acquisition of further seismic data.

The Mangatoa seismic programme comprises 300 sq km of 2D data, mostly offshore but extending partly onshore. Surveying of the prospect commenced in March 2008.

For a closer look at the Mangatoa seismic survey visit [genesisenergy.co.nz](http://genesisenergy.co.nz)

### How the measurement process works:

The recording phase of the Mangatoa seismic survey involves generating sound waves using detonations on land and air guns at sea, and recording the subsurface reflections. The data collected will provide important information on the structure of interest at a depth of around 3,800 metres, believed to hold a significant volume of gas in a sandstone reservoir.



- 01 *The Mangatōa site: Data processing and interpretation is expected to take up to six months to complete. Any subsequent exploratory well drilling is scheduled for the third quarter of 2009.*
- 02 *Setting seismic charges at Mangatōa onshore.*

- 03 *Heading out to sea from Kawhia.*
- 04 *Taking cables out to sea.*
- 05 *Linking the land cables to the offshore cables.*



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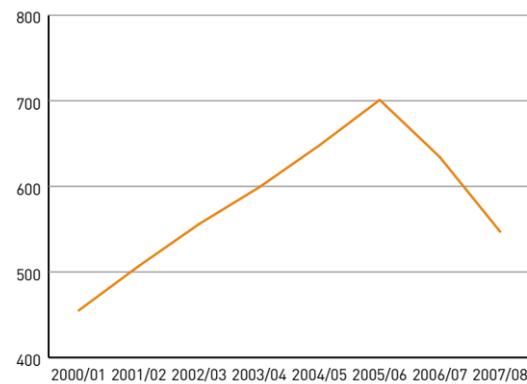


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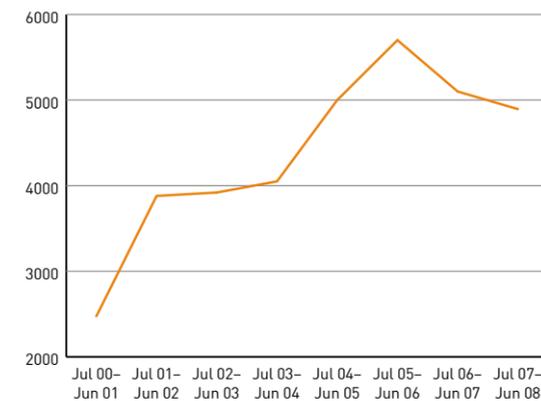


04

Carbon intensity profile tonnes CO<sub>2</sub>/GWh

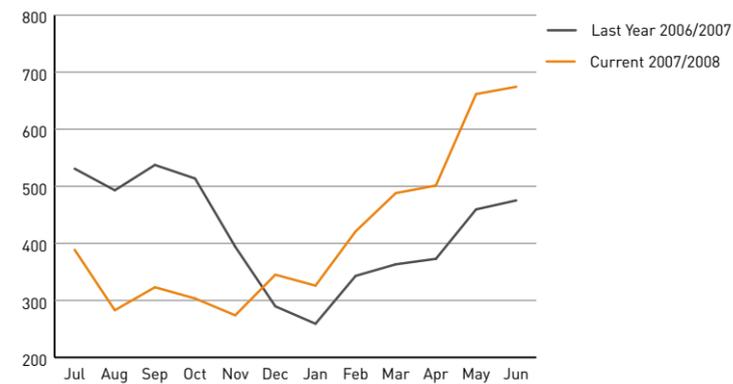


Carbon dioxide emissions (ktCO<sub>2</sub>)



This page:  
Unit 5, the 400MW gas turbine.

Monthly CO<sub>2</sub> emissions from thermal generation (Kilotonnes)



### Generation emissions

**Objective 3: To reduce the carbon intensity of Genesis Energy's generation portfolio over time.**

**Carbon dioxide emissions from Genesis Energy in the financial year reflected the national rainfall and hydrology story of the year.**

It was a year of two parts for our generation business. In the first five months, coal consumption at Huntly was low due to the operation of Unit 5 and high hydro-electricity volumes despatched to the market. This resulted in a marked drop in CO<sub>2</sub> emissions of up to 42 per cent per month.

The reduced coal burn led to a temporary oversupply of coal and additional stockpiling capacity was obtained at Huntly West Mine. Ironically, following the consenting and construction of coal stockpile C at Huntly West, the stockpile remained empty.

In the second half of the year, the North and South Island drought conditions forced a substantial increase in

thermal generation, which was up 14.1 per cent on the previous year. As a result, CO<sub>2</sub> emissions increased during the second half of the year and finished with an annual decrease of 0.8 per cent. However, the increased use of gas through Unit 5 meant the carbon intensity of our generation portfolio has decreased 13.1 per cent. Carbon intensity is the ratio of carbon emissions to energy production. Genesis Energy has set a target to reduce carbon intensity by 30 per cent by 2015.

The level of generation emissions is calculated by multiplying the amount of fuel used for electricity generation by associated emission factors. We have monitored our fuel use for a number of years and, in response to our climate change strategy, we are monitoring our carbon intensity against a baseline of 2005/2006 levels. Our carbon dioxide emissions for 2007/2008 include all our generation assets, except Te Awamutu Cogeneration Plant (decommissioned May 2007).

### Outstanding performance from Unit 5

**Objective 3: To reduce the carbon intensity of Genesis Energy's generation portfolio over time.**

**Within our production business, the great success story of the financial year has been the superb performance and reliability of Unit 5, the 400MW combined cycle gas turbine formerly known as e3p.**

Since the commissioning of Unit 5 on 29 June 2007, the asset has produced a level of availability (96 per cent) that has exceeded expectations. It has run without a single unplanned outage or breakdown. A first planned 'pit-stop' outage in December 2007 was scheduled for eight days but was completed within six days.

The high efficiency and reliability of the Mitsubishi machine has allowed it to meet market requirements. In colder temperatures the turbine's output has well exceeded the name-plate maximum.

In addition to improving the country's security of supply, Unit 5 has allowed Genesis Energy to demonstrate sector leadership with real reductions of CO<sub>2</sub> emissions.

Significant investment in spares and a 12-year maintenance agreement with its manufacturer, Mitsubishi, should ensure the ongoing reliability of Unit 5.



Aligning to  
sustainability  
principles

**WE KNOW** THAT TODAY'S ENERGY COMPANIES ARE JUDGED ON RELATIONSHIPS THAT HELP EDUCATE CONSUMERS AND PRESENT CHOICES THAT OFFER SAVINGS AND EFFICIENCIES.

## WE'RE PREPARED

*Sustainability is a long-term journey covering all aspects of our business.*

*Students at Silverdale Primary School take part in a class using Schoolgen teacher resources.*



*Sustainability covers the entire business*

*People expect companies such as Genesis Energy to operate at the highest social and environmental standards. We are also committed to operating a commercially sustainable business. We recognise that sustainability is a long-term journey covering all aspects of our business – our workforce, environmental management of our assets, energy products and our impact on communities.*

Corporate social responsibility (CSR) is a key element of building and maintaining corporate reputation and is a vehicle towards sustainability. Community attitudes and expectations have changed and organisations should take the issue of sustainability seriously.

The company has long recognised that CSR is not just about physical programmes and community contributions, but is also about values and behaviours evident in the organisation's day-to-day operations.

The more that Genesis Energy can integrate sustainability into its core business, the better prepared it will be to ride the waves of change in tomorrow's markets. Genesis Energy has always operated with a deep sense of responsibility and respect for the communities in which we operate.

Following the external launch of the Hello Tomorrow Programme in November 2007, Genesis Energy has continued to develop its comprehensive CSR initiatives in the community and across all aspects of the business. Our approach to sustainability and CSR resonates through all our business operations, from generation to energy delivery to customer service. We have focused on the following:

- Aligning our operational behaviours with sustainable principles;
- Improving our environmental performance;
- Assisting with our customers' energy needs; and
- Creating unique connections to the community.

ElectroCity has registered 61 million hits.



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01 – 04 Students from Silverdale Primary School interact with Schoolgen, Tree People and Electrocity.

05 The Tree People campaign was launched in 2008. Tree People is an online, interactive initiative that encourages mostly young people to reduce their energy use by making pledges in order to grow a virtual tree.

### How we are working with the next generation

Genesis Energy has been putting a great deal of energy into educating the children who will shape the future of this country, through a variety of educational initiatives and partnerships. By targeting children and young people, we have the opportunity to positively impact behaviour from when they're very young, by making sustainability and environmental stewardship part of their everyday lives.

The Hello Tomorrow Programme, Genesis Energy's corporate social responsibility strategy, has as one of its aims 'addressing the impacts of climate change'. One of the ways we have approached this goal is by teaching children about renewable energy, sustainability and climate change. This has been the basis for some innovative and successful programmes and sponsorships from Genesis Energy including Schoolgen, ElectroCity, Tree People,

Realise the Dream, Taupo for Tomorrow and Books in Homes (Huntly).

Genesis Energy has extended its support of the Taupo for Tomorrow learning programme to become the principal sponsor of the Tongariro National Trout Centre, where the programme is based.

The enhanced partnership between Genesis Energy, the Department of Conservation and the Tongariro National Trout Centre Society paves the way for significant enhancements to the existing facility including integration of the hatchery to the visitors' centre, the development of a freshwater aquarium and the development of a Whio (Blue Duck) captive breeding facility.

The Tongariro National Trout Centre is a national resource for all students. Schools can take part in Taupo for Tomorrow by visiting the centre or by accessing the programme online.

### Tree People — The future of New Zealand

**Objective 5: To encourage and assist customers and stakeholders to reduce greenhouse gas emissions.**

This year, Genesis Energy developed a web-based tool, 'Tree People', to help people think about, and take small steps against, climate change.

Tree People is a website where people 'adopt' a native tree and grow it by making pledges to change their behaviour in environmentally aware ways.

Within six weeks of its May 2008 launch, Tree People had 12,500 registered participants who had completed 42,433 pledges. Tree People uses the concepts of social networking and web-based competitions to appeal to a wide audience including children and young people. Visit [treepeople.co.nz](http://treepeople.co.nz) to join and create your own tree.

### ElectroCity — Online computer game

ElectroCity, the successful web-based game that gives players the chance to experience the balancing act of managing a growing city while maintaining an environmentally sustainable energy supply, has gone from strength to strength.

This year, the website has registered 61 million hits with a daily average of over 170,000. Eight hundred and five teachers in New Zealand have registered their classes to compete in the ElectroCity online competition.

ElectroCity has won several notable awards including Gold and Silver at the Australasian Writers and Art Directors Association awards (2007), Silver at the Best Design Awards New Zealand (2007), third place at the John Caples International Awards New York City (2008), Gold at the Australian Interactive Media Awards (2008) and Silver in the AXIS Awards New Zealand (2008). Visit [electrocity.co.nz](http://electrocity.co.nz)

### Schoolgen — Power to the next generation

**Objective 5: To encourage and assist customers and stakeholders to reduce greenhouse gas emissions.**

Our solar power programme, Schoolgen, was launched at the end of 2006 at a pilot school on Auckland's North Shore, Westlake Girls High School. Since then, the programme has been rolled out to 16 more schools in the greater Auckland and Hamilton City regions.

Genesis Energy will take Schoolgen to 56 schools across the North Island by 2010 with the support of the Ministry for the Environment's Sustainable Management Fund. By the end of June 2007, Schoolgen had generated 11,955 kWh and had prevented 4.2 tonnes of carbon dioxide from being emitted into the atmosphere.

Participation in Schoolgen is not limited to schools who are selected to have panels installed on the roof of a school

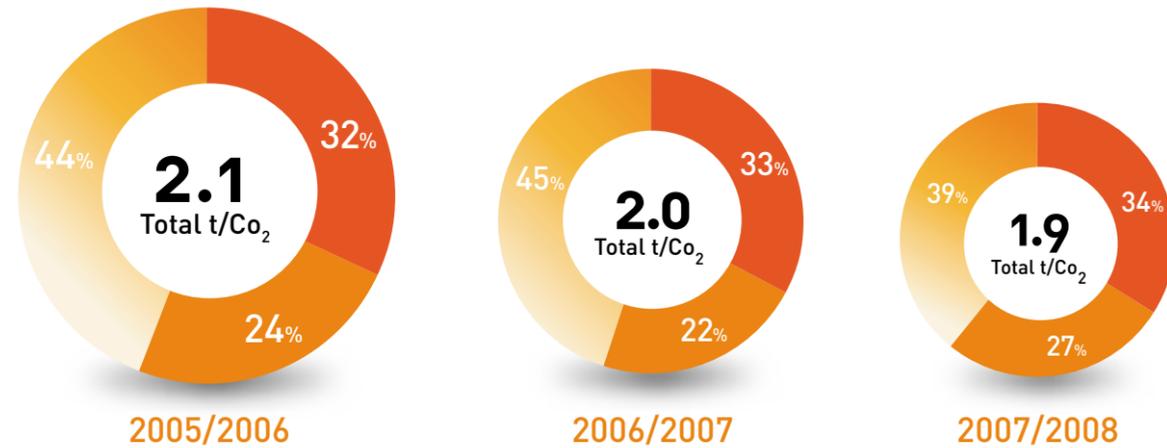
building. All schools in New Zealand have access to Schoolgen's website where students and teachers can access learning resources and watch the real-time generation information from the panels that have been installed on schools.

The Schoolgen website has been updated to enhance accessibility for all audiences including students, teachers and people interested in the programme. The new format includes a comprehensive library of freely available teaching resources that are linked with the New Zealand Curriculum for students of all ages covering a range of learning areas.

The appointment of a full-time Environmental Educator has strengthened the links between schools and Genesis Energy. We are able to provide customised support to schools interested in the programme and to those already taking part.

Key:

- Air travel
- Car travel
- Electricity consumption



Emissions generated per Genesis Energy FTE employee

**Purchase of carbon credits to offset non-generation emissions**

**Objective 6: To measure and accurately report greenhouse gas emissions across all areas of Genesis Energy business.**

Genesis Energy has been actively measuring and reducing CO<sub>2</sub> emissions from its non-generation activities for the 2007/2008 financial period and has purchased 1,000 Verified Emission Reductions (VERs) carbon credits originating from the Palmerston North City Council to offset the remaining emissions.

The VERs were generated by the Council's Awapuni Landfill Gas to Electricity project which captures methane gas from the closed landfill site to power a nearby wastewater treatment plant and offers surplus energy to the national grid.

The Awapuni Landfill Gas to Electricity project is an emission reduction project, operated by the Palmerston North City Council, which is now fully operational and was approved under the New Zealand Government's Projects to Reduce Emissions programme.

The VERs have been retired on the Chicago Climate Exchange by Carbon Market Solutions Limited on behalf of Genesis Energy.

**Genesis Energy's non-generation emissions**

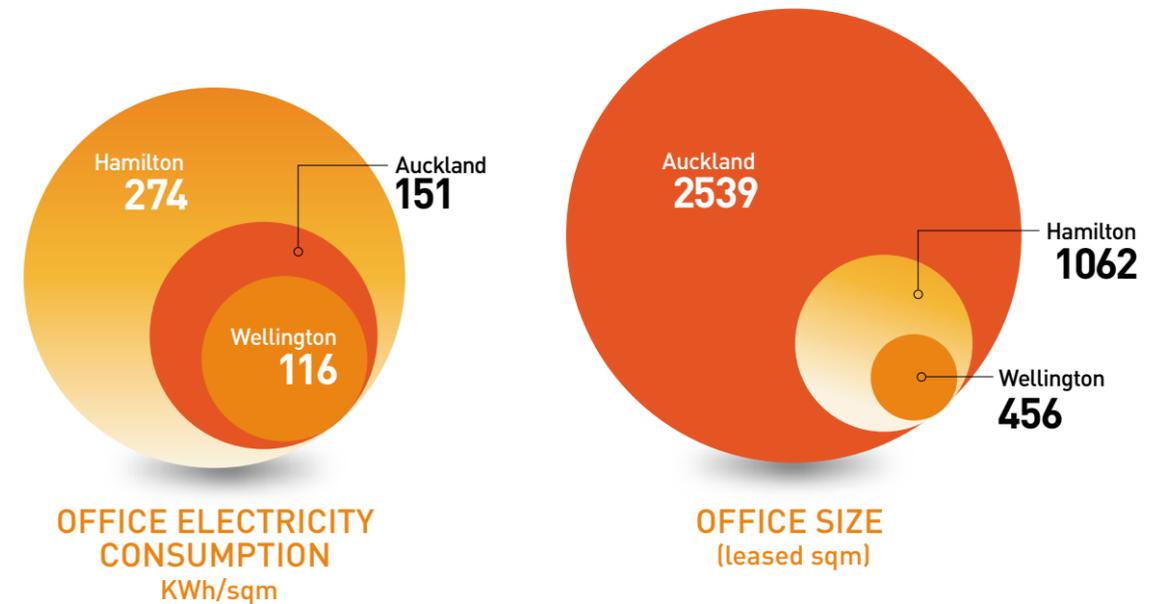
**Objective 4: To reduce the carbon intensity of Genesis Energy's non-generation activities.**

**Objective 6: To measure and accurately report greenhouse gas emissions across all areas of Genesis Energy business.**

**For a number of years, Genesis Energy has enjoyed a reputation for supporting community activities, and we have steadily improved what we do in our business operations to improve our sustainable behaviours in line with our Climate Change Strategy.**

**Our performance**

It is important to embed the values and practices of corporate social responsibility into the heart of our business practices. We have developed and implemented various



EECA Low-use benchmark: 200 - 280 kWh/sqm

initiatives over the past year, and set ourselves some bold targets:

- To undertake Energy Audits in all office buildings and implement key recommendations;
- To benchmark our energy performance and identify a time frame to meet EECA benchmarks;
- To implement the Sustainable Buildings refurbishment guidelines in new projects;
- To review our vehicle fleet;
- To introduce videoconferencing;
- To implement a waste-minimisation programme to reduce waste to landfill by 30 per cent; and
- To implement Environmental Purchasing Guidelines.

While we have had mixed results, we are proud of our successes in reducing waste in some sites. For example, waste to landfill from our Greenlane site was reduced by 68 per cent from 2007 data. However, increasing energy consumption in some sites continues to be an area that we want to improve and we are continually looking at ways to reduce our energy consumption and improve our base-load.

**Electricity use**

We have conducted a variety of energy audits to better understand our consumption. While we haven't completed an audit of all our sites, those that have been undertaken have provided useful guidelines for implementing low-cost, quick-payback initiatives. We have replaced inefficient light sources, reduced

the number of lamps, installed new light troughs and diffusers, monitored the heating, ventilation and air conditioning (HVAC) to improve its efficiency, replaced computer equipment and installed motion sensors in meeting rooms to control lighting. We also have a longer-term strategy to reduce the energy consumption of our technology equipment, while still meeting our very high needs and we will continue to monitor our consumption to meet EECA's low-usage benchmark.

Our combined office electricity use in 2007/2008 was 1,566,707 kWh and generated the production of 327 tCO<sub>2</sub>. Our business has grown, and this requires additional office space which accounts for an increase in our electricity consumption.

### Genesis Energy's non-generation emissions continued

Over the coming year we will complete energy audits across all our sites and implement recommendations that have an appropriate payback period.

#### Reducing our carbon footprint from business activities

We have implemented a variety of policies that attempt to reflect our commitment to reducing our carbon footprint. We continue to collect data on our resource use and are actively monitoring our consumption patterns. We have invested in upgrading our own greenhouse gas calculator to provide a variety of reports on our carbon emissions. Generally we calculate our non-generation carbon emissions by multiplying vehicle rentals, air travel, electricity and gas consumption by associated emission factors.

We have implemented environmental purchasing guidelines across the business and recent refurbishments completed at the Greenlane office included a number of initiatives guided by our sustainable procurement guidelines. During both demolition and construction, where possible, waste was recycled and glass and doors were reused.

In October 2007, we undertook a carbon footprint audit of our information technology and services. This was a comprehensive audit that took into account all our equipment and use of that equipment. Since then we have implemented a number of recommendations. For example: we have replaced computer monitors with more efficient LCD monitors and installed default standby settings; we have replaced a variety of printing devices with fewer, but more efficient multifunction devices; and have replaced desktop computers with laptops where practical.

We have also installed video-conferencing equipment in three of our office sites and will continue to roll out additional equipment across the remaining generation sites this coming year. The use of the videoconferencing equipment has reduced the amount of travel of our staff, particularly between Auckland, Hamilton and Wellington, and consequently reduced carbon emissions from our non-generation business.

### Reducing our waste

#### Objective 4: To reduce the carbon intensity of Genesis Energy's non-generation activities.

**We recognise that we have a complex business in which to deal with our waste. In 2007, we rolled out a waste-minimisation plan across all our significant sites and are extremely pleased that we have reduced waste to landfill from our head office in Greenlane by 68 per cent, and reduced waste per employee by 60kg. This is significantly more than our target of a 30 per cent reduction.**

In 2007 and 2008 we conducted initial waste audits across all our significant sites. We previously reported in error that the Huntly Power Station sent 264 tonnes of waste to landfill, which should have been recorded as 396 tonnes. Although we have increased waste to landfill from our Huntly Power Station site to 429 tonnes, we have reduced the waste per employee at the Huntly Power Station by 11 per cent. We recognise that we can do better at recycling the significant waste volumes at our generation sites. Now that we have conducted waste audits

Site	2006/2007 paper used kg	2007/2008 paper used kg	2006/2007 paper used kg per FTE	2007/2008 paper used kg per FTE
Greenlane	5,510	5,062	37.48	31.84
Hamilton	1,280	1,492	32.82	34.70
Wellington	410	360	51.25	51.43
Huntly	6,500	5,952	23.21	20.24
Tokaanu	820	715	22.16	20.43
Tuai	220	202	22.00	20.20



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Our staff members have enjoyed the opportunity to be involved with activities in their local communities.

01 – 02 Planting trees at Meola Reserve, Auckland.

03 Capturing and banding blue ducks on the Mangatepopo River.

### Employee volunteering

— A challenging and exciting journey

across all our significant sites, we will be able to make annual comparisons of our waste-minimisation efforts.

The most significant volume of waste from our offices is paper. We have changed our office copy paper to 100 per cent recycled content and reduced the amount of paper used across all our sites by 50.8 tonnes. The only increase in paper consumption has been in our Hamilton office, but this has been in line with the growth of staff numbers at this office.

Over the next year, we aim to improve our waste-minimisation programme by reducing what we use, increasing our recycling efforts and reducing our waste to landfill across all our sites. We intend to measure our waste annually to ensure that we are working towards our goal of zero waste.

#### Objective 2: To engage employees in the Corporate Social Responsibility Strategy.

**We believe that corporate social responsibility brings our values to the forefront of how we behave as citizens, employees and as a business.**

The Employee Volunteering Programme was launched in November 2007. Staff members are able to help in the community one day during the year and, so far, a number of organisations and communities have benefited from our staff skills and assistance.

From painting schools, gardening and maintenance, banding and monitoring of the blue duck, to stocktaking for the SPCA and helping to teach in schools, our staff have enjoyed the opportunity to contribute back to organisations that benefit from their skills. In the first seven months of the programme, 11.5 per cent of staff had taken the opportunity to volunteer.

One activity that also contributes to our climate change strategy is the planting of

trees on reserve lands. In one instance, teams of our Auckland staff worked on an old rubbish dump in Auckland City. Our staff and other community volunteers assisted in planting 1,700 native trees and laying 1,350 EcoMats around the young trees. EcoMats are particularly climate friendly as they help the trees survive a dry summer, reduce the need for mulch, which emits methane, and can sequester up to 6kg of carbon in the soil per tree in the first year.

The feedback from organisations has been extremely positive and we use that feedback to assist in determining the annual Community Spirit Volunteer Award. The award is given by the Chief Executive to the organisation and activity that fits best with the spirit of the programme. This year, the inaugural awards were given to the Department of Conservation (Taupo Tongariro Conservancy) and Auckland SPCA.

## Genesis Energy Employee Benefits Programme

**Objective 4:** To retain talented staff and offer development within the organisation.

**Objective 19:** To provide information and educate employees on health matters to enable individuals and families to make informed choices surrounding their health.

The Employee Benefits Programme is a successful strategy directed at: maintaining competitiveness in the labour market to attract and secure new employees; retaining current employees; and providing risk management of employee costs and productivity when the employee is faced with a crisis or ill health.

The ability to attract and retain valuable employees is critical to meeting our business objectives, particularly with the tight labour market conditions and skill shortages that New Zealand is experiencing. A competitive employment package is an important element of Genesis Energy's human resources strategy.

The Employee Benefits Programme is a comprehensive package that currently consists of:

- A cumulative Genesis Energy retirement savings subsidy, conditional on employees contributing a matching amount;
- Life, terminal illness and accident insurance cover;
- Trauma benefit;
- Income protection cover;
- Surgical plan insurance;
- An annual medical check-up;
- A Will and Enduring Power of Attorney service; and
- Access to an online wellness support programme.

The ability to provide support and lessen the financial stress for employees when faced with crises has been appreciated and valued by employees.

## An adaptable workforce

**Objective 16:** To have a culture that will support our goal of being an employer of choice.

**Objective 7:** To provide alternative ways of working for the attraction, retention and management of changing demographics.

A strategic objective for Genesis Energy is to foster an adaptable workforce. A component of this is quality flexible work, which is about balancing the needs of the organisation, the workplace and the individual through exploring new and alternative ways to work. By adopting adaptable work arrangements, Genesis Energy can further develop its capacity to achieve its business goals, attract talent and skills that might not otherwise enter the workforce, and retain great people by allowing employees to have more opportunities to pursue the lifestyles they have chosen and to meet their family responsibilities.

The Employment Relations (Flexible Working Arrangements) Amendment Act 2007 came into force on 1 July 2008 and formalises the way employees and employers make and respond to requests for flexible working arrangements. The Act provides, for employees who have a dependant to care for, the right to request a variation to their hours of work, days of work, or place of work in order to provide better care for that dependant.

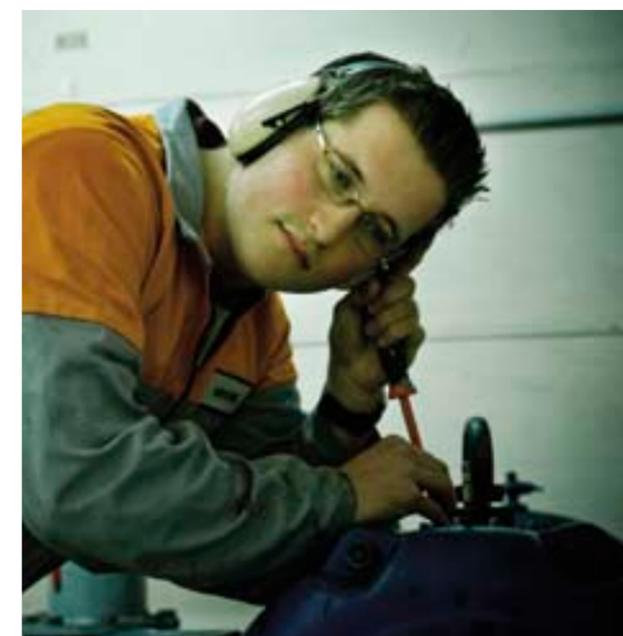
Genesis Energy, through its Adaptable Working Policy, is taking a more holistic approach than that outlined in the Act. Genesis Energy is willing to consider the use of flexible working arrangements by all employees. Having flexible work arrangements available does not necessarily mean that everyone will want to, or

be able to, take up flexible work options. By working smarter and improving the balance between our working lives and our lives outside of work, we can make real gains for the company, for our employees and for the communities in which we live and work.

An example of adaptable working for mutual benefit is John Kerr, Contract Specialist. John is at an age where he wishes to spend more time with his grandchildren and pursue his leisure hobbies with his wife.

Genesis Energy values John's expertise and knowledge and would much rather he eased into retirement so we can capture and transfer that knowledge before he fully retires after 45 years of service.

With the support of his manager and team, it has been possible for John to reduce his hours of work to four days a week and so meet his needs as well as those of the organisation.



## A career pathway

**Objective 5:** To have a diverse workforce and meet talent and skill requirements.

**Adam Whitmore** In 2001, Adam first came to Genesis Energy's attention when he was in a class of 12 young secondary school students as part of the first Gateway programme between Genesis Energy and Huntly High School.

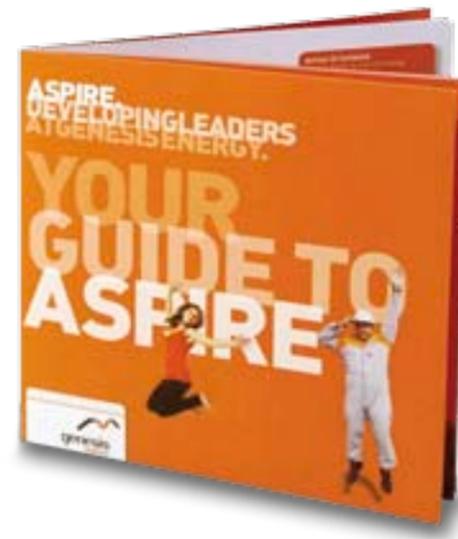
Adam impressed everyone with his level of energy and self-motivation to the point where Genesis Energy looked to support his career development over the proceeding years.

Over a seven-year period, Adam undertook a series of challenges and at each stage he was proudly supported by Genesis Energy. Our training manager identified him early as a great role model, potential employee and a future leader within Genesis Energy.

The company has been delighted to watch and support Adam over the years and to see him today established as a tradesman living with his young family in Tokaanu.

Adam's career development has been a highlight of a highly successful long-term training relationship – a model on which many of the current long-term training relationships with other students have been based.

**This page:** Since completing his apprenticeship, Adam and his family have settled at Tokaanu.



### First graduation of new apprentices

**Objective 15: To have a diverse workforce and meet talent and skill requirements.**

Genesis Energy's ground-breaking National Apprenticeship Programme celebrated its first milestone in March 2008 with the graduation of the pilot group of apprentices.

Since the programme was launched in 2005, Genesis Energy has recruited 57 new apprentices in three groups. Of the first group to graduate, six accepted full-time positions with Genesis Energy and the rest either stayed with their host company or moved on to further their experience. Overall, 14 of the intake of 20 completed the programme.

Genesis Energy's apprenticeship programme is different from most as its trainees are employed by Genesis Energy but are based within a host company to obtain their on-the-job training. All theory-based training is completed by the Wellington Institute of Technology (WelTec) in Petone.

In the apprentices' first year, they spend 26 weeks at WelTec studying both electrical and mechanical engineering. In years two and three they focus on either electrical or mechanical.

Intake Two (2006) and Intake Three (2008) are at full strength with one apprentice in Intake Two already out of his time.

### Planning for future leaders

**Objective 4: To retain talented staff and offer development within the organisation.**

Leadership has been identified as a key ingredient for Genesis Energy to have in order to achieve its long-term goals for the future.

A key step for the company is building a shared mindset around leadership and promoting a common understanding of the behaviours we think are important to our success. Also, leadership was something we identified from our last employee survey on which we wanted to continue to work and improve.

We ran several focus groups around the company, obtaining feedback on leadership behaviours and identified an international competency-based programme that would be appropriate to Genesis Energy – the Lominger system.

In 2008 we launched our leadership framework which we've called ASPIRE. The framework is built on the premise that everyone is a leader in some capacity – it may be safety leadership, task leadership, people leadership or strategic leadership.

The ASPIRE framework has a strong focus on people developing themselves

first – with tools to help people build their self-awareness – and then developing others through better feedback and coaching.

Getting our people engaged in leadership is important. It's not a 'tick the box' one-off project, but a long-term journey. Over time, ASPIRE will underpin many of our people processes. Our first step was to engage people in the idea of leadership and introduce them to ASPIRE by making a humorous video starring our own people and we've quickly moved on to integrating ASPIRE into our recruitment and selection procedures.



### London Benchmarking Group – tracking and measuring our community contributions

**Objective 1: To respect the social, economic and environmental well-being of the world around us.**

Genesis Energy has supported a wide range of community organisations for many years. Most of our support is through cash donations, some takes the form of donations of material, and some support is from our time and assistance.

We decided to benchmark our contributions against other Australasian companies with the London Benchmarking Group (LBG). Genesis Energy participated in our first annual benchmarking study in November 2007 and we compared very well against 27 leading Australasian companies.

The report found that Genesis Energy's community contributions included in LBG had a value of \$1.5 million. Our contributions per employee were ahead of the other members and, as a percentage of revenue, they were in line with the rest. While business contributes to society in other ways, not all of these are included in the LBG criteria as community contributions.

The vast bulk of our contributions were categorised as community investment (89 per cent) – this is sustained strategic involvement in community partnerships

to advance both the community and the company's long-term interests. Just over half of our community contributions are in the health area, with education and young people (27 per cent), and environmental (9 per cent) in second and third positions.

Genesis Energy also supports the LBG programme as the New Zealand representative on the steering committee and on the Australasian Energy Sector committee.

The LBG framework provides Genesis Energy with a strategic approach to track and measure the Hello Tomorrow Programme and will facilitate the continuous improvement of the programme's management, performance and communication to stakeholders.

### Huntly stakeholder survey

**Objective 10: To engage our communities and stakeholders through regular communication, seeking their feedback on the environmental and community impacts of our activities.**

Genesis Energy acknowledges that our activities affect both the environment and the communities in which we operate and strives to mitigate these effects. The Environmental team from Huntly Power Station commissioned a stakeholder survey to determine where it could improve communication and engagement with the community and to better understand the impacts of our activities.

Individuals from the stakeholder groups were contacted and asked a wide range of questions about the performance of our environmental team and the impacts of the Station's activities on their lives and environment. Stakeholder groups included neighbours, council officers, iwi, community partners and internal stakeholders. The survey included written questionnaires, and face-to-face and telephone interviews.

The results have been collated and key observations identified. The next phase will include communicating these results to our stakeholders and implementing key objectives in response to the survey.

Health and safety report

**Objective 18: To eliminate or manage hazards and workplace practices that could cause injury or illness to people.**

Genesis Energy has a strategic approach of integrating a culture of health and safety across the business.

Our key performance indicators for 2007/2008 were:

- Injury frequency rate of 5.63 per 1,000,000 hours worked;
- Twenty-six days were lost due to work-related injury; and
- Absenteeism rate of 2.32 per cent.

Despite the attention to safety at work (see below for further information), there were significant increases in the following areas:

	2006/2007	2007/2008
Medical treatment by GP	12	49
First Aid treatment by first aider or self	41	82
Total injury events	59	136

While there was no single issue driving the increase, the following factors had some impact:

- 1 The higher number of GP visits related mostly to soft tissue injuries and sprains. The occurrence of these can increase with age;
- 2 There was an increase in all types of First Aid treatment including a number of hand injuries; and
- 3 We noted a marked increase in hearing-loss injuries. Staff members are provided with appropriate protection and education.

A key strategy to reduce these types of injuries is increased workplace observation of individuals by an occupational therapist and education programmes based on an ageing workforce.

The roll-out of our Zero Incident Process (ZIP) to all production staff and contractors in the next year is expected to also have a positive impact on these types of injuries. ZIP enhances employee safety through the use of cognitive behavioural safety – a psychologically based safety process designed to empower people to be able to take control of their personal safety.

International recognition for disability management

**Objective 18: To eliminate or manage hazards and workplace practices that could cause injury or illness to people.**

As an operator of large industrial plant with many hazards, Genesis Energy is extremely focused on workplace safety, health promotion and injury management.

As a result, Genesis Energy was recognised by the Accident Compensation Corporation (ACC) for achieving a score of 88.6 per cent in an International Consensus Based Disability Management Audit. The audit assessed the company's commitment

to the prevention of illness and injury, and its ability to help employees return to work following an injury or illness. A score higher than 80 per cent gives an organisation International Disability Management Standards Council (IDMSC) certification, a rigorous international standard for disability management and prevention. The result represents many years of work, effort, investment and commitment to disability management and prevention by Genesis Energy. Genesis Energy became involved in the audit process, which assesses performance and provides recommendations for

continuous improvement, to see where it stood overall in terms of disability management and prevention. Achieving this result and gaining IDMSC certification showed that Genesis Energy is a best practice company in terms of its return to work approach. The result recognises the commitment made to disability management and prevention.



Assisting customers

01 Advanced metering services will be introduced to customers.



01

Advanced meters

**Objective 5: To encourage and assist customers and stakeholders to reduce greenhouse gas emissions.**

Genesis Energy has completed a trial of 4,000 advanced meters in customers' homes and businesses around Auckland and Wellington.

The introduction of advanced meters will give residential and business customers the ability to use energy more efficiently. Customers will be able to identify periods of peak demand and high costs and can choose when to run appliances and machinery based on this information.

Consumption information from the new meters will be sent remotely to Genesis Energy's customer information interface. This will eliminate the need for bill estimation and physical meter reads leading to more accurate customer bills.

Research has been carried out to identify which features of advanced metering technology are most important to our customers. The outcomes of this research will be evident in the product we introduce to the market in the coming year.

Genesis Energy aims to have advanced meters installed in 500,000 homes by the end of 2013.

Customer information service upgrade

**Genesis Energy's substantial retail base requires a seamless, real-time interface between the company and the customers we serve.**

To enhance our customer service capability and decrease the risk of errors and inaccuracies when interacting with customers, the Customer Information System was upgraded at the end of 2007 to what is known as Gentrack 'Velocity 3.8'. It provides up-to-date information about customers' energy use and is the company's retail billing engine.

The upgrade of Gentrack was successfully delivered on time and on budget. Genesis Energy's main partner in the development of Velocity 3.8 was Talgentra.

Velocity 3.8 has given Genesis Energy the capability to introduce a range of products and services including the billing requirements associated with the launch of advanced meters in residential homes.

Looking after vulnerable customers

**Objective 11: To meet EC 'Guidelines on Arrangements to Assist Low-Income and Vulnerable Consumers', and so reduce the number of avoidable disconnections for non-payment by vulnerable consumers.**

At the end of June 2008, Genesis Energy had 7,054 customers registered as vulnerable and 4,782 customers flagged as being dependent on mains-supplied electricity for medical reasons.

Some 444 of the medically dependent customers had outstanding debts to Genesis Energy for longer than 60 days. Genesis Energy has been working closely with District Health Boards to coordinate the exchange of information about patients running critical medical equipment in their homes that relies on mains electricity.

## Retail initiatives



**Genesis Energy's message to customers and stakeholders is that, together, we can make tomorrow a better place through the actions and choices we make today. This message is reflected in the company's brand positioning of 'Hello Tomorrow'.**

Last year, Genesis Energy's messages concentrated on the importance of our diverse generation portfolio in providing a secure electricity supply to the country, now and in the future. The Pukeko Diversity campaign demonstrated how Genesis Energy is sustainably using a variety of the Earth's resources to generate electricity for our customers and all of New Zealand.

As New Zealanders have become more aware of climate change and the associated challenges the world is facing, Genesis Energy has been developing programmes to show that, collectively, small actions have a large overall effect. The company's messaging has developed during the year to reflect this, with the Pukeko Climate Change campaign appearing on billboards, and in press and television advertisements.

### Your Account

Genesis Energy has introduced a tool for customers to manage their accounts online through 'Your Account' on [genesisenergy.co.nz](http://genesisenergy.co.nz)

Your Account allows customers to manage their energy accounts online 24 hours a day, seven days a week. Each customer can carry out a range of actions including:

- Viewing all the properties they have with Genesis Energy under one login;
- Viewing a summary of their Genesis Energy account;
- Viewing their profile;
- Viewing their previous bills (up to three years old); and
- Entering a meter reading to get an updated bill.

### Heat Pump campaign

Through its substantial customer base, Genesis Energy has the ability to assist a large number of people with energy efficiency advice and product offers.

Following the success of previous campaigns, this year's Heat Pump promotion in association with Panasonic gave any Genesis Energy customer a

\$300 credit on their account after installing a Panasonic Heat Pump. At the end of June 2008, over 800 customers had taken up the offer.

### New connections through trades

Communicating directly with electricians, gas-fitters and builders as well as having strong partnerships with companies such as McConnell Property and Future-Proof Building have contributed to Genesis Energy's success in the new connections market.

The number of completed electricity connections increased from 7,389 in 2006/2007 to 7,786 in 2007/2008. New connections of natural gas decreased from 3,352 in 2006/2007 to 2,854 in 2007/2008 with the building community attributing this to a corresponding increase in the number of people choosing to install LPG.

Genesis Energy's introduction of LPG as a product offering in May 2008 provides the company with the opportunity to take advantage of this market shift. Additionally, LPG allows each Genesis Energy customer to have all their energy needs met by one retailer and to receive one monthly bill.



### Powersavers to the rescue

Genesis Energy was one of the five generator-retailers that conceived and funded the Powersavers campaign during winter 2008.

The campaign was organised in response to rapidly falling hydro lake levels in the South Island. While the main source of relief to low lake levels was rainfall, the industry also called on consumers – both residential and commercial – to play their parts by using electricity efficiently and prudently.

The Powersavers advertising campaign ended after six weeks of TV, print and radio advertising encouraging consumers to conserve electricity through simple and convenient measures.

Over the course of the campaign, New Zealanders saved an average of 3.6 per cent, saving tens of millions of dollars on their bills. The combination of savings by the public, collaboration by the industry and rainfall helped the outlook of the hydro situation.

The campaign helped consumers to learn small, convenient ways to reduce their everyday electricity use and bills, and hopefully these efforts will continue into the future.

### Energy Online

In the last year, Genesis Energy's wholly owned retail subsidiary continued to increase its customer base in areas where it has a significant market share, including Hawke's Bay, Kapiti and Counties, and it commenced customer acquisition in the Wellington, Powerco Western and Centralines areas. Energy Online's total customer base grew from 59,667 to 64,398 due to acquisition campaigns and outbound calling.

Energy Online has introduced several successful customer-focused products and services in the last year:

- 'ReliaBill', which enables customers to pay a set amount each month towards their energy bills and more efficiently manage their accounts, was introduced in October 2007. Since its introduction, 870 customers have taken up the option of managing their accounts with ReliaBill;
- The company's website and customer portal, where customers can access and manage their accounts went live on 30 November 2007. At the end of the financial year, 2,540 customers had registered with the customer portal;

- The introduction of a 20 per cent prompt payment discount in December 2007 has 89 per cent of customers paying their bills in full and on time; and
- The introduction of monthly metering was completed for all customers by February 2008.

Operationally, Energy Online has maintained a high standard of excellence by continuing to monitor customer satisfaction, promote continual improvement and maintain user-friendly and up-to-date process documentation through their ISO 9001:2000 accreditation.

The company shifted premises in September 2007 and fitted out the new space under sustainable building guidelines. Energy Online's new offices include sensor lighting, compact fluorescent bulbs, recycling bins in all areas (including facilities for organic, paper, plastic and tin), timers on appliances which usually operate on standby, an office-wide computer shutdown policy at the end of the day, the use of Interchange floor tiles and provision of public transport passes or gym memberships to all staff who elect not to drive to work.



*Creating unique connections with communities*



**Over the past six years, the Genesis Oncology Trust has invested more than \$3 million in cancer control research and education in New Zealand.**

While in New Zealand terms this is a lot of money, it is still a small fraction of the international investment in cancer research. The combined annual expenditure of the USA and European nations in the field is in excess of US\$10 billion.

But the contribution to research and education from the Genesis Oncology Trust can make a real difference as it contributes to the jigsaw of interconnected projects that makes up the worldwide research on cancer therapies.

This year, thanks to the continuing generosity of the tens of thousands of Genesis Energy customers who contribute to the Genesis Oncology Trust via their monthly energy bill, the

Trust has doubled the annual sum available for grants to \$1 million.

Two new awards were also announced in 2008:

**The John Gavin**

**Postdoctoral Fellowship**

will provide two years of financial support to outstanding doctoral graduates who wish to conduct scientific research in the field of cancer control or palliative care.

**The Murray Jackson Clinical Training Fellowship (Medical)**

will be awarded to a medical graduate committed to a clinical and research career in the field of cancer control or palliative care.

For more information and the Genesis Oncology Trust 2008 Annual Report, please visit [www.genesisoncology.org.nz](http://www.genesisoncology.org.nz)

**WE'RE PREPARED**

*to invest in sustainable community partnerships.*

**WE KNOW THAT COMPANIES HAVE TO DO RIGHT BY THEIR COMMUNITY.**

*The role of the Genesis Oncology Trust is to provide support across every stage of cancer control.*

## Turangi

— Part of the community

**Objective 1: To respect the social, economic and environmental well-being of the world around us.**

### Turangi Aquatic Centre

In January 2008, Genesis Energy agreed to be the naming rights sponsor of the refurbished Turangi Aquatic Centre.

The eight-year sponsorship will cover the annual maintenance costs of the pool and reduce the amount ratepayers contribute to the centre.

The upgrades to the centre include heating of the existing 25-metre pool and the toddlers' pool, construction of a learners' pool, new changing rooms, additional storage space and a new entrance area.

The Genesis Energy Turangi Aquatic Centre will be completed in time for summer 2008.

### Turangi Community Health Centre

Genesis Energy is the major sponsor of the Turangi Community Health Centre, which is on track to be completed by the end of 2008. The health centre will be owned on behalf of the community by the Southern Lake Taupo Health Trust.

The Turangi Community Health Centre will address the significant gap in the provision of healthcare services in Turangi. The centre, an Energy Online customer, will provide full healthcare solutions including general practitioners, a Diagnostic MedLab, public health nurses, elderly care, emergency care, a naturopath service, mental health service and visiting medical specialists from Taupo and Rotorua.

Previously, residents of Turangi had to travel to Taupo or Rotorua for these services and we are pleased to be helping with such a vital contribution.



01

## Huntly

— Sustaining the Community

### Genesis Energy Huntly Aquatic Centre

**Genesis Energy has signed a 10-year sponsorship to assist with the redevelopment and upgrade of the Aquatic Centre in Huntly, which will provide the people of Huntly with a valuable recreational resource and a facility where children can learn to swim.**

Construction is under way on the aquatic centre, with Genesis Energy's contributions set to cover a variety of improvements including expansion of the plant room, enclosure of the pool area, a new entry area, changing rooms, office and grandstand. The Genesis Energy Huntly Aquatic Centre is scheduled to open by the end of 2008.

### Curtain Bank

**The Huntly Curtain Bank, one of Genesis Energy's partnerships under the Hello Tomorrow Programme, has continued to help in the community with 60 families in the Waikato region receiving curtains in 2008.**

The Huntly Curtain Bank accepts donations of high-quality used curtains from businesses and individuals and re-lines them with thermal backing before distributing them to families in need. The curtains keep homes warm and the families who receive them have lower energy bills and are able to maintain better health throughout winter. The Huntly Curtain Bank is operated and administered by the Huntly Energy Efficiency Trust.

01 Rhys Valentine of the Turangi Pony Club, which is supported by Genesis Energy.

02 Janene Williams, Huntly Stakeholder and Communications Manager with the Curtain Bank team.

03 Members of the Turangi Pony Club preparing for a frosty morning start.



02



03

## Waikaremoana Lake to Lighthouse Challenge

**Genesis Energy is the official sponsor for the next three years of New Zealand's newest multi-sport event, the Genesis Energy Lake to Lighthouse Challenge.**

The race involves running, mountain biking and kayaking over a distance of 197 km, starting at Lake Waikaremoana, where Genesis Energy's Waikaremoana Power Scheme is a well-known feature, and ending in the coastal town of Wairoa. The inaugural race takes place in November 2008 and will bring a large number of international and local visitors to the area.

## Lake Waikaremoana Hapu Restoration Trust

**The Lake Waikaremoana Hapu Restoration Trust is a hapu-based charitable trust set up to look after the waterways, land and endangered species around Lake Waikaremoana.**

The Trust leads a project on the Puketukutuku Peninsula aimed at halting the decline of kiwi in the Te Urewera

National Park. Genesis Energy has supported the Trust since 2005 and, in 2007, extended its support of the kiwi project for a further 10 years.

Kiwi numbers have increased on Puketukutuku Peninsula from 24 in 1992 to an estimated 160 at the end of June 2008. The goal of the project is to build

the kiwi population to 200 by 2013, when the fence surrounding the project area will be removed and kiwi will disperse through Te Urewera National Park.

## Board Of Directors

### — Planning the future

#### Brian Corban, Chairman

QSO, MA (HONS), LLB, FINSTD, FNZIM

Brian Corban is a professional company director, lawyer and business and community leader. He has experience in successfully leading companies through restructuring and deregulatory changes in the television, telecommunications, transport and electricity sectors. He has recently been appointed Deputy Chairman of Kiwi Rail Limited, and is Chairman of the Melanesian Mission Trust Board, Ngatarawa Wines and a number of private companies, and a Trustee of various community trusts. In 2000, he was appointed a Fellow of the Institute of Directors in New Zealand and, in 2001, was appointed a Fellow of the New Zealand Institute of Management.



#### John Stace

John Stace returned to New Zealand in February 2005. He is a member of NZTE's Beachhead Advisory Board having previously been Chairman of the UK Beachhead Board. He is Deputy Chairman of Aardvark EM, a UK-based environmental consultancy, a Trustee of The Tank Museum at Bovington in Dorset, UK, and a Vice President of Save the Children UK. His career in London centred on financial services and more particularly Lloyd's of London. He founded Stace Barr Underwriting Agencies which was subsequently acquired by Angerstein Underwriting Trust plc (now Amlin plc) of which he was the first CEO, he was Deputy Chairman of Lloyd's in 1995 and 1996 and was Master of The Worshipful Company of World Traders, a London Livery Company, in 2002/2003.



#### Mike Williams, Deputy Chairman

MA (Hons)

Mike Williams is the President of the New Zealand Labour Party, Chairman of the Transport Board Reference Group, a Director of the Institute of Geological and Nuclear Sciences, Auckland Regional Transport Authority and the New Zealand Railways Corporation, and is a Trustee of Waitakere Enterprise Board and a Board member of the New Zealand Transport Agency.



#### Nicola Crauford

BSc, PhD, FIPENZ, MinSTD, FAICD

Dr Nicki Crauford is the Chief Executive of the Institute of Directors. She is a Director of the Centre of Advanced Engineering, and a Director of a number of private companies. She has over 20 years' experience in the oil, electricity and gas sectors in the UK and New Zealand including over nine years with national grid owner, Transpower. She holds a Doctorate in engineering.



#### Joanna Perry

MA Econ (Cantab), FCA (ICAEW), FCA (NZICA)

Joanna Perry is an independent professional director and chartered accountant, and her current appointments include independent Director of Kiwi Income Property Limited, PSIS and Assure Quality Limited, and Trustee of the Melanesian Mission Trust Board. She was a member of the Securities Commission for 11 years until April 2008. Joanna chairs the Financial Reporting Standards Board, is a member of the Australian Accounting Standards Board and the Trans-Tasman Advisory Group on Accounting and Auditing Standards. She was awarded the New Zealand Institute of Chartered Accountants' 2006 Most Valued Contribution Award. Joanna was a KPMG New Zealand partner for 17 years until March 2006. In that time, she was audit engagement partner for some of New Zealand's leading companies as well as KPMG's National Technical Partner and Chairman of KPMG's Auckland/Wellington Management Board.



#### Ian Kusabs

MSc (Hons) (Biological Sciences)

Ian Kusabs is of Ngati Tuwharetoa and Te Arawa descent and resides in the Te Arawa district. He is Principal of his own consultancy specialising in freshwater fisheries, is a freshwater advisor to the Tuwharetoa Maori Trust Board, Chairman of the 2020 Taupo-nui-a-tia project, and a member of the Taupo-nui-a-tia management board. He is a member of the Lake Taupo Liaison subcommittee and is also a member of the Royal Society of New Zealand, New Zealand Freshwater Society and a fisheries associate of Wildland Consultants and Charles Mitchell and Associates.



#### Barbara Elliston

BE Elect (Hons)

Trained as a professional engineer, Barbara Elliston has more than 20 years' experience in the electricity industry. She has been involved in a wide range of activities within the sector, including transmission design, power pricing, power contract negotiations, wholesale market development, assistance with the commercialisation of coal seam methane, development of small-scale local generation and business development in the solar hot water industry. She has held directorships with Comalco New Zealand Limited and Transpower New Zealand Limited. She is currently a member of the Security Advisory Group of the Electricity Commission and is a Director of a number of solar energy companies.



#### Annabel Cotton

BMS (Accounting and Finance), ACA, CSAP

Through her consultancy firm Merlin Consulting Limited, Annabel Cotton advises New Zealand based listed companies on their investor relations programmes. A qualified investment analyst and accountant, Annabel is a member of the New Zealand Securities Commission. She is also a Director of NZX-listed Kingfish Limited and Barramundi Limited, and of a number of private companies.



## Senior Management Team

— Making it happen

**Murray Jackson, Chief Executive, April 1999 – August 2008.**

**MBA, BE, FTSE, FIEAust, FIPENZ**

Charged with overall management and strategic leadership of all Genesis Energy's business interests, Murray has more than 40 years' experience in the Australasian power industry. Prior to joining Genesis Energy, he was Commissioner for the Snowy Mountains Hydro Electric Scheme in southern New South Wales and Director of Production for Pacific Power (NSW). Murray was Chairman of the Genesis Oncology Trust, Chairman of Energy Online Ltd and a Board member of the Gas Industry Company. Murray left Genesis Energy on 29 August 2008.



**Bob Weir, General Manager Production.**

**MBA, BEe, MIEAust, CPEng, MIPENZ**

Bob is responsible for the management and operation of all Genesis Energy's generation assets, trading strategy development and implementation, transmission and intra-generator hedge trading desk and environmental impacts. He is also responsible for implementing the carbon strategy into the business.



**Dean Carroll, General Manager Retail.**

**BSc**

Dean is responsible for the management of Genesis Energy's retail business, leading the retail business unit to provide gas and electricity services driven by the needs of our customers in the residential, commercial, industrial and derivative markets.



**Malcolm Alexander, General Manager Corporate Affairs.**

**LLB, BA (HONS)**

Malcolm's role includes management of Genesis Energy's strategic planning, corporate environmental policy, government relations, regulatory affairs, public relations and corporate social responsibility programmes. Malcolm was a member of the Government's Digital Strategy Advisory Group up to April 2008, Chair of the Telecommunications Carriers' Forum, and a member of the Electricity Commission's Transmission Advisory Group up to June 2008.



**Peggy Molyneux, General Manager Corporate Services.**

**MBA, BA, MIPM**

Peggy's role includes the management of property and administration, Genesis Energy's recruitment, development training, NZQA training, e-learning and performance, employee relationships, payroll services, health and safety, remuneration and internal communication. Peggy is also Project Manager for the Rodney Power Station 480MW project.



**Nic McCondach, General Manager Energy Online.**

**CA**

Nic is responsible for managing the Energy Online retail business, providing leadership to ensure the ongoing successful operation of Genesis Energy's wholly owned subsidiary.



**Maureen Shaddick, General Counsel and Company Secretary.**

**LLB, BA**

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



**Allan Melhuish, General Manager Fuel Development.**

**BE (Hons), BCA (Hons), PGDipBusAdmin**

Allan is charged with the management of fuel purchases and fuel transportation, building and growing Genesis Energy's portfolio of fuel development and exploration prospects and managing Genesis Energy's fuel investment projects including the Kupe Oil and Gas Field. Allan is a member of the Petroleum Exploration and Production Association of New Zealand executive committee.



**Mark Anderson, General Manager Finance.**

**BCom, CA**

In addition to the management of Genesis Energy's financial, audit, treasury and insurance functions, Mark has responsibility for the company's information systems and risk management framework.



**Richard Pearce, General Manager Generation Development.**

**MBA, BE (Hons)**

Richard is responsible for the management of Genesis Energy's generation development interests, including major renewable energy and thermal development projects, and investigation of carbon capture and sequestration technology.



## 2008 Financial Statements

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## Income statements

— For the year ended 30 June 2008

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000	Notes
<b>Operating revenue</b>					
Electricity Revenue	2,316,928	2,216,866	1,594,845	1,510,747	
Gas Revenue	140,411	140,411	146,069	146,069	
Other Revenue	24,260	28,966	30,064	23,831	4
	<b>2,481,599</b>	2,386,243	<b>1,770,978</b>	1,680,647	
<b>Operating expenses</b>					
Electricity purchases, transmission and distribution	(1,280,016)	(1,197,523)	(868,748)	(799,653)	
Gas purchases and transmission	(115,460)	(115,460)	(113,944)	(113,944)	
Fuels consumed	(401,548)	(401,548)	(312,732)	(312,732)	
Employee benefits	(55,288)	(51,890)	(47,271)	(44,695)	
Other operating costs	(283,662)	(272,389)	(241,536)	(233,940)	5
	<b>(2,135,974)</b>	(2,038,810)	<b>(1,584,231)</b>	(1,504,964)	
<b>Earnings before finance costs, income tax, depreciation, amortisation and financial instruments</b>	<b>345,625</b>	347,433	<b>186,747</b>	175,683	
Depreciation	(70,588)	(70,433)	(45,962)	(45,839)	16
Amortisation	(14,821)	(10,587)	(14,400)	(10,120)	6
Impairment	(38,365)	(20,761)	-	-	7
Other gains and losses	(51,566)	(48,503)	(4,269)	(1,057)	8
Share of profit/(loss) of equity accounted investments	-	-	-	-	15
	<b>(175,340)</b>	(150,284)	<b>(64,631)</b>	(57,016)	
<b>Profit before finance costs and income tax</b>	<b>170,285</b>	197,149	<b>122,116</b>	118,667	
Finance costs	(28,707)	(28,527)	(4,252)	(4,040)	9
<b>Profit before income tax</b>	<b>141,578</b>	168,622	<b>117,864</b>	114,627	
Income tax expense	(42,520)	(59,586)	(28,414)	(29,222)	10
<b>Profit for the year</b>	<b>99,058</b>	109,036	<b>89,450</b>	85,405	
<b>Attributable to:</b>					
Equity holders of the Company	<b>99,058</b>	109,036	<b>89,450</b>	85,405	
	<b>99,058</b>	109,036	<b>89,450</b>	85,405	

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

**Balance sheets**

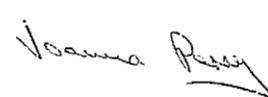
— As at 30 June 2008

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000	Notes
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	13,216	5,555	10,852	5,274	11
Trade and other receivables	470,630	676,463	203,954	256,417	12
Inventories	87,279	87,279	83,378	83,218	13
Derivative financial instruments	6,694	7,176	4,521	16,102	14
Current tax receivable	24,213	-	23,242	23,734	
Total current assets	602,032	776,473	325,947	384,745	
<b>Non-current assets</b>					
Trade and other receivables	42,322	3,379	50,601	2,607	12
Derivative financial instruments	6,556	6,686	9,843	10,241	14
Other financial assets	-	30,253	-	29,753	15
Investment accounted for using equity method	723	-	-	-	15
Property, plant and equipment	1,851,215	1,585,490	1,631,306	1,589,130	16
Intangible assets	125,459	122,316	123,258	120,208	17
Oil and gas exploration and development assets	78,442	3,148	84,501	-	18
Total non-current assets	2,104,717	1,751,272	1,899,509	1,751,939	
<b>Total assets</b>	<b>2,706,749</b>	<b>2,527,745</b>	<b>2,225,456</b>	<b>2,136,684</b>	
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	470,665	377,700	216,458	196,114	19
Borrowings	75,889	75,889	43,098	43,098	20
Derivative financial instruments	13,670	13,670	25,680	25,680	14
Current tax payable	-	4,251	-	-	
Provisions	8,174	4,155	5,662	5,662	21
Total current liabilities	568,398	475,665	290,898	270,554	
<b>Non-current liabilities</b>					
Borrowings	474,801	474,801	388,248	388,248	20
Derivative financial instruments	13,850	14,923	8,854	12,991	14
Provisions	17,607	17,607	16,297	16,297	21
Deferred tax liabilities	225,320	192,267	195,416	179,164	22
Total non-current liabilities	731,578	699,598	608,815	596,700	
<b>Total liabilities</b>	<b>1,299,976</b>	<b>1,175,263</b>	<b>899,713</b>	<b>867,254</b>	
<b>Net assets</b>	<b>1,406,773</b>	<b>1,352,482</b>	<b>1,325,743</b>	<b>1,269,430</b>	
<b>Shareholders' equity</b>	<b>1,406,773</b>	<b>1,352,482</b>	<b>1,325,743</b>	<b>1,269,430</b>	23

The Directors of Genesis Power Limited authorise these financial statements for issue.  
On behalf of the Board.



Brian Corban QSO, Chairman  
26 August 2008



Joanna Perry, Director  
26 August 2008

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

**Statement of changes in equity**

— For the year ended 30 June 2008

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000	Notes
Profit for the year	99,058	109,036	89,450	85,405	
Change in cash flow hedge reserve	10,477	2,521	(22,242)	(13,974)	23
Change in asset revaluation reserve	(5)	(5)	10,204	10,204	23
<b>Net income or (expense) recognised directly in equity for the year</b>	<b>10,472</b>	<b>2,516</b>	<b>(12,038)</b>	<b>(3,770)</b>	
<b>Total recognised income and expense for the year</b>	<b>109,530</b>	<b>111,552</b>	<b>77,412</b>	<b>81,635</b>	
Dividends provided for or paid	(28,500)	(28,500)	(9,600)	(9,600)	24
<b>Changes in equity for the year</b>	<b>81,030</b>	<b>83,052</b>	<b>67,812</b>	<b>72,035</b>	
<b>Equity at the beginning of the year</b>	<b>1,325,743</b>	<b>1,269,430</b>	<b>1,257,931</b>	<b>1,197,395</b>	
<b>Equity at the end of the year</b>	<b>1,406,773</b>	<b>1,352,482</b>	<b>1,325,743</b>	<b>1,269,430</b>	

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

**Cash flow statements**

— For the year ended 30 June 2008

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000	Notes
<b>Cash flows from operating activities</b>					
Cash was provided from:					
Receipts from customers	2,189,926	2,082,028	1,771,853	1,691,447	
Interest received	1,382	499	3,249	2,874	
Taxation credits/(debits)	529	3,155	1,241	1,490	
	<b>2,191,837</b>	2,085,682	<b>1,776,343</b>	1,695,811	
Cash was applied to:					
Payments to suppliers	1,909,283	1,808,823	1,578,950	1,494,200	
Payments to employees	54,841	51,467	47,634	45,085	
Taxation paid	18,605	17,646	52,665	49,939	
	<b>1,982,729</b>	1,877,936	<b>1,679,249</b>	1,589,224	
<b>Net cash inflow from operating activities</b>	<b>209,108</b>	207,746	<b>97,094</b>	106,587	31
<b>Cash flows from investing activities</b>					
Cash was provided from:					
Proceeds from disposal of property, plant and equipment	103	103	69	69	
Receipts of principal from finance lease receivable	4,382	-	3,817	-	
Advances and loans repaid	125	125	-	-	
Net advances and loans from subsidiaries	-	18,444	-	6,639	
	<b>4,610</b>	18,672	<b>3,886</b>	6,708	
Cash was applied to:					
Purchase of property, plant and equipment	217,958	67,012	111,540	82,626	
Purchase of intangibles	12,932	12,695	19,103	18,867	17
Purchase of oil and gas exploration and development assets	27,257	3,148	25,565	-	18
Purchase of investments	500	500	-	-	
Net advances and loans to subsidiaries	-	190,255	-	70,941	
	<b>258,647</b>	273,610	<b>156,208</b>	172,434	
<b>Net cash (outflow) to investing activities</b>	<b>(254,037)</b>	(254,938)	<b>(152,322)</b>	(165,726)	

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

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000	Notes
<b>Cash flows from financing activities</b>					
Cash was provided from:					
Proceeds from new borrowings	121,650	121,650	95,650	95,650	
	<b>121,650</b>	121,650	<b>95,650</b>	95,650	
Cash was applied to:					
Interest paid and other finance charges	42,562	42,382	26,635	26,423	
Repayment of principal on finance lease liabilities	3,295	3,295	2,945	2,911	
Ordinary dividend paid	28,500	28,500	9,600	9,600	
	<b>74,357</b>	74,177	<b>39,180</b>	38,934	
<b>Net cash inflow from financing activities</b>	<b>47,293</b>	47,473	<b>56,470</b>	56,716	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,364</b>	281	<b>1,242</b>	(2,423)	
Cash and cash equivalents at beginning of year	10,852	5,274	9,610	7,697	
<b>Cash and cash equivalents at end of year</b>	<b>13,216</b>	5,555	<b>10,852</b>	5,274	
<b>Cash and cash equivalents is comprised of:</b>					
Cash at bank and on hand	13,216	5,555	10,852	5,274	
	<b>13,216</b>	5,555	<b>10,852</b>	5,274	11

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

## Notes to the financial statements

— For the year ended 30 June 2008

### 1. General information

The financial statements have been prepared for Genesis Power Limited (the Company) and its subsidiaries (together the Group). The Company was incorporated and became a state-owned enterprise on 16 December 1998 pursuant to the State-Owned Enterprises Act 1986. The Company is a profit-orientated entity and is wholly owned by Her Majesty the Queen in Right of New Zealand (the Crown). The Group's core business is the generation, trading and retailing of energy in New Zealand.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 602 Great South Road, Auckland.

### 2. Summary of accounting policies

The financial statements include separate financial statements for Genesis Power Limited as an individual entity and the consolidated entity consisting of Genesis Power Limited and its subsidiaries.

#### (a) Basis of preparation

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable New Zealand Financial Reporting Standards, as appropriate for profit-orientated entities.

These financial statements are presented in New Zealand dollars rounded to the nearest thousand.

#### Compliance with IFRS

The separate and consolidated financial statements of Genesis Power Limited also comply with International Financial Reporting Standards (IFRS).

#### Entities reporting

The financial statements of the 'Company' are for Genesis Power Limited as a separate legal entity.

The consolidated financial statements of the 'Group' are for the economic entity comprising Genesis Power Limited and its subsidiaries.

#### Statutory base

Genesis Power Limited is a company registered under the Companies Act 1993.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

#### Application of NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards

These financial statements are the first Genesis Power Limited financial statements to be prepared in accordance with NZ IFRS.

NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of Genesis Power Limited until 30 June 2006 had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS. When preparing the Genesis Power Limited 2007 financial statements, management has amended certain accounting and valuation methods applied in the NZ FRS financial statements to comply with NZ IFRS. The comparative figures in respect of 2007 were restated to reflect these adjustments.

The adoption of these standards has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- Financial instruments
- Deferred taxation
- Goodwill

— Property, plant and equipment

Reconciliations and descriptions of the effect of transition to NZ IFRS from previous NZ FRS on the Group's reported balance sheets, income statements, and cash flow statements is provided in note 32.

#### Historical cost convention

These financial statements have been prepared on the basis of historical cost, except for the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and certain classes of property, plant and equipment.

#### Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3 or in the relevant accounting policy. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Goods and Services Tax

The income statement and the cash flow statement have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST.

#### (b) Principles of consolidation

##### (i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Genesis Power Limited (the Company) as at 30 June 2008 and the results of all subsidiaries for the year then ended. Genesis Power Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of settlement, plus costs directly attributable to the acquisition. 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 excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the

income statement.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of settlement. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively. The Company financial statements show investments in subsidiaries at cost.

Business combinations that occurred prior to the date of transition to NZ IFRS have not been restated retrospectively.

##### (ii) Joint ventures

Jointly controlled assets

Jointly controlled assets involve the joint control, or the joint ownership, by the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred. These joint ventures do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the ventures themselves.

The Group's share of jointly controlled assets and liabilities and share of revenue and expenses are accounted for using the proportionate consolidation method. The proportionate interests in the assets, liabilities, income and expenses of the jointly controlled assets have been incorporated into the financial statements under the appropriate headings together with any liabilities incurred by the Group.

##### (iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally evidenced by a holding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (c) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in New Zealand dollars, which is Genesis Power Limited's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions or from their translation at balance sheet date using balance date exchange rates, are recognised in the income statement except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

#### (d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, and duties and taxes paid. Revenue recognised for the major activities comprises the amounts received and receivable by the Group for electricity, gas and energy-related services supplied to customers in the ordinary course of business including estimates for unread meters. Revenue is recognised as follows:

##### (i) Sales of goods

Revenue from the supply of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

##### (ii) Sales of services

Revenue from the supply of services is recognised at balance date on a straight line basis over the specified period for the services unless an alternative method better represents the stage of completion of the transaction.

##### (iii) Interest income

Interest income is recognised on an accrual basis using the effective interest method. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

##### (iv) Rental income

Rental income is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives granted are recognised evenly over the term of the lease as a reduction in total rental income.

##### (v) Dividend income

Dividend income is recognised when the right to receive payment is established.

### (e) Income tax

The income tax expense or income for the period is the tax payable or receivable on the current period's taxable income or expense based on the New Zealand tax rate. This is adjusted by changes in deferred tax assets and liabilities attributable to temporary differ-

## Notes to the financial statements continued

ences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses. Deferred tax is recognised for temporary differences and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on those tax rates that are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they are related to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### (f) Leases

#### (i) The Group is the lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the finance balance outstanding. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

#### (ii) The Group is the lessor

When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. Finance lease receipts are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Assets leased to third parties under operating leases are included

in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term.

### (g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or whenever there is an indication that the asset may be impaired. Assets that are subject to amortisation are reviewed for impairment annually where required, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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

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

### (h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### (i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment loss. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment loss is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate.

### (j) Inventories

#### (i) Raw materials and stores

Raw materials and stores are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the

estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### (k) Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use: that is, where such assets are available for immediate sale and where the sale is highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale continue to be recognised. Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the balance sheet.

### (l) Investments and other financial assets

#### (i) Investments

Purchases and sales of investments are recognised on the trade date, being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value net of transaction costs. Financial assets classified as fair value through profit or loss are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

Quoted investments are measured at fair value. Fair value for quoted investments is based on current bid prices.

#### (ii) Other financial assets

The Group classifies its other financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the financial assets and the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

#### (a) Financial assets at fair value through profit or loss

This category has two subcategories: financial assets held-for-trading; and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. A financial asset is designated as held-for-trading if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held-for-trading or expected to be realised within 12 months of the balance sheet date.

#### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortised cost. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Loans and receivables are included in receivables in the balance sheet (note 12).

#### (c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

#### (d) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Other financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method less impairment. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's-length transactions, involving the same instruments or other instruments that are substantially the same, estimated discounted cash flow analyses, and option pricing models refined to reflect the issuer's specific circumstances.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that, as a result of events occurring after initial recognition, the estimated future cash flows of the asset have been impacted. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss, is removed from equity and recognised in the income statement. In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

## Notes to the financial statements continued

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the income statement. Changes in the carrying amount of the allowance account are usually recognised in the income statement.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### (m) Derivatives

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

(1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

(2) hedges of highly probable forecast transactions (cash flow hedges).

The Group has entered into transactions using financial instruments within predetermined policies and limits in order to reduce risks from carrying out its ongoing business. These instruments include forward exchange contracts and interest rate swaps. The Group enters into these contracts to hedge its foreign currency exposures and interest rate exposures. The Group has also entered into contracts to manage its exposure to price fluctuations on the electricity spot market. These forward contracts are contracts for differences.

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

The fair values of various financial instruments used for hedging purposes are disclosed in note 14. Movements in the hedging reserve in shareholders' equity are shown in note 23.

### (i) Fair value hedge

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

### (ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in

equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability. When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The fair value of hedging derivatives is classified as non-current assets or non-current liabilities if the remaining maturity of the hedging relationship is more than 12 months and as a current asset or current liability if the remaining maturity of the hedging relationship is less than 12 months.

### (iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

### (iv) Embedded derivatives

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

### (n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flow analyses, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. The fair value of energy hedges are calculated as the present value of the estimated future cash flows taking into account a market price path where available or an internally generated future electricity price path.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

### (i) Deferred 'day 1' gains/losses

Where the Group estimates fair values of derivative financial instruments using internally generated future price paths, as is the case with energy hedges, the instrument is fair valued at inception and the difference arising between the estimated fair value and its cost (nil) is a valuation adjustment. To eliminate this valuation adjustment at inception, the future price path used to ascertain fair value is adjusted by a constant dollar amount to return the initial fair value to nil. This dollar adjustment is then applied to the internally generated

future price path for each subsequent valuation period over the life of the energy hedge.

### (o) Property, plant and equipment

Generating assets are stated in the balance sheet at cost or, in the case of previously revalued items, at fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity, not to exceed five years, to ensure the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any increase arising on the revaluation of generation assets is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such generation assets is charged to profit or loss to the extent that it exceeds the balance, if any, held in the assets revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued generation assets is charged to profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the assets revaluation reserve is transferred directly to retained earnings.

Property and plant in the course of construction for production or administrative purposes, are carried at cost or, in the case of previously revalued items, at fair value at the date of revaluation, less any subsequent accumulated impairment losses. The cost of assets constructed by the Group, including capital work in progress, is the cost of all materials used in construction, direct labour costs of construction, resource management consent costs, and an appropriate proportion of applicable variable and fixed overheads.

All property plant and equipment, except generation assets, are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment, other than freehold land and property and plant under construction, is charged on a straight line basis at rates calculated to allocate the costs or valuation of an item of property, plant and equipment, less any estimated residual value, over its estimated useful life. Typically, the estimated useful lives of different classes of property, plant and equipment are as follows:

	<i>Estimated useful life</i>
Generation assets	10 to 50 years
Buildings and improvements	10 to 50 years
Other plant and equipment	3 to 15 years
Leased plant and equipment	20 to 25 years
Freehold land is not depreciated.	

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

### (p) Oil and gas exploration and development assets

#### (i) Exploration and evaluation expenditure

Exploration costs, including geological and geophysical costs and costs of carrying unproved properties are included in the income statement. Exploratory drilling costs are capitalised initially; however, capitalised costs relating to unsuccessful efforts are charged to the income statement as dry hole costs at that time.

The exploratory drilling costs of successful efforts are amortised over the estimated life of the field based on the unit of production depletion method, commencing from the first year of commercial production from that field. Exploration expenditure is assessed annually for indicators of impairment. Any impairment in value is taken to the income statement.

#### (ii) Oil and gas development expenditure

Capitalised development expenditure relates to the development of gas and condensate fields in which the Group has an interest. Development expenditure is amortised over the estimated life of the field based on the unit of production depletion method, commencing from the first year of commercial production from that field. Development expenditure is assessed annually for indicators of impairment. Any impairment in value is taken to the income statement.

#### (iii) Mining licences

The acquisition costs of mining licences are capitalised as intangible assets. The licence costs of successful efforts are amortised over the estimated life of the field based on the unit of production depletion method, commencing from the first year of commercial production from that field.

The licence costs of unsuccessful efforts are considered impaired, and expensed to the income statement when the decision to abandon an area of interest or licence is made.

Licence costs are assessed annually for indicators of impairment. Any impairment in value is taken to the income statement.

#### (q) Intangible assets

Intangible assets include goodwill, research and development, computer software and naming rights. Assets with indefinite useful lives are not amortised, but are tested at least annually for impairment and whenever there is an indication that the asset may be impaired. Where there is an active market for an intangible asset, the asset is recorded at a revalued amount, being fair value less any subsequent accumulated amortisation and subsequent accumulated impairment losses. Revaluations are done for each intangible asset, not for a class of asset.

Realised gains and losses arising from disposal of intangible assets are recognised in the income statement in the period in which the transaction occurs. Unrealised gains and losses arising from changes in the value of intangible assets are recognised as at balance date. To the extent that a gain reverses a loss previously charged to the income statement, the gain is credited to the income statement. Otherwise, gains are credited to an asset revaluation reserve for that asset. To the extent that there is a balance in the asset revaluation reserve for the intangible asset, a revaluation loss is debited to the reserve. Otherwise, losses are reported in the income statement.

#### (i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events

## Notes to the financial statements continued

or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisitions before the date of transition to NZ IFRS has been retained at the previous NZ GAAP amounts subject to being tested for impairment at that date. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

### (ii) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred. Expenditure incurred on research of an internally generated intangible asset is expensed when it is incurred. Where the research phase cannot be distinguished from the development phase, the expenditure is expensed when it is incurred.

The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. The development phase occurs after the following can be demonstrated: technical feasibility; ability to complete the asset; intention and ability to sell or use; and development expenditure can be reliably measured.

Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost over the period of the expected benefit.

### (iii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised to the income statement on a straight line basis over their estimated useful lives (not exceeding four years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised to the income statement on a straight line basis over their estimated useful lives (not exceeding four years).

### (r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### (s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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

### (t) Finance costs

Finance costs include origination, commitment and transaction fees and are amortised to the income statement as part of finance costs over the period of the borrowings using the effective interest rate method, unless such costs relate to capital work in progress.

Financing costs on capital work in progress and other qualifying assets that take a substantial period of time to construct or prepare for use or sale, are capitalised during the construction period. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Costs cease to be capitalised when the asset is available for productive use. Depreciation of these assets on the same basis as for other assets commences when the assets are ready for their intended use.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year. The weighted average interest rate is disclosed in note 14.

All other finance costs are recognised in profit or loss in the period in which they are incurred.

### (i) Interest expense

Interest expense is accrued using the effective interest rate method. The effective interest rate discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

### (u) Provisions

Provisions for legal claims and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Liabilities and provisions to be settled beyond 12 months are recorded at their present value. Provisions are re-assessed at each balance date. Changes in the present value of cash flow estimates are recognised in the income statement. The provisions are reduced by expenditure incurred relating to the provision.

### (i) Provision for mitigation costs

A provision for mitigation costs is recognised when the Group has a legal or constructive obligation. The provision is based upon contractual commitments over the shorter of the contract period or the life of the resource consent.

### (ii) Provision for rehabilitation and restoration

A provision for rehabilitation is recognised when the Group has a legal obligation or has publicly announced its intended rehabilitation policy for a particular site. The provision is based on an independent engineering report as to the appropriate action to rehabilitate each site. The provision is stated at the present value of the future net cash outflows expected to be incurred.

### (v) Employee benefits

#### (i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables

in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

### (ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using current market interest rates for instruments of periods matching as closely as possible to the expected timing of the payments.

### (iii) Retirement benefit obligations

Current and former employees of the Group are entitled to benefits on retirement, disability or death participation in the Group's superannuation schemes. There are both defined benefit and defined contribution schemes. The defined benefit scheme is part of the Government Superannuation Fund and as part of this scheme the Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Any shortfall in the cost of entitlements is met by a top-up from the Government each year. As such all schemes have been accounted for as defined contribution schemes. Contributions are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### (iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash outflows. The Group recognises a liability and an expense for bonuses and recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### (w) Contributed equity

Ordinary shares are classified as equity.

### (x) Dividends

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

### (y) Resource consents

Costs incurred in obtaining resource consents are capitalised and recognised as part of the cost of property, plant and equipment. These costs are amortised over the life of the consent on a straight line basis commencing from the date that the resource consent is granted.

### (z) Financial liabilities

Financial liabilities held-for-trading and financial liabilities designated at fair value through profit or loss are recorded at fair value with any realised and unrealised gains or losses recognised in the income statement. A financial liability is classified in this category

if acquired principally for the purpose of selling in the short term or if so designated by management to eliminate or reduce accounting mismatches. It is part of financial assets and financial liabilities managed at fair value. Gains or losses reported in the income statement include any interest component. Transaction costs are expensed as they are incurred.

Other financial liabilities are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method (refer finance costs policy).

### (aa) Contingent assets and liabilities

Contingent liabilities and contingent assets are recorded in the notes to the financial statements at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

### (ab) Statement of cash flows

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

- Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts;
- Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments;
- Financing activities are those activities that result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash: and
- Operating activities include all transactions and other events that are not investing or financing activities.

### 3. Critical accounting estimates and judgements

The Group's critical accounting policies and estimates in these financial statements are as follows:

#### (i) Goodwill

The carrying value of goodwill is subject to an annual impairment test to ensure the carrying value does not exceed the recoverable amount at balance date. For the purpose of impairment testing, goodwill is allocated to the individual cash-generating units which it relates to. Any impairment losses are recognised in the income statement.

In determining the recoverable amount of goodwill, the Group uses a valuation model to calculate the present value of estimated future cash flows of the cash-generating units, discounted at the Group's weighted average cost of capital. The major inputs and assumptions that are used in the model that require management judgement include customer numbers, customer churn, gross margin per customer, cost to serve per customer, sales forecasts, interest rates, depreciation rates, discount rates and the future electricity and gas price path.

The carrying value of goodwill is disclosed in note 17.

#### (ii) Oil and gas exploration expenditure

The carrying value of exploration and evaluation expenditure is subject to a review annually for impairment to ensure that the carrying value does not exceed the recoverable amount at balance date.

In determining the recoverable amount of exploration and evaluation assets, the Group uses a valuation model to calculate the present value of estimated future cash flows of the proven and unproven risk-adjusted reserves, discounted at the Group's weighted average cost of capital, adjusted for the level of risk associated with the investment. Currently this risk factor ranges between two and six per cent depending on specifics relating to the field. The other major inputs

## Notes to the financial statements continued

and assumptions that are used in the model that require management judgement include the potential life of the field, units of production and reserves, future commodity prices and costs of extraction and production.

The carrying value of exploration and evaluation expenditure is disclosed in note 18.

### (iii) Oil and gas development expenditure

The carrying value of development expenditure is subject to a review annually for impairment to ensure that the carrying value does not exceed the recoverable amount at balance date.

In determining the recoverable amount of development assets, the Group uses a valuation model to calculate the present value of estimated future cash flows of the proven and unproven risk-adjusted reserves, discounted at the Group's weighted average cost of capital, adjusted for the level of risk associated with the investment. Currently this risk factor ranges between two and six per cent depending on specifics relating to the field. The other major inputs and assumptions that are used in the model that require management judgement include the potential life of the field, units of production and reserves, future commodity prices, and costs of extraction and production.

The carrying value of development expenditure is disclosed in note 18.

### (iv) Generation plant and equipment

The Group's generation plant and equipment is stated at fair value as determined by the Directors in conjunction with an independent valuer. The basis of the valuation is the present value of the estimated future cash flows of the assets, excluding any reduction for costs associated with restoration and environmental rehabilitation. The major inputs and assumptions that are used in the valuation model that require management judgement include generation volume forecasts, projected operational and capital expenditure profiles, capacity and life assumptions for each generation plant.

The carrying value of generation plant and equipment is disclosed in note 16.

### (v) Retail revenue

Management has exercised judgement in determining estimated retail sales for unread gas and electricity meters at balance date. Specifically this involves an estimate of consumption for each unread meter, based on the customer's past consumption history.

The carrying value of estimated retail revenue is disclosed in note 12(c).

### (vi) Rehabilitation and restoration

Liabilities are estimated for the abandonment and site restoration of areas from which natural resources are extracted or waste materials are deposited. Such estimates are valued at the present value of the cash flows expected to settle the obligation. Key assumptions have been made as to the expected expenditures to remediate based on the expected life of the assets employed on the sites. The estimated expenditures have been discounted at a rate that reflects the risks specific to the liability except where future cash flows have already been adjusted for risk.

The carrying value of liabilities for rehabilitation and restoration are disclosed in note 21.

### (vii) Financial instruments

Note 14 contains information about the assumptions and the risk factors relating to financial instruments and their valuation, including electricity price hedges which are valued with reference to the Group's financial model for estimated future electricity prices. Accounting judgements have been made in determining the hedge designation for the different types of derivatives employed by the Group to hedge risk exposures.

The carrying values of financial instruments are also disclosed in note 14.

### (viii) Trade Receivables

Note 12 contains information about the estimates of recoverable trade receivables and the estimates of provisions for doubtful receivables.

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000	Notes
<b>4. Other revenue</b>					
Other operating revenue	7,168	7,168	9,707	9,707	
Finance and operating lease income	8,187	626	8,267	453	
Interest revenue (a)	1,382	13,649	3,249	4,977	
Dividends received	1	1	-	-	
Miscellaneous income	7,522	7,522	8,841	8,694	
	<b>24,260</b>	<b>28,966</b>	<b>30,064</b>	<b>23,831</b>	

### (a) Interest revenue

Interest revenue is calculated using the effective interest rate method. It comprises the following:

Bank deposits	1,379	499	2,334	1,984
Other loans and receivables (including advances to subsidiaries)	3	13,150	915	2,993
<b>Interest revenue</b>	<b>1,382</b>	<b>13,649</b>	<b>3,249</b>	<b>4,977</b>

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000	Notes
<b>5. Other operating costs</b>					
Other operating costs include:					
Auditors remuneration					
— Audit services	374	369	216	216	
— Other assurance services	-	-	59	59	
Bad debts	4,577	4,451	4,172	4,155	
Directors' fees	494	494	333	333	27
Doubtful debts	1,607	1,007	867	599	12(a)
Donations	293	293	360	360	
Employee benefits expense – defined contributions	1,062	1,062	774	774	
Inventory write-downs	244	244	233	233	
Rental expenses on operating leases	7,829	6,202	3,150	1,997	

Notes to the financial statements  
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	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000	Notes
<b>6. Amortisation expense</b>					
Amortisation expense includes:					
Amortisation of other intangibles	10,731	10,587	10,247	10,120	17
Amortisation of oil and gas exploration and development assets	-	-	-	-	18
Amortisation of finance lease receivable reset *	4,090	-	4,153	-	
	<b>14,821</b>	<b>10,587</b>	<b>14,400</b>	<b>10,120</b>	

\* Refer to note 12(b) for details regarding the finance lease receivable reset adjustment.

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000	Notes
<b>7. Impairment expense</b>					
Impairment expense includes:					
Impairment of exploration and evaluation expenditure	38,365	-	-	-	18
Impairment of intercompany loan	-	20,761	-	-	27
	<b>38,365</b>	<b>20,761</b>	<b>-</b>	<b>-</b>	

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000	Notes
<b>8. Other gains/losses</b>					
Net gain/(loss) on disposal of property, plant and equipment	(277)	(3)	(2,716)	(2,682)	
Net gains/(losses) on financial liabilities measured at amortised cost:					
— Net realised foreign exchange gains/(losses)	(82)	(51)	(377)	(261)	
— Net unrealised foreign exchange gains/(losses)	79	(4)	(891)	-	
Net ineffective gains/(losses) on cash flow hedges:					
— Electricity contracts for difference	(8)	(8)	799	799	
— Foreign exchange contracts	-	-	(405)	(405)	
Net fair value gains/(losses) on hedges at fair value through profit or loss:					
— Electricity contracts for difference	(4,854)	(4,854)	(400)	(400)	
— Oil options	(3,064)	-	(3,007)	-	
Net realised gains/(losses) on hedges at fair value through profit or loss:					
— Electricity contracts for difference	(43,583)	(43,583)	1,892	1,892	
Net gain/(loss) on acquisition of associate/joint venture	223	-	836	-	15, 28
	<b>(51,566)</b>	<b>(48,503)</b>	<b>(4,269)</b>	<b>(1,057)</b>	

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000	Notes
<b>9. Finance costs</b>					
Interest paid (a)	41,333	41,332	25,590	25,527	
Other finance charges	2,218	2,039	2,940	2,791	
Time value of money adjustments on provisions	657	657	626	626	
	<b>44,208</b>	<b>44,028</b>	<b>29,156</b>	<b>28,944</b>	
Interest paid and other finance charges capitalised to assets	(15,501)	(15,501)	(24,904)	(24,904)	
	<b>28,707</b>	<b>28,527</b>	<b>4,252</b>	<b>4,040</b>	
Weighted average capitalisation rate on borrowings	<b>3.8%</b>	3.8%	<b>7.4%</b>	7.4%	

**(a) Interest paid**

Interest paid is calculated using the effective interest rate method. It comprises the following:

Interest on revolving credit facility and term notes	38,830	38,829	23,010	23,010
Interest on finance lease liabilities	1,756	1,756	2,090	2,090
Interest on other loans and payables	747	747	490	427
<b>Interest paid</b>	<b>41,333</b>	<b>41,332</b>	<b>25,590</b>	<b>25,527</b>

Notes to the financial statements  
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	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
<b>10. Income tax expense</b>				
<b>(a) Income tax expense</b>				
Current tax expense/(income)	32,252	59,876	41,897	43,475
Deferred tax expense/(income) – temporary differences	14,662	3,125	(2,329)	(5,385)
Deferred tax expense/(income) – change in corporate tax rate*	(1,495)	(371)	(11,461)	(9,178)
Current tax expense/(income) – under/(over) – provided in prior years	(2,142)	2,952	-	-
Deferred tax expense/(income) – under/(over) – provided in prior years	(757)	(5,966)	307	310
<b>Income tax expense</b>	<b>42,520</b>	<b>59,586</b>	<b>28,414</b>	<b>29,222</b>
Income tax expense is attributable to:				
– Profit from continuing operations	42,520	59,586	28,414	29,222
	<b>42,520</b>	<b>59,586</b>	<b>28,414</b>	<b>29,222</b>

**(b) Reconciliation of prima facie income tax expense on pre-tax accounting profit to income tax expense**

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
Profit before income tax	141,578	168,622	117,864	114,627
Income tax thereon at 33% (2007: 33%)	46,721	55,645	38,895	37,827
Tax effect of adjustments:				
– Non-taxable impairment of intercompany loan	-	6,851	-	-
– Non-taxable gains on joint venture participation	580	-	(294)	-
– Other adjustments	(387)	505	967	263
Change in corporate tax rate*	(1,495)	(371)	(11,461)	(9,178)
Under/(over) – provided in prior years	(2,899)	(3,044)	307	310
<b>Income tax expense</b>	<b>42,520</b>	<b>59,586</b>	<b>28,414</b>	<b>29,222</b>
Weighted average tax rate	<b>30.0%</b>	35.3%	<b>24.1%</b>	25.5%

\* The corporate tax rate changed from 33 per cent to 30 per cent effective 1 July 2008. Consequently the deferred tax liability at 30 June 2007 has been recalculated to reflect the portion that is likely to be realised at the new rate.

**(c) Imputation credits**

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
<b>Imputation credit account</b>				
Balance at beginning of year	257,135	240,543	210,326	196,461
Tax payments, net of refunds	18,324	17,363	51,537	48,810
Credits attached to dividend distributions	(14,037)	(14,037)	(4,728)	(4,728)
<b>Balance at end of year</b>	<b>261,422</b>	<b>243,869</b>	<b>257,135</b>	<b>240,543</b>

Imputation credits are available directly and indirectly to shareholders of the Company through:

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
Company	243,869		240,543	
Subsidiaries	17,553		16,592	
	<b>261,422</b>		<b>257,135</b>	

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
<b>11. Cash and cash equivalents</b>				
Cash at bank and on hand	13,216	5,555	10,852	5,274
	<b>13,216</b>	<b>5,555</b>	<b>10,852</b>	<b>5,274</b>

**(a) Cash at bank and on hand**

The interest rate for cash at bank ranges from 0.0 per cent to 8.01 per cent per annum (2007: 0.0 per cent to 7.46 per cent).

**(b) Fair value**

Refer to Note 14 below for the fair value analysis of the Group's financial assets.

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
<b>12. Trade and other receivables*</b>				
<b>Current assets</b>				
Trade receivables	446,266	432,805	206,925	193,147
Allowance for doubtful receivables (a)	(9,079)	(8,763)	(17,400)	(16,958)
	<b>437,187</b>	424,042	<b>189,525</b>	176,189
Advances to subsidiaries**	-	247,838	-	74,564
Advances to related parties**	-	-	63	63
Finance lease receivable (b)	9,210	-	8,631	-
Other receivables	251	248	265	263
Prepaid insurance	1,696	1,696	1,600	1,600
Other prepayments	22,286	2,639	3,870	3,738
	<b>470,630</b>	<b>676,463</b>	<b>203,954</b>	<b>256,417</b>
<b>Term assets</b>				
Advances to related parties	-	-	63	63
Finance lease receivable (b)	38,943	-	47,994	-
Other prepayments	3,379	3,379	2,544	2,544
	<b>42,322</b>	<b>3,379</b>	<b>50,601</b>	<b>2,607</b>

\* All trade and other receivables are classified as 'loans and receivables' under NZ IFRS 7.8 (Financial Instruments: Disclosures).

\*\* Refer to note 27 for details regarding the nature, terms and conditions attached to the advances to subsidiaries and other related parties.

Notes to the financial statements  
continued

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
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## 12. Trade and other receivables\* continued

## (a) Allowance for doubtful receivables

An allowance has been made for estimated unrecoverable amounts as detailed below:

Allowance for doubtful receivables				
Opening balance	(17,400)	[16,958]	(6,562)	[6,448]
Amounts written off/(recovered) during the year	860	134	(214)	[154]
(Increase)/decrease in allowance recognised in expenditure	(1,607)	[1,007]	(867)	[599]
(Increase)/decrease in allowance recognised against income	(510)	[510]	(179)	[179]
(Increase)/decrease in allowance recognised in receivables	9,578	9,578	(9,578)	[9,578]
<b>Closing balance</b>	<b>(9,079)</b>	<b>[8,763]</b>	<b>(17,400)</b>	<b>[16,958]</b>

Below is an analysis of the age of impaired receivables:

Age category				
Current	1,389	1,335	10,324	10,269
0 – 30 days	1,586	1,481	1,341	1,236
30 – 60 days	671	609	519	457
60 – 90 days	549	516	460	426
>90 days	4,959	4,897	4,214	4,028
Unbilled	1,500	1,500	1,145	1,145
Unallocated payments	(1,575)	(1,575)	(603)	(603)
<b>Total impaired receivables provided for</b>	<b>9,079</b>	<b>8,763</b>	<b>17,400</b>	<b>16,958</b>

## (a) Allowance for doubtful receivables

Below is the value of receivables past due date that have not been impaired or provided for in the allowance for doubtful receivables:

Age category				
30 – 60 days	2,808	2,808	1,887	1,887
60 – 90 days	1,480	1,480	784	784
>90 days	3,353	3,353	2,579	2,579
<b>Total receivables past due date not impaired or provided for</b>	<b>7,641</b>	<b>7,641</b>	<b>5,250</b>	<b>5,250</b>

The above analysis is shown before taking into account unallocated payments held at balance date.

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
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## 12. Trade and other receivables\* continued

## (b) Finance lease receivable

The Group has provided lease finance for a cogeneration plant. The lease is for a period of 15 years.

Finance lease receivable				
Gross investment in finance lease:				
Not later than one year	12,038	-	11,922	-
Later than one year and not later than two years	12,109	-	11,992	-
Later than two years and not later than five years	31,606	-	36,404	-
Later than five years	-	-	7,145	-
	<b>55,753</b>	<b>-</b>	<b>67,463</b>	<b>-</b>
Unearned finance income	(23,143)	-	(30,472)	-
Present value of future minimum lease receipts	32,610	-	36,991	-
Unamortised finance lease receivable reset adjustment *	15,543	-	19,634	-
<b>Net investment in finance lease</b>	<b>48,153</b>	<b>-</b>	<b>56,625</b>	<b>-</b>

The present value of future minimum lease receipts may be analysed as follows:

Not later than one year	5,252	-	4,477	-
Later than one year and not later than two years	6,160	-	5,252	-
Later than two years and not later than five years	21,198	-	21,860	-
Later than five years	-	-	5,402	-
	<b>32,610</b>	<b>-</b>	<b>36,991</b>	<b>-</b>

The net investment in finance lease may be analysed as follows:				
Not later than one year	9,210	-	8,631	-
Later than one year and not later than two years	9,901	-	9,210	-
Later than two years and not later than five years	29,042	-	31,985	-
Later than five years	-	-	6,799	-
	<b>48,153</b>	<b>-</b>	<b>56,625</b>	<b>-</b>

\* On 1 April 1999, Kinleith Cogeneration Limited (a subsidiary company) purchased the finance lease receivable from Electricity Corporation New Zealand (ECNZ) at book value as at that date. The Group undertook a review of the net asset values of the assets purchased. This review resulted in an increase in the value of the finance lease receivable by \$38.2 million, known as a reset adjustment. Since this date, the reset adjustment has been amortised to the income statement over the remaining term at a rate that results in the net investment in finance lease approximating fair value.

## (c) Estimates for unread gas and electricity meters

Management have exercised judgement in determining estimated retail sales for unread gas and electricity meters, included in trade receivables at balance date. These estimates have been summarised below:

Estimates for unread gas and electricity meters	94,883	85,075	70,283	64,770
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## (d) Fair values

Refer to note 14 below for the fair value analysis of the Group's financial assets.

## (e) Interest rate risk exposures

Refer to note 14 below for the Group's exposure to interest rates on financial assets.

Notes to the financial statements  
continued

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
<b>13. Inventories</b>				
Fuel stocks	72,262	72,262	77,383	77,383
Consumables and spare parts	15,017	15,017	5,995	5,835
	<b>87,279</b>	<b>87,279</b>	<b>83,378</b>	<b>83,218</b>

**14. Financial instruments**

**(a) Fair value of derivative financial instruments**

The fair values of the significant types of derivative financial instruments outstanding as at balance date together with the designation of their hedging relationship are summarised below:

**Current assets**

		Group 2008 \$'000	Company 2008 \$'000	Group 2007 \$'000	Company 2007 \$'000
Interest rate swap contracts	Cash flow hedge	2,423	2,419	3,211	3,203
Foreign exchange contracts	Cash flow hedge	2,211	2,697	-	11,589
Electricity contracts for difference	Cash flow hedge	5	5	1,223	1,223
Electricity contracts for difference and options	Held for trading	2,055	2,055	87	87
<b>Total current derivative financial instrument assets</b>		<b>6,694</b>	<b>7,176</b>	<b>4,521</b>	<b>16,102</b>

**Non-current assets**

Interest rate swap contracts	Cash flow hedge	188	188	2,682	2,681
Foreign exchange contracts	Cash flow hedge	208	338	-	399
Electricity contracts for difference	Cash flow hedge	4,709	4,709	2,911	2,911
Electricity contracts for difference and options	Held for trading	378	378	113	113
Oil options		1,073	1,073	4,137	4,137
<b>Total non-current derivative financial instrument assets</b>		<b>6,556</b>	<b>6,686</b>	<b>9,843</b>	<b>10,241</b>

<b>Total derivative financial instrument assets</b>		<b>13,250</b>	<b>13,862</b>	<b>14,364</b>	<b>26,343</b>
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**Current liabilities**

Interest rate swap contracts	Cash flow hedge	(69)	(69)	-	-
Foreign exchange contracts	Cash flow hedge	(9,995)	(9,995)	(23,445)	(23,445)
Electricity contracts for difference	Cash flow hedge	(1,547)	(1,547)	(2,082)	(2,082)
Electricity contracts for difference and options	Held for trading	(2,059)	(2,059)	(153)	(153)
<b>Total current derivative financial instrument liabilities</b>		<b>(13,670)</b>	<b>(13,670)</b>	<b>(25,680)</b>	<b>(25,680)</b>

**14. Financial Instruments continued**

		Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
<b>Non-current liabilities</b>					
Interest rate swap contracts	Cash flow hedge	(1,256)	(1,256)	-	-
Foreign exchange contracts	Cash flow hedge	(1,873)	(1,873)	(5,131)	(5,131)
Electricity contracts for difference	Cash flow hedge	(4,745)	(4,745)	(3,674)	(3,674)
Electricity contracts for difference and options	Held for trading	(5,976)	(5,976)	(49)	(49)
Oil options		-	(1,073)	-	(4,137)
<b>Total non-current derivative financial instrument liabilities</b>		<b>(13,850)</b>	<b>(14,923)</b>	<b>(8,854)</b>	<b>(12,991)</b>
<b>Total derivative financial instrument liabilities</b>		<b>(27,520)</b>	<b>(28,593)</b>	<b>(34,534)</b>	<b>(38,671)</b>
<b>Total net financial instruments</b>		<b>(14,270)</b>	<b>(14,731)</b>	<b>(20,170)</b>	<b>(12,328)</b>

**(b) Fair values**

The carrying amount of derivative financial assets and liabilities recorded in the financial statements approximates their fair values. The fair value of all other non-derivative financial assets and financial liabilities are disclosed in note 15 to the financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Where market prices are not available, use is made of estimated discounted cash flow analyses using the applicable yield curve or

available forward price data for the duration of the instruments.

- Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument, the two key types of variables used are:
  - Future price curve (for the relevant underlying interest rates, foreign exchange rates or commodity prices)
  - Discount rates.

The selection of variables requires significant 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.

— Deferred 'day 1' gains/losses

The following table details the movements in deferred 'day 1' gains/losses included in the fair value of derivative financial assets and liabilities held at balance date:

	Group 2008 \$'000	Company 2008 \$'000	Group 2007 \$'000	Company 2007 \$'000
<b>Electricity contracts for difference</b>				
Opening deferred 'day 1' gains/(losses)	3,756	3,756	1,946	1,946
Deferred 'day 1' gains/(losses) on new hedges	2,031	2,031	4,319	4,319
Deferred 'day 1' gains/(losses) realised during the year	(4,476)	(4,476)	(2,509)	(2,509)
<b>Closing deferred 'day 1' gains/(losses)</b>	<b>1,311</b>	<b>1,311</b>	<b>3,756</b>	<b>3,756</b>

## 14. Financial Instruments continued

**(c) Financial risk management objectives**

In the normal course of business, the Group is exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk-management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses financial instruments to hedge these risk exposures.

Risk management is carried out by a central treasury function (Treasury) for interest rate, foreign exchange and oil price exposures. Risk management activities in respect of the electricity exposures are undertaken by the Risk Management Group (Risk). Both Treasury and Risk operate under policies approved by the Board of Directors. Treasury and Risk identify, evaluate and hedge financial risks in close cooperation with the Group's operating units. The Board policies provide documented principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, electricity price risk, credit risk, use of derivative financial instruments, and the investment of excess liquidity. Trading in financial instruments, including derivative financial instruments, for speculative purposes is not permitted by the Board. Compliance with policies and exposure limits is reviewed by the internal auditors.

**(d) Capital risk management**

The Group manages its capital in a prudent manner to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the appropriate balance of debt and equity. This strategy remains unchanged from previous years. The capital structure of the Group consists of debt, which

includes the borrowings disclosed in note 20, cash and cash equivalents as disclosed in note 11 and equity attributable to the shareholders of Genesis Power Limited, comprising issued capital, reserves and retained earnings as disclosed in note 23.

Under the Group's debt funding facilities, the Group has given undertakings that the ratio of debt to equity will not exceed a prescribed level. This is monitored regularly to ensure continued compliance. There was no breach of these limits during the year.

**(e) Accounting policies**

Details of accounting policies and methods adopted, including the criteria for recognition, and the basis of measurement applied in respect of each class of financial asset and financial liability, are disclosed in note 2 to the financial statements.

**(f) Market risk****(i) Currency risk**

The Group is exposed to foreign currency risk as a result of transactions denominated in a currency other than the Group's functional currency, New Zealand dollars (NZD). The currencies giving rise to this risk are primarily the United States dollar, Australian dollar, Euro, British pound sterling and the Japanese yen.

Currency risk arises from future commercial transactions (including the purchase of coal, capital equipment and maintenance), and recognised assets and liabilities.

The Group uses forward foreign exchange contracts to manage foreign exchange risk arising from future commercial transactions and recognised assets and liabilities. The net position in each foreign currency is managed within approved policy parameters.

**— Foreign exchange contracts**

The following table details the forward foreign exchange contracts outstanding at balance date:

	Foreign Amount 30 June 2008 000	Foreign Amount 30 June 2007 000	Face Value 30 June 2008 \$'000	Face Value 30 June 2007 \$'000	Fair Value 30 June 2008 \$'000	Fair Value 30 June 2007 \$'000
<b>Outstanding Contracts</b>						
<b>Group</b>						
— United States dollar	65,419	110,164	96,257	165,975	(8,116)	(18,955)
— Australian dollar	27,916	49,666	33,520	58,184	1,696	(2,757)
— Euro	5,262	3,513	10,506	6,950	540	(720)
— Japanese yen	1,247,447	1,021,491	19,814	17,570	(3,565)	(6,128)
— British pound sterling	1,545	71	4,043	202	(4)	(16)
<b>Total forward foreign exchange contracts</b>			<b>164,140</b>	<b>248,881</b>	<b>(9,449)</b>	<b>(28,576)</b>

The fair value of forward foreign exchange contracts outstanding at balance date is made up of:

Current assets	2,211	-
Non-current assets	208	-
Current liabilities	(9,995)	(23,445)
Non-current liabilities	(1,873)	(5,131)
	<b>(9,449)</b>	<b>(28,576)</b>

**Outstanding Contracts**

<b>Company</b>						
— United States dollar	46,678	63,306	69,133	94,188	(6,097)	(9,006)
— Australian dollar	6,005	8,886	7,269	10,682	304	(718)
— Euro	5,150	3,513	10,287	6,950	526	(720)
— Japanese yen	1,247,447	1,021,491	19,814	17,570	(3,566)	(6,128)
— British pound sterling	-	71	-	202	-	(16)
<b>Total forward foreign exchange contracts</b>			<b>106,503</b>	<b>129,592</b>	<b>(8,833)</b>	<b>(16,588)</b>

The fair value of forward foreign currency contracts outstanding at balance date is made up of:

Current assets	2,697	11,589
Non-current assets	338	399
Current liabilities	(9,995)	(23,445)
Non-current liabilities	(1,873)	(5,131)
	<b>(8,833)</b>	<b>(16,588)</b>

## Notes to the financial statements continued

### 14. Financial Instruments continued

The hedged transactions denominated in foreign currency are expected to occur at various dates through to December 2010. The effective portion of fair value gains and losses on qualifying forward foreign exchange contracts as at balance date, that are recognised in the cash flow hedge reserve in equity, will be released to the income statement or added to the cost of any asset acquired. This will occur when the cash flow from the underlying anticipated transactions is recognised. During the year, no hedges were de-designated and all underlying forecast transactions remain highly probable to occur as originally forecast.

#### — Sensitivity analysis

The following table summarises the impact of increases/decreases in foreign exchange rates on the Group's post-tax profit for the year and on other components of equity. The sensitivity analysis is based on the assumption that the New Zealand dollar had weakened/strengthened by 10 per cent against the currencies with which the Group has foreign currency risk with all other variables held constant. A positive number represents an increase in profit or equity.

	Post-tax impact on profit		Post-tax impact on cash flow hedge reserve (equity)			
	Group 30 June 2008	Company 30 June 2008	Group 30 June 2008	Group 30 June 2008	Company 30 June 2008	Company 30 June 2008
	+/-10%	+/-10%	+10%	-10%	+10%	-10%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
— United States dollar	-	-	(5,487)	6,741	(3,918)	4,815
— Australian dollar	-	-	(2,139)	2,615	(457)	559
— Euro	-	-	(687)	842	(672)	824
— Japanese yen	-	-	(1,014)	1,250	(1,014)	1,250
— British pound sterling	-	-	(256)	313	-	-
<b>Total Foreign exchange contracts</b>	-	-	<b>(9,583)</b>	<b>11,761</b>	<b>(6,061)</b>	<b>7,448</b>

	Post-tax impact on profit		Post-tax impact on cash flow hedge reserve (equity)			
	Group 30 June 2007	Company 30 June 2007	Group 30 June 2007	Group 30 June 2007	Company 30 June 2007	Company 30 June 2007
	+/-10%	+/-10%	+10%	-10%	+10%	-10%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
— United States dollar	-	-	(12,695)	15,589	(7,247)	8,912
— Australian dollar	-	-	(4,805)	5,885	(851)	1,042
— Euro	-	-	(555)	680	(555)	680
— Japanese yen	-	-	(1,003)	1,237	(1,003)	1,237
— British pound sterling	-	-	(17)	20	(17)	20
<b>Total Foreign exchange contracts</b>	-	-	<b>(19,075)</b>	<b>23,411</b>	<b>(9,673)</b>	<b>11,891</b>

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

#### (iii) Price risk

The Group is exposed to commodity price risk primarily from electricity and oil prices. To manage its commodity price risk in respect of electricity, the Group utilises electricity swaps and options to hedge against electricity spot price exposure. These instruments are either traded on the National Energy Hedge Market (Nehm) or negotiated bilaterally with competitors and customers in order to hedge exposure to price risk on the spot market. Derivatives are valued against market and internally generated price curves. To manage its com-

modity price risk in respect of oil sales, the Group utilises oil price options which provides a minimum price for future oil sales.

#### — Electricity contracts for difference

The aggregate notional face value of the outstanding electricity derivatives at balance date was \$470.3 million (2007: \$297.2 million). The hedged electricity sale and purchase transactions are expected to occur continuously for each half-hour period throughout the period to December 2013. The effective portion of fair value gains and losses

### 14. Financial Instruments continued

on qualifying electricity derivatives as of balance date, recognised in the cash flow hedge reserve in equity, will be continuously released to the income statement in each period in which the underlying sale transactions are recognised.

Genesis Energy has entered into a five-year derivative contract giving the right to a counter party to exercise a call option. When called, the contract has minimum and maximum call volumes. In addition there is a minimum call volume for the term of the contract and minimum annual call volumes. Any shortfall in the minimum annual and term volumes is subject to wash-up provisions.

#### — Sensitivity analysis

The following table summarises the impact of increases/decreases in the relevant forward prices (for commodities) on the Group's post-tax profit for the year and on other components of equity. The sensitivity analysis is based on the assumption that the relevant market prices (future electricity price and oil price paths) had increased/decreased by 10 per cent with all other variables held constant. A positive number represents an increase in profit or other equity.

	Post-tax impact on profit			
	Group 30 June 2008	Group 30 June 2008	Company 30 June 2008	Company 30 June 2008
	+10%	-10%	+10%	-10%
	\$'000	\$'000	\$'000	\$'000
Electricity contracts for difference	(20,976)	18,252	(20,976)	18,252
Oil options	(178)	253	-	-

	Post-tax impact on cash flow hedge reserve (equity)			
	Group 30 June 2008	Group 30 June 2008	Company 30 June 2008	Company 30 June 2008
	+10%	-10%	+10%	-10%
	\$'000	\$'000	\$'000	\$'000
Electricity contracts for difference	(4,100)	4,100	(4,100)	4,100
Oil options	-	-	-	-

	Post-tax impact on profit			
	Group 30 June 2007	Group 30 June 2007	Company 30 June 2007	Company 30 June 2007
	+10%	-10%	+10%	-10%
	\$'000	\$'000	\$'000	\$'000
Electricity contracts for difference	(184)	184	(184)	184
Oil options	(763)	1,063	-	-

	Post-tax impact on cash flow hedge reserve (equity)			
	Group 30 June 2007	Group 30 June 2007	Company 30 June 2007	Company 30 June 2007
	+10%	-10%	+10%	-10%
	\$'000	\$'000	\$'000	\$'000
Electricity contracts for difference	(2,919)	2,919	(2,919)	2,919
Oil options	-	-	-	-

## Notes to the financial statements continued

### 14. Financial Instruments continued

Post-tax profit for the year would increase or decrease due to:

- The Group's risk management policy requiring hedging of less than 100 per cent of forecast future purchases and sales of commodities; and
- Some derivative instruments that are valid economic hedges of these commodity price risks not achieving hedge accounting under NZ IAS 39 requirements.

Retained earnings would increase/decrease as a result of the hedging instruments that do not qualify for cash flow hedge accounting under NZ IAS 39.

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

#### (iii) Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. This risk is managed through the use of interest rate swap contracts.

##### — Interest rate swaps

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

	Average contracted fixed interest rates*		Notional principal amount		Fair value	
	30 June 2008 %	30 June 2007 %	30 June 2008 \$'000	30 June 2007 \$'000	30 June 2008 \$'000	30 June 2007 \$'000
<b>Floating to fixed contracts</b>						
<b>Group</b>						
Not later than one year	7.19	7.08	62,806	100,000	707	826
Later than one year and not later than two years	7.20	7.37	50,000	68,272	927	1,543
Later than two years and not later than five years	8.11	7.26	140,000	90,000	(348)	3,524
	7.70	7.22	252,806	258,272	1,286	5,893
<b>Company</b>						
Not later than one year	7.12	7.08	60,000	100,000	703	826
Later than one year and not later than two years	7.20	7.19	50,000	60,000	927	1,535
Later than two years and not later than five years	8.11	7.26	140,000	90,000	(348)	3,523
	7.69	7.17	250,000	250,000	1,282	5,884

The fair value of interest rate swap contracts outstanding at balance date is made up of:

Current assets	2,423	3,211
Non-current assets	188	2,682
Current liabilities	(69)	-
Non-current liabilities	(1,256)	-
	1,286	5,893

#### Fair value

30 June 2008	30 June 2007
\$'000	\$'000

### 14. Financial Instruments continued

#### Floating to fixed contracts continued

The fair value of interest rate swap contracts outstanding at balance date is made up of:

Current assets	2,419	3,203
Non-current assets	188	2,681
Current liabilities	(69)	-
Non-current liabilities	(1,256)	-
	1,282	5,884

\* The average contracted fixed interest rates include the relevant bank margins.

The hedged anticipated interest payment transactions are expected to occur at various dates between one month and five years from balance date as a result of the maturities of the underlying borrowings. The effective portion of fair value gains and losses on qualifying

interest swap contracts, recognised in the cash flow hedge reserve in equity as of balance date, will be continuously realised in the income statement in each period in which interest payments are recognised until maturities of the underlying borrowings.

#### — Sensitivity analysis

The following table summarises the impact of increases/decreases of interest rates on the Group's post-tax profit for the year and on other components of equity. The sensitivity analysis is based on the assumption that interest rates had been 100 basis points higher/lower with all other variables held constant. A positive number represents an increase in profit or other equity.

	Post-tax impact on profit		Post-tax impact on cash flow hedge reserve (equity)			
	Group 30 June 2008	Company 30 June 2008	Group 30 June 2008	Group 30 June 2008	Company 30 June 2008	Company 30 June 2008
	+/-1%	+/-1%	+1%	-1%	+1%	-1%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest rate swap contracts	-	-	2,894	(2,998)	2,894	(2,998)

	Post-tax impact on profit		Post-tax impact on cash flow hedge reserve (equity)			
	Group 30 June 2007	Company 30 June 2007	Group 30 June 2007	Group 30 June 2007	Company 30 June 2007	Company 30 June 2007
	+/-1%	+/-1%	+1%	-1%	+1%	-1%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest rate swap contracts	-	-	3,180	(3,291)	3,143	(3,254)

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

## Notes to the financial statements continued

### 14. Financial Instruments continued

#### (g) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group is exposed to credit risk in the normal course of business arising from trade receivables, finance leases (where the Group is lessor), and with banks and financial institutions where deposits are held. The Group has adopted a policy of dealing only with creditworthy trade counterparties and obtaining collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group minimises its exposure to credit risk from trade receivables through the adoption of counterparty credit limits. Derivative counterparties and cash transactions are limited to high-credit quality financial institutions and other organisations. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded are spread amongst approved counterparties.

As a participant in the electricity market, the Group is a generator and retailer of electricity, The Group's exposure to credit risk is therefore

#### (h) Liquidity risk

The Group's ability to readily attract cost-effective funding is largely driven by its credit standing.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the spreading of debt maturities.

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

The following table details the Group's liquidity analysis for its derivative financial instruments:

	Less than 1 year \$'000	1 – 2 years \$'000	2 – 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Group</b>					
<b>Year ended 30 June 2008</b>					
Interest rate swap contracts	2,426	(712)	(580)	-	1,134
Foreign exchange contracts	(7,996)	(1,840)	-	-	(9,836)
Electricity contracts for difference	(19,684)	(5,373)	21,979	-	(3,078)
Oil options	-	-	-	-	-
	(25,254)	(7,925)	21,399	-	(11,780)
<b>Group</b>					
<b>Year ended 30 June 2007</b>					
Interest rate swap contracts	3,348	1,951	1,199	-	6,498
Foreign exchange contracts	(24,169)	(4,507)	(1,350)	-	(30,026)
Electricity contracts for difference	(947)	789	(1,760)	-	(1,918)
Oil options	-	-	-	-	-
	(21,768)	(1,767)	(1,911)	-	(25,446)

reduced significantly to the net position on settlement. Market security requirements in place ensure that there is no significant credit risk for any one party.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Concentration of credit risk with respect to trade receivables is limited due to the Group's large customer base in a diverse range of industries throughout New Zealand. The Group has no significant concentration of credit risk with any one financial institution.

The carrying amounts of financial assets recognised in the Balance Sheet best represents the Group's maximum exposure to credit risk at the reporting date without taking account of the value of any collateral obtained.

The value of collateral held at balance date was \$4.8 million (2007: \$4.8 million).

### 14. Financial Instruments continued

	Less than 1 year \$'000	1 – 2 years \$'000	2 – 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Company</b>					
<b>Year ended 30 June 2008</b>					
Interest rate swap contracts	2,423	(712)	(580)	-	1,131
Foreign exchange contracts	(7,517)	(1,699)	-	-	(9,216)
Electricity contracts for difference	(19,684)	(5,373)	21,979	-	(3,078)
Oil options	-	-	-	-	-
	(24,778)	(7,784)	21,399	-	(11,163)
<b>Company</b>					
<b>Year ended 30 June 2007</b>					
Interest rate swap contracts	3,340	1,950	1,199	-	6,489
Foreign exchange contracts	(12,201)	(4,067)	(1,350)	-	(17,618)
Electricity contracts for difference	(947)	789	(1,760)	-	(1,918)
Oil options	-	-	-	-	-
	(9,808)	(1,328)	(1,911)	-	(13,047)

The above table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instruments that settle net, and gross undiscounted cash inflows/(outflows) where these instruments settle gross. Where the amount payable or receivable is not

fixed, the amount disclosed has been determined by reference to the internally generated forward price curves existing at balance date. The difference between this table and 14(a) is due to discounting of future cash flows.

Notes to the financial statements  
continued

14. Financial Instruments  
continued

(i) Financial asset and liability, interest rate risk and contractual repricing or maturities

The following tables set out the Group's exposure to interest rate risk, the contractual repricing or maturity dates for its non-derivative financial assets and liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities.

	Weighted average effective interest rate * %	Less than 1 year \$'000	2 – 5 years \$'000	Total carrying value \$'000	More than 5 years \$'000
<b>Group</b>					
<b>Year ended 30 June 2008</b>					
Financial assets					
Cash and cash equivalents	Varying	13,216	-	-	-
Trade and other receivables	Non-bearing	437,438	-	-	-
Finance lease receivable	19.2	12,038	12,109	31,606	-
Other financial assets	Non-bearing	-	-	-	723
<b>Total financial assets</b>		<b>462,692</b>	<b>12,109</b>	<b>31,606</b>	<b>723</b>
Financial liabilities					
Trade and other payables	Non-bearing	470,665	-	-	-
Money market borrowings	8.8	69,800	-	-	-
Revolving credit borrowings	8.2	192,884	52,500	177,195	-
Term notes	7.2	5,389	5,389	16,166	93,861
Finance lease payable	7.1	4,811	4,825	13,252	6,056
<b>Total financial liabilities</b>		<b>743,549</b>	<b>62,714</b>	<b>206,613</b>	<b>99,917</b>
<b>Group</b>					
<b>Year ended 30 June 2007</b>					
Financial assets					
Cash and cash equivalents	Varying	10,852	-	-	-
Trade and other receivables	Non-bearing	189,790	-	-	-
Finance lease receivable	19.2	11,922	11,992	36,404	7,145
Other financial assets	Non-bearing	-	-	-	-
<b>Total financial assets</b>		<b>212,564</b>	<b>11,992</b>	<b>36,404</b>	<b>7,145</b>
Financial liabilities					
Trade and other payables	Non-bearing	216,458	-	-	-
Money market borrowings	8.3	38,150	-	-	-
Revolving credit borrowings	7.4	133,623	71,369	111,245	-
Term notes	7.2	5,389	5,389	16,166	99,249
Finance lease payable	7.1	4,879	4,923	14,002	10,335
<b>Total financial liabilities</b>		<b>398,499</b>	<b>81,681</b>	<b>141,413</b>	<b>109,584</b>

14. Financial Instruments  
continued

Company

Year ended 30 June 2008

	Weighted average effective interest rate* %	Less than 1 year \$'000	2 – 5 years \$'000	Total carrying value \$'000	More than 5 years \$'000
Financial assets					
Cash and cash equivalents	Varying	5,555	-	-	-
Trade and other receivables	Non-bearing	424,290	-	-	-
Advances to subsidiaries	7.9	247,838	-	-	-
Other financial assets	Non-bearing	-	-	-	30,253
<b>Total financial assets</b>		<b>677,683</b>	<b>-</b>	<b>-</b>	<b>30,253</b>
Financial liabilities					
Trade and other payables		377,700	-	-	-
Money market borrowings	8.8	69,800	-	-	-
Revolving credit borrowings	8.2	192,884	52,500	177,195	-
Term notes	7.2	5,389	5,389	16,166	93,861
Finance lease payables	7.1	4,811	4,825	13,252	6,056
<b>Total financial liabilities</b>		<b>650,584</b>	<b>62,714</b>	<b>206,613</b>	<b>99,917</b>

Company

Year ended 30 June 2007

Financial assets					
Cash and cash equivalents	Varying	5,274	-	-	-
Trade and other receivables	Non-bearing	176,452	-	-	-
Advances to subsidiaries	7.2	74,564	-	-	-
Other financial assets	Non-bearing	-	-	-	29,753
<b>Total financial assets</b>		<b>256,290</b>	<b>-</b>	<b>-</b>	<b>29,753</b>
Financial liabilities					
Trade and other payables	Non-bearing	196,114	-	-	-
Money market borrowings	8.3	38,150	-	-	-
Revolving credit borrowings	7.4	141,895	62,612	111,245	-
Term notes	7.2	5,389	5,389	16,166	99,249
Finance lease payable	7.1	4,879	4,923	14,002	10,335
<b>Total financial liabilities</b>		<b>386,427</b>	<b>72,924</b>	<b>141,414</b>	<b>109,584</b>

\* The weighted average effective interest rate incorporates the effect of the relevant derivative contracts.

\*\* The information presented in the table about the Group's exposure to interest rate risk includes the contractual repricing dates or the maturity dates, whichever dates are earliest.

Notes to the financial statements  
continued

14. Financial Instruments continued

(j) Financial asset and liability fair values

The following tables set out the fair values of the Group's non-derivative financial assets and liabilities.

Group	Group 30 June 2008	Group 30 June 2008	Group 30 June 2007	Group 30 June 2007
	Total carrying value \$'000	Fair value \$'000	Total carrying value \$'000	Fair value \$'000
<b>Group</b>				
Financial assets				
Cash and cash equivalents	13,216	13,216	10,852	10,852
Trade and other receivables	437,438	437,438	189,790	189,790
Finance lease receivable	48,153	48,860	56,625	56,485
Other financial assets *	723	723	-	-
<b>Total financial assets</b>	<b>499,530</b>	<b>500,237</b>	<b>257,267</b>	<b>257,127</b>

Financial liabilities				
Trade and other payables	470,665	470,665	216,458	216,458
Money market borrowings	69,800	69,800	38,150	38,150
Revolving credit borrowings	382,884	382,884	291,895	291,895
Term notes	75,000	75,000	75,000	75,000
Finance lease payable	23,006	23,006	26,301	26,301
<b>Total financial liabilities</b>	<b>1,021,355</b>	<b>1,021,355</b>	<b>647,804</b>	<b>647,804</b>

Company	Company 30 June 2008	Company 30 June 2008	Company 30 June 2007	Company 30 June 2007
	Total carrying value \$'000	Fair value \$'000	Total carrying value \$'000	Fair value \$'000

<b>Company</b>				
Financial assets				
Cash and cash equivalents	5,555	5,555	5,274	5,274
Trade and other receivables	424,290	424,290	176,452	176,452
Advances to subsidiaries	247,838	247,838	74,564	74,564
Finance lease receivable	-	-	-	-
Other financial assets *	30,253	30,253	29,753	29,753
<b>Total financial assets</b>	<b>707,936</b>	<b>707,936</b>	<b>286,043</b>	<b>286,043</b>

Financial liabilities				
Trade and other payables	377,700	377,700	196,114	196,114
Advances from subsidiaries	-	-	-	-
Money market borrowings	69,800	69,800	38,150	38,150
Revolving credit borrowings	382,884	382,884	291,895	291,895
Term notes	75,000	75,000	75,000	75,000
Finance lease payables	23,006	23,006	26,301	26,301
<b>Total financial liabilities</b>	<b>928,390</b>	<b>928,390</b>	<b>627,460</b>	<b>627,460</b>

\* The Company's investment in its unlisted subsidiaries, is measured at cost, which, for the purposes of this financial report, is assumed to approximate its fair value.

15. Other financial assets

Investments accounted for at historical cost:

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
Shares in unlisted subsidiaries (a)	-	29,753	-	29,753
Shares in unlisted associates (b)	-	500	-	-

Investments accounted for using the equity method:

Investments in unlisted associates (b)	723	-	-	-
	<b>723</b>	<b>30,253</b>	<b>-</b>	<b>29,753</b>

(a) Investments in unlisted subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b).

Name of entity	Interest held by Company		Principal activity	Country of incorporation
	2008 %	2007 %		
Genesis Power Investments Limited	100	100	<b>Holding company</b>	New Zealand
Energy Online Limited	100	100	<b>Energy retailer</b>	New Zealand
Kupe Holdings Limited	100	100	<b>Joint venture holding company</b>	New Zealand
Kinleith Cogeneration Limited	100	100	<b>Special purpose finance company</b>	New Zealand
GP No. 1 Limited	100	100	<b>Joint venture holding company</b>	New Zealand
GP No. 2 Limited	100	100	<b>Joint venture holding company</b>	New Zealand
GP No. 4 Limited	100	100	<b>Non-trader</b>	New Zealand
GP No. 5 Limited	100	100	<b>Joint venture holding company</b>	New Zealand
Cardiff Holdings No. 1 Limited	100	100	<b>Joint venture holding company</b>	New Zealand
Cardiff Holdings No. 2 Limited	100	100	<b>Joint venture holding company</b>	New Zealand

All subsidiaries have a 30 June balance date.

(b) Investments in unlisted associates

The consolidated financial statements incorporate the Group's share of its associates results in accordance with the accounting policy described in note 2(l).

Name of entity	Interest held by Company		Principal activity	Country of incorporation
	2008 %	2007 %		
Gasbridge Limited	50	50	<b>Agency for joint venture</b>	New Zealand
CRL Energy Limited	50	-	<b>Research company</b>	New Zealand

The associates have a 30 June balance date.

## Notes to the financial statements continued

The following tables set out the fair values of the Group's non-derivative financial assets and liabilities.

### 15. Other financial assets continued

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

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000	Notes
Opening net book value	-	-	-	-	
Acquisitions – at cost	500	500	-	-	
Acquisitions – gain/(loss) on consolidation	223	-	-	-	8
<b>Closing net book value</b>	<b>723</b>	<b>500</b>	<b>-</b>	<b>-</b>	

Investments in associates includes no amount for goodwill (2007: Nil).

The Group's share of capital expenditure commitments relating to the associate are included in capital commitments disclosed in note 26.

Summarised financial information in respect of the Group's share of associates is set out below:

	2008 \$'000	2007 \$'000
Current assets	765	-
Non-current assets	325	-
	<b>1,090</b>	-
Current liabilities	(367)	-
Non-current liabilities	-	-
	<b>(367)</b>	-
<b>Group's share of net assets of associate</b>	<b>723</b>	<b>-</b>

As the acquisition occurred on 30 June 2008, there was no share of the associate company profits.

	Capital work in progress \$'000	Freehold land \$'000	Buildings and improve- ments \$'000	Generation assets \$'000	Leased plant and equipment \$'000	Other property, plant and equipment \$'000	Total \$'000
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### 16. Property, plant and equipment

Group							
Year ended 30 June 2008							
Opening net book value	76,781	2,836	1,256	1,506,617	27,086	16,730	1,631,306
Additions	270,046	14,885	134	-	-	3,735	288,800
Interest and other finance costs capitalised	10,452	-	-	-	-	-	10,452
Transfer to/from capital work in progress	(29,397)	-	-	29,397	-	-	-
Transfer to inventory	-	-	-	(8,422)	-	-	(8,422)
Disposals	-	-	-	(74)	-	(259)	(333)
Depreciation charge	-	-	(31)	(63,681)	(2,019)	(4,857)	(70,588)
<b>Closing net book value</b>	<b>327,882</b>	<b>17,721</b>	<b>1,359</b>	<b>1,463,837</b>	<b>25,067</b>	<b>15,349</b>	<b>1,851,215</b>

As at 30 June 2008							
Cost	327,882	17,721	1,614	548,308	31,993	51,593	979,111
Fair Value	-	-	-	1,056,000	-	-	1,056,000
Accumulated depreciation	-	-	(255)	(140,471)	(6,926)	(36,244)	(183,896)
Net book value	327,882	17,721	1,359	1,463,837	25,067	15,349	1,851,215

Group							
Year ended 30 June 2007							
Opening net book value	474,226	2,836	866	1,019,439	26,365	19,489	1,543,221
Additions	105,138	-	524	-	2,676	5,240	113,578
Interest and other finance costs capitalised	23,254	-	-	-	-	-	23,254
Transfer to/from capital work in progress	(525,837)	-	-	525,837	-	-	-
Disposals	-	-	-	-	-	(2,785)	(2,785)
Depreciation charge	-	-	(134)	(38,659)	(1,955)	(5,214)	(45,962)
<b>Closing net book value</b>	<b>76,781</b>	<b>2,836</b>	<b>1,256</b>	<b>1,506,617</b>	<b>27,086</b>	<b>16,730</b>	<b>1,631,306</b>

As at 30 June 2007							
Cost	76,781	2,836	1,480	527,622	31,993	48,174	688,886
Fair Value	-	-	-	1,056,000	-	-	1,056,000
Accumulated depreciation	-	-	(224)	(77,005)	(4,907)	(31,444)	(113,580)
Net book value	76,781	2,836	1,256	1,506,617	27,086	16,730	1,631,306

As at 1 July 2006							
Cost	437,026	2,836	956	38,985	29,317	45,719	554,839
Fair Value	37,200	-	-	1,018,800	-	-	1,056,000
Accumulated depreciation	-	-	(90)	(38,346)	(2,952)	(26,230)	(67,618)
Net book value	474,226	2,836	866	1,019,439	26,365	19,489	1,543,221

Notes to the financial statements  
continued

	Capital work in progress \$'000	Freehold land \$'000	Buildings and improve- ments \$'000	Generation assets \$'000	Leased plant and equipment \$'000	Other property, plant and equipment \$'000	Total \$'000
<b>16. Property, plant and equipment continued</b>							
<b>Company</b>							
<b>Year ended 30 June 2008</b>							
Opening net book value	35,264	2,836	1,256	1,506,617	27,086	16,071	1,589,130
Additions	63,172	7,514	134	-	-	3,114	73,934
Interest and other finance costs capitalised	1,342	-	-	-	-	-	1,342
Transfer to/from capital work in progress	(29,300)	-	-	29,300	-	-	-
Transfer to inventory	-	-	-	(8,422)	-	-	(8,422)
Disposals	-	-	-	(61)	-	-	(61)
Depreciation charge	-	-	(31)	(63,663)	(2,019)	(4,720)	(70,433)
<b>Closing net book value</b>	<b>70,478</b>	<b>10,350</b>	<b>1,359</b>	<b>1,463,771</b>	<b>25,067</b>	<b>14,465</b>	<b>1,585,490</b>
<b>As at 30 June 2008</b>							
Cost	70,478	10,350	1,614	548,242	31,993	50,208	712,885
Fair Value	-	-	-	1,056,000	-	-	1,056,000
Accumulated depreciation	-	-	(255)	(140,471)	(6,926)	(35,743)	(183,395)
Net book value	70,478	10,350	1,359	1,463,771	25,067	14,465	1,585,490
<b>Company</b>							
<b>Year ended 30 June 2007</b>							
Opening net book value	474,226	2,836	866	1,019,439	26,365	18,651	1,542,383
Additions	64,228	-	524	-	2,676	5,262	72,690
Interest and other finance costs capitalised	22,647	-	-	-	-	-	22,647
Transfer to/from capital work in progress	(525,837)	-	-	525,837	-	-	-
Disposals	-	-	-	-	-	(2,751)	(2,751)
Depreciation charge	-	-	(134)	(38,659)	(1,955)	(5,091)	(45,839)
<b>Closing net book value</b>	<b>35,264</b>	<b>2,836</b>	<b>1,256</b>	<b>1,506,617</b>	<b>27,086</b>	<b>16,071</b>	<b>1,589,130</b>
<b>As at 30 June 2007</b>							
Cost	35,264	2,836	1,480	527,622	31,993	47,094	646,289
Fair Value	-	-	-	1,056,000	-	-	1,056,000
Accumulated depreciation	-	-	(224)	(77,005)	(4,907)	(31,023)	(113,159)
Net book value	35,264	2,836	1,256	1,506,617	27,086	16,071	1,589,130
<b>As at 1 July 2006</b>							
Cost	437,026	2,836	956	38,985	29,317	44,583	553,703
Fair Value	37,200	-	-	1,018,800	-	-	1,056,000
Accumulated depreciation	-	-	(90)	(38,346)	(2,952)	(25,932)	(67,320)
Net book value	474,226	2,836	866	1,019,439	26,365	18,651	1,542,383

16. Property, plant and equipment continued

The Directors valued the Company's generation assets and certain capital work in progress at 30 June 2005. The valuation was independently reviewed by First NZ Capital.

Generation assets and capital work in progress were revalued to the present value of future earnings of the assets, on an existing use basis. The valuation of generation assets was \$1,056 million which included capital works in progress amounting to \$37.2 million.

The key assumptions that are used in the valuation model include internally generated forward price curves for electricity, sales volume forecasts, projected operational and capital expenditure pro-

files, capacity and life assumptions for each generation plant and discount rates.

As a consequence of the revaluation, accumulated depreciation on revalued assets was reset to nil at 30 June 2005, and a revaluation surplus of \$238.4 million (net of deferred tax) transferred to equity. Refer note 23.

Depreciation resumed as normal from revaluation date and the current year's depreciation charge on the revaluation amounted to \$9.2 million (2007: \$9.3 million).

(a) Carrying amounts that would have been recognised if generation assets were stated at cost

If generation assets were stated on the historical cost basis, the amounts would be as follows:

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
<b>Generation assets</b>				
Cost	1,411,489	1,411,489	1,390,514	1,390,514
Accumulated depreciation	(246,182)	(246,182)	(191,801)	(191,801)
<b>Net book value</b>	<b>1,165,307</b>	<b>1,165,307</b>	<b>1,198,713</b>	<b>1,198,713</b>

Notes to the financial statements  
continued

	Goodwill* \$'000	Naming rights \$'000	Computer software \$'000	Total \$'000	Notes
<b>17. Intangible assets</b>					
<b>Group</b>					
<b>Year ended 30 June 2008</b>					
Opening net book value	102,599	4,327	16,332	123,258	
Additions	-	2,301	2,037	4,338	
Additions from internal developments	-	-	8,594	8,594	
Amortisation charge	-	(1,566)	(9,165)	(10,731)	6
<b>Closing net book value</b>	<b>102,599</b>	<b>5,062</b>	<b>17,798</b>	<b>125,459</b>	
<b>As at 30 June 2008</b>					
Cost	102,599	10,259	56,090	168,948	
Accumulated amortisation and impairment	-	(5,197)	(38,292)	(43,489)	
Net book value	102,599	5,062	17,798	125,459	
<b>Group</b>					
<b>Year ended 30 June 2007</b>					
Opening net book value	102,599	1,967	9,836	114,402	
Additions	-	3,666	12,515	16,181	
Additions from internal developments	-	-	2,922	2,922	
Amortisation charge	-	(1,306)	(8,941)	(10,247)	6
<b>Closing net book value</b>	<b>102,599</b>	<b>4,327</b>	<b>16,332</b>	<b>123,258</b>	
<b>As at 30 June 2007</b>					
Cost	102,599	7,958	45,465	156,022	
Accumulated amortisation and impairment	-	(3,631)	(29,133)	(32,764)	
Net book value	102,599	4,327	16,332	123,258	
<b>As at 1 July 2006</b>					
Cost	102,599	4,292	30,028	136,919	
Accumulated amortisation and impairment	-	(2,325)	(20,192)	(22,517)	
Net book value	102,599	1,967	9,836	114,402	
<b>Company</b>					
<b>Year ended 30 June 2008</b>					
Opening net book value	99,866	4,327	16,015	120,208	
Additions	-	2,301	1,800	4,101	
Additions from internal developments	-	-	8,594	8,594	
Amortisation charge	-	(1,566)	(9,021)	(10,587)	6
<b>Closing net book value</b>	<b>99,866</b>	<b>5,062</b>	<b>17,388</b>	<b>122,316</b>	
<b>As at 30 June 2008</b>					
Cost	99,866	10,259	55,153	165,278	
Accumulated amortisation and impairment	-	(5,197)	(37,765)	(42,962)	
Net book value	99,866	5,062	17,388	122,316	

	Goodwill* \$'000	Naming rights \$'000	Computer software \$'000	Total \$'000	Notes
<b>17. Intangible assets continued</b>					
<b>Company</b>					
<b>Year ended 30 June 2007</b>					
Opening net book value	99,866	1,967	9,628	111,461	
Additions	-	3,666	12,279	15,945	
Additions from internal developments	-	-	2,922	2,922	
Amortisation charge	-	(1,306)	(8,814)	(10,120)	6
<b>Closing net book value</b>	<b>99,866</b>	<b>4,327</b>	<b>16,015</b>	<b>120,208</b>	
<b>As at 30 June 2007</b>					
Cost	99,866	7,958	44,759	152,583	
Accumulated amortisation and impairment	-	(3,631)	(28,744)	(32,375)	
Net book value	99,866	4,327	16,015	120,208	
<b>As at 1 July 2006</b>					
Cost	99,866	4,292	29,558	133,716	
Accumulated amortisation and impairment	-	(2,325)	(19,930)	(22,255)	
Net book value	99,866	1,967	9,628	111,461	

\* Goodwill represents the excess of the purchase price paid for businesses acquired over the fair value of identifiable assets and liabilities taken over. In the case of customers acquired, goodwill represents the price paid for the customers. Goodwill is assessed as having an indefinite useful life and is not amortised but is subject to annual impairment testing or whenever there are indications of impairment. All other intangible assets are assessed as having finite lives and are subject to amortisation.

**(a) Impairment tests for goodwill**

For the purpose of impairment testing, all goodwill is allocated to the cash-generating unit (CGU) of retail. The unit's impairment test is based on an estimated discounted cash flow analysis (value in use). Estimated future cash flow projections are based on the Group's five-year business plan for the underlying retail business and are extrapolated using an average growth rate of 2 per cent. The estimated future cash flow projections are discounted using pre-tax equivalent discount rate scenarios ranging between 11.5 per cent and 13.5 per cent.

Key assumptions in the value in use calculation for the retail cash-generating unit and the approach to determining their value are:

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

No impairment was recognised for goodwill or the other listed intangible assets as at 30 June 2008 (2007: Nil).

Notes to the financial statements  
continued

	Mining licences \$'000	Exploration and evaluation expenditure* \$'000	Oil and gas development expenditure** \$'000	Total \$'000	Notes
<b>18. Oil and gas exploration and development assets</b>					
<b>Group</b>					
<b>Year ended 30 June 2008</b>					
Opening net book value	16,518	20,910	47,073	84,501	
Additions	-	20,603	6,654	27,257	
Interest and other finance costs capitalised	-	-	5,049	5,049	
Impairment losses charged to income statement	-	(38,365)	-	(38,365)	7
Amortisation charge	-	-	-	-	6
<b>Closing net book value</b>	<b>16,518</b>	<b>3,148</b>	<b>58,776</b>	<b>78,442</b>	
<b>As at 30 June 2008</b>					
Cost	16,518	41,513	58,776	116,807	
Accumulated amortisation and impairment	-	(38,365)	-	(38,365)	
Net book value	16,518	3,148	58,776	78,442	
<b>Group</b>					
<b>Year ended 30 June 2007</b>					
Opening net book value	16,518	20,454	19,478	56,450	
Additions	-	456	25,109	25,565	
Acquired through business combinations	-	-	836	836	
Interest and other finance costs capitalised	-	-	1,650	1,650	
Impairment losses charged to income statement	-	-	-	-	7
Amortisation charge	-	-	-	-	6
<b>Closing net book value</b>	<b>16,518</b>	<b>20,910</b>	<b>47,073</b>	<b>84,501</b>	
<b>As at 30 June 2007</b>					
Cost	16,518	20,910	47,073	84,501	
Accumulated amortisation and impairment	-	-	-	-	
Net book value	16,518	20,910	47,073	84,501	
<b>As at 1 July 2006</b>					
Cost	16,518	20,454	19,478	56,450	
Accumulated amortisation and impairment	-	-	-	-	
Net book value	16,518	20,454	19,478	56,450	

	Mining licences \$'000	Exploration and evaluation expenditure* \$'000	Oil and gas development expenditure** \$'000	Total \$'000	Notes
<b>18. Oil and gas exploration and development assets continued</b>					
<b>Company</b>					
<b>Year ended 30 June 2008</b>					
Opening net book value	-	-	-	-	
Additions	-	3,148	-	3,148	
Interest and other finance costs capitalised	-	-	-	-	
Impairment losses charged to income statement	-	-	-	-	7
Amortisation charge	-	-	-	-	6
<b>Closing net book value</b>	<b>-</b>	<b>3,148</b>	<b>-</b>	<b>3,148</b>	
<b>As at 30 June 2008</b>					
Cost	-	3,148	-	3,148	
Accumulated amortisation and impairment	-	-	-	-	
Net book value	-	3,148	-	3,148	
<b>Company</b>					
<b>Year ended 30 June 2007</b>					
Opening net book value	-	-	-	-	
Additions	-	-	-	-	
Interest and other finance costs capitalised	-	-	-	-	
Impairment losses charged to income statement	-	-	-	-	7
Amortisation charge	-	-	-	-	6
<b>Closing net book value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>As at 30 June 2007</b>					
Cost	-	-	-	-	
Accumulated amortisation and impairment	-	-	-	-	
Net book value	-	-	-	-	
<b>As at 1 July 2006</b>					
Cost	-	-	-	-	
Accumulated amortisation and impairment	-	-	-	-	
Net book value	-	-	-	-	

\* Capitalised exploration and evaluation expenditure relates primarily to the Kupe (Momoho), Cardiff and Mangatua gas and condensate fields in which the Group has an interest. Refer note 28.

\*\* Capitalised development expenditure relates to the development of the Kupe gas and condensate fields in which the Group has an interest. Refer note 28.

The exploration and evaluation assets relating to both the Kupe (Momoho) and Cardiff gas and condensate fields were considered to be impaired as at 30 June 2008 (2007: Nil) as the test results indicated they were not economic to develop further. The amount written off represents capitalised exploration expenditure on those fields to date and includes allowances for restoration and rehabilitation (\$4.0 million).

## Notes to the financial statements continued

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
<b>19. Trade and other payables*</b>				
Trade payables and accruals **	467,361	374,490	213,601	193,327
Employee benefits	3,304	3,210	2,857	2,787
	<b>470,665</b>	<b>377,700</b>	<b>216,458</b>	<b>196,114</b>

\* All trade and other payables are classified as 'other financial liabilities' under NZ IFRS 7.8 (Financial Instruments: Disclosures) and are therefore shown at amortised cost.

\*\* Payment terms on trade payables range from seven to 30 days from date of invoice for both foreign and local suppliers. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

### ACC Partnership Programme

Genesis Energy belongs to the ACC Partnership Programme whereby the Company accepts the management and financial responsibility for employee work-related illnesses and accidents. Under the program, the Company is liable for all its claims costs for a period of two years up to a specified maximum.

At the end of the two-year period, the Company pays a premium to ACC for the value of residual claims, and from that point the liability for ongoing claims passes to ACC.

The liability for the ACC Partnership Programme is measured at the present value of anticipated future payments to be made in respect of the employee injuries and claims up to the reporting date using actuarial techniques. Consideration is given to expected future wage and salary levels, and experience of employee claims and injuries.

The Company manages its exposure arising from the programme by promoting a safe and healthy working environment by:

- Implementing and monitoring health and safety policies;
- Induction training on health and safety;
- Actively managing work place injuries to ensure employees return to work as soon as practical;
- Recording and monitoring work place injuries and near misses to identify risk areas and implementing
- Mitigating actions; and
- Identifying of work place hazards and implementation of appropriate safety procedures.

The Company has chosen a stop loss limit of 250 per cent of the industry premium. The stop loss limit means the Company will carry only the total cost of claims of up to \$0.3 million.

The Company is not exposed to any significant concentrations of insurance risk as work-related injuries are generally the result of an isolated event to an individual employee.

An external independent actuarial valuer, Mark Weaver, Fellow, New Zealand Society of Actuaries, has calculated Genesis Energy's liability, and the valuation is effective 30 June 2008. The valuer has attested he is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the actuarial valuer's report.

Average inflation has been assumed as between 2.6 per cent and 4.2 per cent. A discount rate of 6.1 per cent has been used.

The value of the liability is not material for the Group's financial statements; therefore, any changes in assumptions will not have a material impact on the financial statements.

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
<b>20. Borrowings*</b>				
Current borrowings and current portion of term borrowings				
Uncommitted money market facility (b)	NZD 69,800	69,800	38,150	38,150
Revolving credit facility (b)	NZD 2,884	2,884	1,895	1,895
Finance lease liabilities (d)	NZD 3,205	3,205	3,053	3,053
<b>Total current interest bearing borrowings</b>	<b>75,889</b>	<b>75,889</b>	<b>43,098</b>	<b>43,098</b>

### Term borrowings

Revolving credit facility (b)	NZD 380,000	380,000	290,000	290,000
Term notes (b)	NZD 75,000	75,000	75,000	75,000
Finance lease liabilities (d)	NZD 19,801	19,801	23,248	23,248
<b>Total non-current interest bearing liabilities</b>	<b>474,801</b>	<b>474,801</b>	<b>388,248</b>	<b>388,248</b>

### Total borrowings

Uncommitted money market facility (b)	NZD 69,800	69,800	38,150	38,150
Revolving credit facility (b)	NZD 382,884	382,884	291,895	291,895
Term notes (b)	NZD 75,000	75,000	75,000	75,000
Finance lease liabilities (d)	NZD 23,006	23,006	26,301	26,301
<b>Total interest bearing liabilities</b>	<b>550,690</b>	<b>550,690</b>	<b>431,346</b>	<b>431,346</b>

\* All interest bearing borrowings are classified as 'other financial liabilities' under NZ IFRS 7.8 (Financial Instruments: Disclosures) and are therefore shown at amortised cost.

\*\* Further information relating to loans from related parties is set out in note 27.

### (a) Security

Except for finance leases, all of Genesis Power Limited's (the Company) borrowings are unsecured. The Company borrows under a negative pledge arrangement, which does not permit the Company to grant any security interest over its assets, unless it is an exception permitted within the negative pledge.

Finance lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements (as set out in note 16) revert to the lessor in the event of default.

### (b) Financing arrangements

The Company has an uncommitted money market facility from a syndicate of major New Zealand banks. This facility attracts interest at rates varying between 8.6 per cent and 9.0 per cent (2007: 8.3 per cent and 8.4 per cent) per annum and is repayable on demand.

The Company has a maximum committed revolving credit funding facility of \$675.0 million (2007: \$675.0 million) from a syndicate of major New Zealand trading banks. The facility comprises two tranches, Tranche A of \$400.0 million expiring 5 October 2011, and Tranche B

of \$275.0 million expiring 5 October 2009. The facility attracts interest at floating market rates which at 30 June 2008 ranged between 9.0 per cent and 9.2 per cent (2007: 8.5 per cent and 8.9 per cent) inclusive of bank margins. The Company hedges a portion of the facility via certain interest rate swap contracts exchanging floating for fixed rate interest.

At 30 June 2008, the Company had drawn down \$380.0 million (2007: \$290.0 million) and had available undrawn funding of \$295.0 million (2007: \$385.0 million).

In addition, the Company has fully issued medium term (10-year) notes of \$75.0 million (2007: \$75.0 million). These term notes attract interest at a fixed rate of 7.2 per cent (2007: 7.2 per cent) per annum and are repayable on 15 September 2016.

### (c) Financial liability contractual maturities and interest rate risk exposures

Refer to note 14 for the Group's contractual maturities and interest rate exposures on financial liabilities.

## 20. Borrowings\* continued

## (d) Finance lease liabilities

Genesis Power Limited (the Company) leases certain equipment relating to the importation of coal situated at the Port of Tauranga, and the substation extension at the Huntly Power Station, under finance lease arrangements.

## Finance lease liabilities

Future minimum lease payments are as follows:

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
Not later than one year	4,811	4,811	4,879	4,879
Later than one year but not later than two years	4,825	4,825	4,923	4,923
Later than two years but not later than five years	13,252	13,252	14,002	14,002
Later than five years	6,056	6,056	10,335	10,335
Minimum lease payments	28,944	28,944	34,139	34,139
Future finance charges on finance leases	(5,938)	(5,938)	(7,838)	(7,838)
<b>Present value of future minimum lease payments</b>	<b>23,006</b>	<b>23,006</b>	<b>26,301</b>	<b>26,301</b>

The present value of future minimum lease payments are as follows:

Not later than one year	3,205	3,205	3,053	3,053
Later than one year but not later than two years	3,459	3,459	3,299	3,299
Later than two years but not later than five years	10,700	10,700	10,668	10,668
Later than five years	5,642	5,642	9,281	9,281
<b>Present value of future minimum lease payments</b>	<b>23,006</b>	<b>23,006</b>	<b>26,301</b>	<b>26,301</b>

The weighted average effective interest rate implicit in the leases is 7.05 per cent (2007: 7.05 per cent).

The Port of Tauranga lease has a term of 15 years with a renewal option for a further three terms of five years. The Huntly substation extension lease has a repayment term of five years and is inflation adjusted annually. The Group does not have any right to purchase the leased as-

sets at the end of the lease. The balance sheet presentation of these leases differs to their legal form which is that of operating leases.

There are no restrictions imposed by these leases, such as those concerning dividend distributions, additional debt financing and further leasing arrangements.

## 21. Provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Rehabilitation and restoration \$'000	Other provisions \$'000	Total \$'000
<b>Group</b>			
<b>Year ended 30 June 2008</b>			
Balance at beginning of year	10,273	11,686	21,959
Provisions made during the year	4,919	2,413	7,332
Provisions used during the year	(1,291)	(2,876)	(4,167)
Unwinding of discount	-	657	657
<b>Balance at end of year</b>	<b>13,901</b>	<b>11,880</b>	<b>25,781</b>
Current	4,279	3,895	8,174
Non-current	9,622	7,985	17,607
	<b>13,901</b>	<b>11,880</b>	<b>25,781</b>

## 21. Provisions continued

## Group

## Year ended 30 June 2007

	Rehabilitation and restoration \$'000	Other provisions \$'000	Total \$'000
Balance at beginning of year	12,688	11,209	23,897
Provisions made during the year	-	3,666	3,666
Provisions used during the year	(2,415)	(3,815)	(6,230)
Unwinding of discount	-	626	626
<b>Balance at end of year</b>	<b>10,273</b>	<b>11,686</b>	<b>21,959</b>

Current	2,050	3,612	5,662
Non-current	8,223	8,074	16,297
	<b>10,273</b>	<b>11,686</b>	<b>21,959</b>

## Company

## Year ended 30 June 2008

Balance at beginning of year	10,273	11,686	21,959
Provisions made during the year	900	2,413	3,313
Provisions used during the year	(1,291)	(2,876)	(4,167)
Unwinding of discount	-	657	657
<b>Balance at end of year</b>	<b>9,882</b>	<b>11,880</b>	<b>21,762</b>

Current	260	3,895	4,155
Non-current	9,622	7,985	17,607
	<b>9,882</b>	<b>11,880</b>	<b>21,762</b>

## Company

## Year ended 30 June 2007

Balance at beginning of year	12,688	11,209	23,897
Provisions made during the year	-	3,666	3,666
Provisions used during the year	(2,415)	(3,815)	(6,230)
Unwinding of discount	-	626	626
<b>Balance at end of year</b>	<b>10,273</b>	<b>11,686</b>	<b>21,959</b>

Current	2,050	3,612	5,662
Non-current	8,223	8,074	16,297
	<b>10,273</b>	<b>11,686</b>	<b>21,959</b>

A provision has been recognised for the present value of the best estimate of future costs to be incurred for the rehabilitation and restoration of the Meremere and Huntly generation sites. During the current year an additional provision was made for plugging and abandonment of the Kupe (Momoho) and Cardiff fields. These sites require remediation of conditions resulting from past and present op-

erations. These costs are expected to be incurred at varying stages for up to eight years.

Other provisions represent the present value of contracted costs to be incurred covering a range of commercial matters, which are the subject of legal privilege and/or confidentiality arrangements. The timing of these outflows varies up to 15 years.

Notes to the financial statements  
continued

	Opening balance \$'000	Recognised in income* \$'000	Recognised in equity* \$'000	Adjusted to current tax \$'000	Closing balance \$'000
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22. Deferred tax liabilities

(a) The composition of deferred tax balances

Deferred tax assets and liabilities are offset on the face of the balance sheet where it is likely they will be settled on a net basis. The net deferred tax liability solely comprises temporary differences.

(b) The movement in deferred tax liability

Group					
Year ended 30 June 2008					
Property, plant and equipment	198,317	76,252	(1)	11,232	285,800
Oil and gas exploration and development assets	14,403	(57,116)	-	(1,481)	(44,194)
Intangibles	4,890	1,968	-	-	6,858
Trade and other receivables	(427)	(1,221)	-	3,254	1,606
Inventories	(927)	-	-	-	(927)
Employee entitlements	(967)	(23)	-	-	(990)
Provisions	(2,489)	(4,182)	-	-	(6,671)
Finance lease liabilities	(8,308)	375	-	-	(7,933)
Financial instruments	(8,829)	(2,085)	4,490	-	(6,424)
Other	(247)	(1,558)	-	-	(1,805)
<b>Total liability</b>	<b>195,416</b>	<b>12,410</b>	<b>4,489</b>	<b>13,005</b>	<b>225,320</b>

Group					
Year ended 30 June 2007					
Property, plant and equipment	221,496	(13,297)	(10,219)	337	198,317
Oil and gas exploration and development assets	13,138	1,265	-	-	14,403
Intangibles	3,245	1,645	-	-	4,890
Trade and other receivables	6,243	(6,670)	-	-	(427)
Inventories	(1,019)	92	-	-	(927)
Employee entitlements	(796)	(171)	-	-	(967)
Provisions	(3,442)	953	-	-	(2,489)
Finance lease liabilities	(9,412)	1,104	-	-	(8,308)
Financial instruments	(345)	1,364	(9,848)	-	(8,829)
Other	(701)	232	-	222	(247)
<b>Total liability</b>	<b>228,407</b>	<b>(13,483)</b>	<b>(20,067)</b>	<b>559</b>	<b>195,416</b>

	Opening balance \$'000	Recognised in income* \$'000	Recognised in equity* \$'000	Adjusted to current tax \$'000	Closing balance \$'000
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Company

Year ended 30 June 2008					
Property, plant and equipment	197,672	(307)	(1)	12,012	209,376
Oil and gas exploration and development assets	-	942	-	-	942
Intangibles	4,804	1,931	-	-	6,735
Trade and other receivables	(6,410)	(124)	-	3,254	(3,280)
Inventories	(927)	-	-	-	(927)
Employee entitlements	(937)	(21)	-	-	(958)
Provisions	(2,489)	(2,976)	-	-	(5,465)
Finance lease liabilities	(8,308)	375	-	-	(7,933)
Financial instruments	(3,986)	(1,513)	1,080	-	(4,419)
Other	(255)	(1,549)	-	-	(1,804)
<b>Total liability</b>	<b>179,164</b>	<b>(3,242)</b>	<b>1,079</b>	<b>15,266</b>	<b>192,267</b>

Company

Year ended 30 June 2007					
Property, plant and equipment	221,504	(16,563)	(10,219)	2,950	197,672
Oil and gas exploration and development assets	-	-	-	-	-
Intangibles	3,177	1,627	-	-	4,804
Trade and other receivables	(2,453)	(3,957)	-	-	(6,410)
Inventories	(1,019)	92	-	-	(927)
Employee entitlements	(786)	(151)	-	-	(937)
Provisions	(3,442)	953	-	-	(2,489)
Finance lease liabilities	(9,412)	1,104	-	-	(8,308)
Financial instruments	(287)	2,615	(6,314)	-	(3,986)
Other	(504)	27	-	222	(255)
<b>Total liability</b>	<b>206,778</b>	<b>(14,253)</b>	<b>(16,533)</b>	<b>3,172</b>	<b>179,164</b>

\* The amounts showing as recognised in income and equity are net of the effects of the change of corporate tax rate.

(c) Unrecognised deferred tax assets and liabilities

There are no unrecognised deferred tax assets or liabilities.

Notes to the financial statements  
continued

	Share capital \$'000	Asset revaluation reserve \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total \$'000
<b>23. Shareholders' equity</b>					
<b>Group</b>					
Balance as at 1 July 2007	540,565	238,427	(17,294)	564,045	1,325,743
Profit for the year	-	-	-	99,058	99,058
Asset revaluation:					
— Transferred to retained earnings on disposal	-	(6)	-	-	(6)
Cash flow hedges:					
— Gains/(losses) taken to equity	-	-	20,119	-	20,119
— Gains/(losses) transferred to income statement	-	-	7,020	-	7,020
— Gains/(losses) transferred to initial carrying value of hedged item	-	-	(12,172)	-	(12,172)
Movement in deferred tax attributable to equity:					
— Deferred tax	-	1	(4,490)	-	(4,489)
— Change in corporate tax rate	-	-	-	-	-
<b>Total recognised income and expenses</b>	-	<b>(5)</b>	10,477	<b>99,058</b>	109,530
Dividends paid	-	-	-	(28,500)	(28,500)
<b>Balance as at 30 June 2008</b>	<b>540,565</b>	<b>238,422</b>	<b>(6,817)</b>	<b>634,603</b>	<b>1,406,773</b>

	Share capital \$'000	Asset revaluation reserve \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Group</b>					
Balance as at 1 July 2006	540,565	228,223	4,948	484,195	1,257,931
Profit for the year	-	-	-	89,450	89,450
Asset revaluation:					
— Transferred to retained earnings on disposal	-	(15)	-	-	(15)
Cash flow hedges:					
— Gains/(losses) taken to equity	-	-	(38,660)	-	(38,660)
— Gains/(losses) transferred to income statement	-	-	17,238	-	17,238
— Gains/(losses) transferred to initial carrying value of hedged item	-	-	(10,668)	-	(10,668)
Movement in deferred tax attributable to equity:					
— Deferred tax	-	-	10,590	-	10,590
— Change in corporate tax rate	-	10,219	(742)	-	9,477
<b>Total recognised income and expenses</b>	-	<b>10,204</b>	(22,242)	<b>89,450</b>	77,412
Dividends paid	-	-	-	(9,600)	(9,600)
<b>Balance as at 30 June 2007</b>	<b>540,565</b>	<b>238,427</b>	<b>(17,294)</b>	<b>564,045</b>	<b>1,325,743</b>

	Share capital \$'000	Asset revaluation reserve \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total \$'000
<b>23. Shareholders' equity continued</b>					
<b>Company</b>					
Balance as at 1 July 2007	540,565	238,427	(8,908)	499,346	1,269,430
Profit for the year	-	-	-	109,036	109,036
Asset revaluation:					
— Transferred to retained earnings on disposal	-	(6)	-	-	(6)
Cash flow hedges:					
— Gains/(losses) taken to equity	-	-	2,195	-	2,195
— Gains/(losses) transferred to income statement	-	-	6,966	-	6,966
— Gains/(losses) transferred to initial carrying value of hedged item	-	-	(5,560)	-	(5,560)
Movement in deferred tax attributable to equity:					
— Deferred tax	-	1	(1,080)	-	(1,079)
— Change in corporate tax rate	-	-	-	-	-
<b>Total recognised income and expenses</b>	-	<b>(5)</b>	2,521	<b>109,036</b>	111,552
Dividends paid	-	-	-	(28,500)	(28,500)
<b>Balance as at 30 June 2008</b>	<b>540,565</b>	<b>238,422</b>	<b>(6,387)</b>	<b>579,882</b>	<b>1,352,482</b>

	Share capital \$'000	Asset revaluation reserve \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Company</b>					
Balance as at 1 July 2006	540,565	228,223	5,066	423,541	1,197,395
Profit for the year	-	-	-	85,405	85,405
Asset revaluation:					
— Transferred to retained earnings on disposal	-	(15)	-	-	(15)
Cash flow hedges:					
— Gains/(losses) taken to equity	-	-	(29,111)	-	(29,111)
— Gains/(losses) transferred to income statement	-	-	17,297	-	17,297
— Gains/(losses) transferred to initial carrying value of hedged item	-	-	(8,474)	-	(8,474)
Movement in deferred tax attributable to equity:					
— Deferred tax	-	-	6,695	-	6,695
— Change in corporate tax rate	-	10,219	(381)	-	9,838
<b>Total recognised income and expenses</b>	-	<b>10,204</b>	(13,974)	<b>85,405</b>	81,635
Dividends paid	-	-	-	(9,600)	(9,600)
<b>Balance as at 30 June 2007</b>	<b>540,565</b>	<b>238,427</b>	<b>(8,908)</b>	<b>499,346</b>	<b>1,269,430</b>

Notes to the financial statements  
continued

## 23. Shareholders' equity continued

## (a) Share capital

Ordinary shares

	Group 30 June 2008 000's	Company 30 June 2008 000's	Group 30 June 2007 000's	Company 30 June 2007 000's
Issued and fully paid	540,565	540,565	540,565	540,565

Changes to the Companies Act 1993 effective 1 January 1998 abolished the authorised capital and par value concept in relation to share capital. Therefore, the Company does not have a limited amount of authorised share capital and issued shares do not have a par value. All fully paid ordinary shares carry one vote per share and carry equal rights to dividends. There have been no changes to share capital during the year.

## (b) Asset revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 2(o). The balance standing to the credit of

the reserve may be used to satisfy the distribution of bonus shares to shareholders and is available only for the payment of cash dividends in limited circumstances as permitted by law.

## (c) Cash flow hedging reserve

The cash flow hedge reserve is used to record hedging gains or losses on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts on the income statement, or is included as a basis adjustment to the non-financial hedged item, consistent with the accounting policy described in 2(m).

The table below details when the amounts held in the cash flow hedge reserve are expected to impact the profit and loss or the respective non-financial hedged item:

	Interest rate swap contracts \$'000	Foreign exchange contracts \$'000	Electricity contracts for difference \$'000	Total \$'000
<b>Group</b>				
Not later than one year	1,647	(5,448)	(62)	(3,863)
Later than one year but not later than two years	(427)	(1,170)	(734)	(2,331)
Later than two years but not later than five years	(321)	-	(302)	(623)
<b>Balance as at 30 June 2008</b>	<b>899</b>	<b>(6,618)</b>	<b>(1,098)</b>	<b>(6,817)</b>

**Group**

Not later than one year	2,247	(16,411)	(704)	(14,868)
Later than one year but not later than two years	1,206	(2,801)	368	(1,227)
Later than two years but not later than five years	671	(791)	(1,079)	(1,199)
<b>Balance as at 30 June 2007</b>	<b>4,124</b>	<b>(20,003)</b>	<b>(1,415)</b>	<b>(17,294)</b>

## 23. Shareholders' equity continued

**Company**

	Interest rate swap contracts \$'000	Foreign exchange contracts \$'000	Electricity contracts for difference \$'000	Total \$'000
Not later than one year	1,645	(5,108)	(62)	(3,525)
Later than one year but not later than two years	(427)	(1,078)	(734)	(2,239)
Later than two years but not later than five years	(321)	-	(302)	(623)
<b>Balance as at 30 June 2008</b>	<b>897</b>	<b>(6,186)</b>	<b>(1,098)</b>	<b>(6,387)</b>

**Company**

Not later than one year	2,242	(8,299)	(704)	(6,761)
Later than one year but not later than two years	1,206	(2,522)	368	(948)
Later than two years but not later than five years	671	(791)	(1,079)	(1,199)
<b>Balance as at 30 June 2007</b>	<b>4,119</b>	<b>(11,612)</b>	<b>(1,415)</b>	<b>(8,908)</b>

Gains/(losses) transferred from the cash flow hedge reserve into profit or loss during the year are included in the following line items on the face of the income statement:

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
Operating revenue	2,312	2,312	15,027	15,027
Other operating costs	570	569	(79)	(79)
Finance costs	4,138	4,085	2,290	2,349
<b>Gains/(losses) transferred to income statement</b>	<b>7,020</b>	<b>6,966</b>	<b>17,238</b>	<b>17,297</b>

There are no forecast transactions for which hedge accounting had previously been applied but which are no longer expected to occur.

## 24. Ordinary dividends

The Company paid the following fully imputed dividend during the year.

Dividends paid during the year:

	Dividend payment date	Company 30 June 2008 \$'000	Company 30 June 2007 \$'000	Company 30 June 2008 Cents per share	Company 30 June 2007 Cents per share
2007 Year interim dividend	31 Mar 2007		9,600		1.78
2007 Year final dividend	30 Sep 2007	14,900		2.76	
2008 Year interim dividend	31 Mar 2008	13,600		2.52	
<b>Total ordinary dividends paid</b>		<b>28,500</b>	<b>9,600</b>		

## Notes to the financial statements continued

### 25. Contingent assets and liabilities

The Company and Group had contingent assets and liabilities at 30 June 2008 in respect of:

#### (a) Land claims, law suits and other claims

The Company acquired interests in land and leases from ECNZ on 1 April 1999. These interests in land and leases may be subject to claims to the Waitangi Tribunal and may be resumed by the Crown. The Company would expect to negotiate with the new Maori owners for occupancy and usage rights of any sites resumed by the Crown. Certain claims have been brought to or are pending against the Company, ECNZ and the Crown under the Treaty of Waitangi Act 1975. Some of these claims may affect land and leases purchased by the Company or its subsidiaries from ECNZ. In the event that land is resumed by the Crown, there is provision for compensation to the Company.

Carter Holt Harvey Limited commenced proceedings in May 2001 in the High Court against the Company as first defendant and Rolls Royce New Zealand Limited as second defendant in connection with a cogeneration agreement between ECNZ and Carter Holt Harvey signed in 1995. Carter Holt Harvey alleges failure to deliver in accordance with the agreement, and also alleges defects in the Kinleith Cogeneration plant and seeks damages.

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

#### (b) Rehabilitation and restoration

Certain subsidiaries, collectively holding 31 per cent interest in the Kupe Joint Venture as listed in note 28, in their capacity as joint venture partners have committed to proceed with development of the field. Under the provisions of the permit, these subsidiaries are liable for their several rehabilitation and restoration liabilities pertaining to the field. At balance date the value of the obligation could not be measured reliably.

#### (c) Carbon emissions

The New Zealand Government has proposed an Emissions Trading Scheme (ETS) as a market-based response to the emission reduction targets established by the Kyoto Treaty. Under the proposed

scheme, emitters will be required to supply emission units to match their carbon emissions. Given the Group is involved in petroleum extraction and thermal energy generation, it inevitably will incur an emissions obligation whether through the proposed scheme or some other mechanism.

Under the proposed scheme, the Group will be required to purchase emissions units sufficient to offset its carbon emissions. To the extent the Group receives government allocated allowances, these will be used to offset its emissions liability. The difference between its allocated units and its emissions liability is likely to be sourced from local and international markets. As the legislation is yet to be enacted and the final form of the ETS is not known, it is not possible to quantify the ongoing cost of compliance.

#### (d) Financial guarantees

The Company issued financial guarantees to the alliance contractor and other agents of the Kupe joint venture for the full and faithful performance of its subsidiaries in their capacities as joint venture partners, to the extent of their several liabilities under the development agreement.

The Company issued a financial guarantee to Energy Clearing House Limited for the full and faithful performance of its subsidiary Energy Online Limited, to the extent of its liabilities for its retail electricity purchases.

These guarantees currently have a nil fair value; however, they may give rise to liabilities in the Company if the subsidiaries do not meet their obligations under the terms of the respective arrangements.

#### (e) Letters of credit and performance bonds

The Company, as a participant in the electricity market, issued letters of credit to the energy exchange operator under the market's security requirements. These letters of credit are issued as part of normal trading conditions and are to ensure there is no significant credit risk exposure to any one market participant.

The Company has also issued letters of credit and performance bonds to certain suppliers and service providers under normal trading conditions. The liabilities covered by these arrangements are already provided for in the balance sheet, and are therefore not expected to create any adverse effects on the financial results presented.

There are no other known material contingent assets or liabilities [2007: Nil].

### 26. Commitments

#### (a) Capital and investment commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
Within one year	37,040	37,040	11,430	11,430
Later than one year but not later than five years	11,925	11,925	7,994	7,994
<b>Total capital and investment commitments</b>	<b>48,965</b>	<b>48,965</b>	<b>19,424</b>	<b>19,424</b>

### 26. Commitments continued

#### (b) Operating lease commitments

##### (i) Where the Group is lessee

The operating leases are of a rental nature. The majority of the lessee commitments are for building accommodation for the Retail and Corporate sites, and land for the Generation sites. The remainder relates to vehicles, plant and equipment.

These leases are on normal commercial terms and conditions, with varying lease periods up to 20 years. In some cases, renewal rights

exist with market review clauses. The Group does not have any options to purchase the leased assets at the expiry of the lease period. There are no restrictions imposed by these operating leases, such as those concerning dividend distributions, additional debt financing and further leasing arrangements.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
Within one year	6,287	5,819	6,439	6,128
Later than one year but not later than five years	23,161	21,811	23,824	22,596
Later than five years	39,984	39,984	48,797	48,416
<b>Commitments not recognised in the financial statements</b>	<b>69,432</b>	<b>67,614</b>	<b>79,060</b>	<b>77,140</b>

##### (ii) Where the Group is lessor

The operating leases are of a rental nature. The majority of the lessor commitments relate to surplus farm land and buildings adjacent to Generation sites. The remainder relates to licences to occupy. These leases are on normal commercial terms and conditions, with

varying lease periods up to 20 years. In some cases renewal rights exist with market review clauses. The Group does not issue any options to lessees to purchase the leased assets at the expiry of the lease period.

Commitments for minimum lease receipts in relation to non-cancellable operating leases are receivable as follows:

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
Within one year	463	463	444	444
Later than one year but not later than five years	1,154	1,154	1,326	1,326
Later than five years	589	589	655	655
<b>Commitments not recognised in the financial statements</b>	<b>2,206</b>	<b>2,206</b>	<b>2,425</b>	<b>2,425</b>

Lease commitments are stated exclusive of GST.

## Notes to the financial statements continued

### 26. Commitments continued

#### (c) Finance lease commitments

##### (i) Where the Group is lessee

For finance lease liability commitments refer to note 20(d).

##### (ii) Where the Group is lessor

For finance lease asset commitments refer to note 12(b).

#### (d) Other commitments

##### (i) Maintenance commitments

The Company has contracted a third party to provide spare parts, technical assistance and availability guarantees for certain new plant. The long-term maintenance contract has a fixed and variable charge component. The contract extends out to 30 June 2023 or earlier if certain maintenance milestones are completed.

##### (ii) Fuel commitments

The Company has contracted to purchase coal and gas supplies for thermal generation and retail gas sales. The contracts are for varying periods, annual quantities and prices. The coal contracts include a supply of approximately 194.7 PJ (2007: 228.2 PJ) of coal with one major contract extending out to 30 June 2014. In addition, at 30 June 2008 the coal stockpile was approximately 17.6 PJ (2007: 19.5 PJ). The firm gas contracts amount to approximately 295.0 PJ (2007: 345.7 PJ) with two contracts extending out 15 years from 2009.

### 27. Related party transactions

#### (a) Crown

The Company is a state-owned enterprise and all shares are owned by the Crown, as represented by the Shareholding Ministers, Hon. Dr Michael Cullen, Minister of Finance and Hon. Trevor Mallard, Minister for State-Owned Enterprises.

The Group undertakes many transactions with the Crown, state-owned companies and other Government entities, all of which are carried out on a commercial and arm's-length basis. The table below details the major ongoing transactions types, and should not be taken as a complete list:

##### Transaction type

Accident compensation levies  
Air travel services  
Scientific consultancy services  
Electricity levies  
Electricity transmission  
Energy products (i.e. electricity and gas supply contracts and hedges)  
Finance lessor  
Investor  
Postal and courier services  
Supply of coal and facilities  
Tax collection

#### (b) Key management and personnel compensation

The key management personnel of the Company are the Directors and the executive management team.

Key management personnel compensation is as follows:

	Group 30 June 2008 \$'000	Group 30 June 2007 \$'000
Short-term benefits	6,302	4,156
Post-employment benefits (including defined contribution plan contributions)	45	27
<b>Total key management personnel</b>	<b>6,347</b>	<b>4,183</b>

#### (iii) Coal transportation commitment

The Company has contracted a third party to provide coal transportation facilities from the Port of Tauranga to the Rotowaro rail receipt facility for a fixed annual charge of \$1.0 million, plus a per-tonne freight cost for coal transported. The contract extends out 12 years to 26 December 2019, with a right of renewal for a further three five-year terms.

#### (iv) Coal receipt facility commitment

The Company has committed to a fixed annual rental and service fee of \$1.7 million charged over the life of the contract for coal receipt facilities. The contract extends out six years to 30 June 2014.

#### (v) Joint venture commitments

The Kupe joint venture partners committed to proceed with the development of the Kupe field on 29 June 2006. Under the arrangement, costs of development are shared in proportion to the respective interest held. As a joint venture participant, the Group has ongoing commitments of \$134.4 million (2007: \$216.4 million) in order to develop the Kupe field.

The Group has no ongoing commitments to the Cardiff joint venture in relation to maintaining the Cardiff permit (2007: \$1.6 million).

The Group has no ongoing commitments to the Gasbridge joint venture (2007: Nil).

### 27. Related party transactions continued

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

Key management personnel and their families purchase gas and electricity from the Group for domestic purposes on an arm's-length basis.

Denis McNamara is a senior partner in the law firm Simpson Grierson which provided services to the Company for \$16,052 (2007: Nil). The services were provided based on normal commercial terms and conditions.

During the year, aside from Directors' fees included in key management compensation in (b) above, no other transactions took place between the Directors and the Group or Company.

#### (d) Subsidiaries and joint ventures

Notes 15 and 28 identify group entities and joint ventures in which Genesis Power Limited has an interest. All of these entities are related parties of the Company. Notes 12 and 19 detail the outstanding balances relating to these entities at balance date.

During the year, the Company advanced its subsidiaries \$177.3 million (2007: \$66.7 million) in order for them to meet their operating and capital commitments. Offsetting these advances were subsidiary tax credits of \$5.1 million (2007: \$2.4 million) transferred to the Company. These advances are unsecured, and have no repayment terms or conditions attached. Interest is charged at a rate equal to the Company's cost of capital. Net interest charged by the Company during the year was \$13.2 million (2007: \$2.1 million).

During the year, the Company impaired certain subsidiary loans totalling \$20.8 million on the grounds that the recoverability of those loans was not supported by assets in the subsidiary (2007: Nil).

#### (e) Other related parties

##### (i) Genesis Oncology Trust

The Group has a sponsorship agreement with the Genesis Oncology Trust. The annual sponsorship to be paid to the Trust amounted to \$0.2 million (2007: \$0.2 million). In 2008, the Group made additional

donations of \$0.2 million (2007: \$0.3 million). The total amount outstanding at year end was \$0.2 million (2007: \$0.2 million).

The Group provides the Trust with accounting and administrative support free of charge.

Murray Jackson (Chief Executive of Genesis Power Limited) is the Chairman of the Trust. Maureen Shaddick (General Counsel and Company Secretary of Genesis Power Limited) is the Deputy Chair of the Trust.

##### (ii) Gas Industry Company Limited

The Group has a 10 per cent share in the Gas Industry Company Limited. The Gas Industry Company is an industry-owned entity established to fulfil the role of the industry body under the Gas Act 1992. The entity, as the industry body, is the co-regulator of the gas industry, working with both the Government and the gas industry to develop outcomes that meet the Government's policy objectives as stated in the Government's October 2004 Policy Statement on Gas Governance.

During the year, the Group made payments to the Gas Industry Company in the form of levies totalling \$1.8 million (2007: \$1.3 million). During the previous year, the Group had loaned the Company \$125,000. This loan has since been repaid in the 2008 year.

##### (iii) CRL Energy Limited

The Group has a 50 per cent share in CRL Energy Limited. CRL Energy is an energy solutions research company.

During the year, the Group made payments of \$0.1 million (2007: \$0.1 million) to CRL Energy. These payments were under normal commercial terms and conditions.

##### (iv) Other environmental restoration and enhancement and charitable trusts

The Group has identified a number of other trusts established for charitable or environmental enhancement and restoration purposes which fall within the scope of the definition of related parties. During the year the Group made payments of \$0.5 million (2007: \$0.2 million) to these trusts for such purposes.

### 28. Interests in joint ventures

#### (a) Joint venture operations

Name of entity	Interest held in Company		Principal Activity
	2008	2007	
Kupe Joint Venture	31%	31%	Petroleum exploration and development
Cardiff Joint Venture	40%	40%	Petroleum exploration and development
Gasbridge Joint Venture	50%	50%	Liquefied natural gas importation development

The Group has a 31 per cent interest in Petroleum Mining Permit 38146 held by the Kupe Joint Venture. The Kupe joint venture partners committed to proceed with the development of the field on 29 June 2006.

The Group has a 40 per cent interest in respect of the Deep petroleum rights in Petroleum Exploration Permit 38738 and Petroleum Mining

Permit 38156 held by the Cardiff Joint Venture. The Group has the right to purchase 100 per cent of the Deep gas reserves.

In October 2006, the Group acquired a 50 per cent interest in the Gasbridge Joint Venture. The Gasbridge Joint Venture is investigating the feasibility of developing facilities to import Liquefied Natural Gas at the Port of Taranaki.

Notes to the financial statements  
continued

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000
<b>28. Interests in joint ventures continued</b>				
<b>(b) Share of joint venture assets, liabilities, revenue and expenses</b>				
<b>Current assets</b>				
Cash and cash equivalents	7,171	-	5,305	-
Accounts receivable	2,757	-	5,445	-
Prepayments	19,600	-	116	-
Inventories	81	-	160	-
Total current assets	29,609	-	11,026	-
<b>Non-current assets</b>				
Property, plant and equipment (including capital work in progress)	234,546	-	41,516	-
Exploration and evaluation assets	24,090	-	20,911	-
Intangibles	63,394	-	47,074	-
Total non-current assets	322,030	-	109,501	-
<b>Total share of assets employed in joint venture</b>	<b>351,639</b>	<b>-</b>	<b>120,527</b>	<b>-</b>
<b>Current liabilities</b>				
Trade payables	(75,912)	-	(11,915)	-
<b>Total share of liabilities employed in joint venture</b>	<b>(75,912)</b>	<b>-</b>	<b>(11,915)</b>	<b>-</b>
Income	1,010	-	497	-
Expenses	(1,336)	-	(1,108)	-
<b>Share of profit</b>	<b>(326)</b>	<b>-</b>	<b>(611)</b>	<b>-</b>

For capital expenditure commitments relating to the joint ventures, refer to note 26(d).

**29. Resource consents**

The Group requires resource consents (authorisations to use land, water and air) obtained under the Resource Management Act 1991, to enable it to operate its thermal, hydro, and wind power stations. The duration of resource consents varies up to a maximum of 35 years. The current resource consents within which the Group's power

stations operate are due for renewal at varying times. The renewal dates are fixed by the expiry date of the consent, or in the case of resource consents granted under earlier legislation where there is no expiry date, by the date set by the Resource Management Act 1991.

**30. Events occurring after the balance sheet date**

Prior to balance date, the Group, through its wholly owned subsidiary GP No. 4 Limited, agreed to purchase a further 15.1 per cent interest in Cardiff Joint Venture. The purchase is contingent on Ministerial

approval which is yet to be granted (2007: Kupe Holdings assigned a 4 per cent interest in the Kupe Joint Venture to GP No. 5 Limited).

	Group 30 June 2008 \$'000	Company 30 June 2008 \$'000	Group 30 June 2007 \$'000	Company 30 June 2007 \$'000	Notes
<b>31. Reconciliation of profit after income tax to net cash inflow from operating activities</b>					
Profit for the year	99,058	109,036	89,450	85,405	
Items classified as investing/financing activities:					
Net (gain)/loss on disposal of property, plant and equipment	277	3	2,716	2,682	8
Net gain/(loss) on consolidation of associate/joint venture	(223)	-	(836)	-	15, 28
Interest paid and other finance charges	28,050	27,870	3,626	3,414	9
Intercompany interest (received)/paid	-	(13,150)	-	(2,103)	
	28,104	14,723	5,506	3,993	
Non-cash Items:					
Depreciation	70,588	70,433	45,961	45,839	16
Amortisation	14,821	10,587	14,400	10,120	6
Impairment	38,365	20,761	-	-	7
Change in fair value of derivative financial instruments	4,577	4,924	5,312	5,914	
Change in deferred tax liabilities	29,905	13,104	(22,771)	(17,394)	
Change in capital expenditure accruals	(62,473)	1,449	623	12,598	
Intercompany tax loss offsets	-	5,085	-	2,379	
	95,783	126,343	43,525	59,456	
Movements in working capital:					
Change in trade and other receivables	(247,648)	(247,838)	12,843	16,078	
Change in prepayments	(19,346)	168	1,482	2,651	
Change in inventories	(3,901)	(4,061)	(31,652)	(31,652)	
Change in creditors and employee entitlements	254,207	181,586	(12,035)	(16,880)	
Change in current taxation receivable/payable	(971)	27,986	(10,087)	(10,526)	
Change in provisions	3,822	(197)	(1,938)	(1,938)	21
	(13,837)	(42,356)	(41,387)	(42,267)	
<b>Net cash inflow from operating activities</b>	<b>209,108</b>	<b>207,746</b>	<b>97,094</b>	<b>106,587</b>	

Notes to the financial statements  
continued

32. Explanation of transition to New Zealand equivalents to IFRSs

The Group changed their accounting policies on 1 July 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 First-time adoption of New Zealand Equivalents to International Financial Reporting Standards, with 1 July 2006 as the date of transition.

An explanation of how the transition from previous GAAP (superseded policies) to NZ IFRS has affected the Group and Company entities balance sheet, income statement and cash flow statement is set out in the tables below and the accompanying notes.

(1) At the date of transition to NZ IFRS: 1 July 2006

Balance sheet	Share capital and reserves \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total equity \$'000	Total liabilities \$'000	Total assets \$'000	Notes
<b>Group</b>							
Total reported under previous GAAP	1,097,725	-	355,503	1,453,228	588,287	2,041,515	
Derivative financial instruments	-	7,386	(57)	7,329	13,081	20,410	(a), (h)
Finance leases	-	-	(2,157)	(2,157)	26,536	24,379	(b), (d)
Deferred tax	(112,408)	(2,438)	(85,623)	(200,469)	200,469	-	(e)
Asset revaluation	9,971	-	(9,971)	-	-	-	(f)
Balance sheet reset	(226,500)	-	226,500	-	-	-	(g)
Other (including reclassifications)	-	-	-	-	(481)	(481)	
<b>Total reported under NZ IFRS</b>	<b>768,788</b>	<b>4,948</b>	<b>484,195</b>	<b>1,257,931</b>	<b>827,892</b>	<b>2,085,823</b>	
<b>Company</b>							
Total reported under previous GAAP	1,059,538	-	323,205	1,382,743	609,519	1,992,262	
Derivative financial instruments	-	7,563	(57)	7,506	12,904	20,410	(a), (h)
Finance leases	-	-	(2,157)	(2,157)	26,536	24,379	(b), (d)
Deferred tax	(112,408)	(2,497)	(75,792)	(190,697)	190,697	-	(e)
Asset revaluation	9,971	-	(9,971)	-	-	-	(f)
Balance sheet reset	(188,313)	-	188,313	-	-	-	(g)
Other (including reclassifications)	-	-	-	-	(41,528)	(41,528)	
<b>Total reported under NZ IFRS</b>	<b>768,788</b>	<b>5,066</b>	<b>423,541</b>	<b>1,197,395</b>	<b>798,128</b>	<b>1,995,523</b>	

32. Explanation of transition to New Zealand equivalents to IFRSs continued

(2) At the end of the last reporting period under previous NZ GAAP: 30 June 2007

Balance sheet	Share capital and reserves \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total equity \$'000	Total liabilities \$'000	Total assets \$'000	Notes
<b>Group</b>							
Total reported under previous GAAP	1,097,703	-	407,188	1,504,891	677,799	2,182,690	
Derivative financial instruments	-	(24,706)	(2,608)	(27,314)	34,534	7,220	(a), (h)
Finance leases	-	-	(3,169)	(3,169)	24,167	20,998	(b), (d)
Deferred tax	(102,182)	7,412	(70,084)	(164,854)	164,854	-	(e)
Goodwill amortisation	-	-	16,821	16,821	-	16,821	(c)
Asset revaluation	9,971	-	(9,971)	-	-	-	(f)
Balance sheet reset	(226,500)	-	226,500	-	-	-	(g)
Other (including reclassifications)	-	-	(632)	(632)	(1,641)	(2,273)	
<b>Total reported under NZ IFRS</b>	<b>778,992</b>	<b>(17,294)</b>	<b>564,045</b>	<b>1,325,743</b>	<b>899,713</b>	<b>2,225,456</b>	
<b>Company</b>							
Total reported under previous GAAP	1,059,516	-	370,891	1,430,407	702,895	2,133,302	
Derivative financial instruments	-	(12,726)	398	(12,328)	38,671	26,343	(a), (h)
Finance leases	-	-	(3,169)	(3,169)	24,167	20,998	(b), (d)
Deferred tax	(102,182)	3,818	(62,883)	(161,247)	161,247	-	(e)
Goodwill amortisation	-	-	16,393	16,393	-	16,393	(c)
Asset revaluation	9,971	-	(9,971)	-	-	-	(f)
Balance sheet reset	(188,313)	-	188,313	-	-	-	(g)
Other (including reclassifications)	-	-	(626)	(626)	(59,726)	(60,352)	
<b>Total reported under NZ IFRS</b>	<b>778,992</b>	<b>(8,908)</b>	<b>499,346</b>	<b>1,269,430</b>	<b>867,254</b>	<b>2,136,684</b>	

Notes to the financial statements  
continued

32. Explanation of transition to New Zealand equivalents to IFRSs continued

**Income statement**

Group	EBIT \$'000	Profit for the period \$'000	Notes
Total reported under previous GAAP	106,631	61,285	
Derivative financial instruments	(2,553)	(2,553)	(a)
Finance leases	900	(1,012)	(b), (d)
Deferred tax	-	15,535	(e)
Goodwill amortisation	16,821	16,821	(c)
Foreign exchange	(626)	(626)	
Other (including reclassifications)	943	-	
<b>Total reported under NZ IFRS</b>	<b>122,116</b>	<b>89,450</b>	

**Company**

Total reported under previous GAAP	100,814	57,286	
Derivative financial instruments	454	454	(a)
Finance leases	900	(1,012)	(b), (d)
Deferred tax	-	12,910	(e)
Goodwill amortisation	16,393	16,393	(c)
Foreign exchange	(626)	(626)	
Other (including reclassifications)	732	-	
<b>Total reported under NZ IFRS</b>	<b>118,667</b>	<b>85,405</b>	

**Cash flow statement**

Group	Previous GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000	Notes
Net cash inflow from operating activities	100,217	(3,123)	97,094	(i), (j)
Net cash (outflow) to investing activities	(187,159)	34,837	(152,322)	
Net cash inflow from financing activities	88,185	(31,715)	56,470	(j)
<b>Company</b>				
Net cash inflow from operating activities	99,247	7,340	106,587	(i), (j)
Net cash (outflow) to investing activities	(189,855)	24,129	(165,726)	
Net cash inflow from financing activities	88,185	(31,469)	56,716	(j)

32. Explanation of transition to New Zealand equivalents to IFRSs continued

**(a) Financial instruments**

All derivative contracts, comprising electricity contracts for differences, foreign exchange contracts, interest rate swaps and oil options, have been recorded in the balance sheet at fair value. Upon initial transition to NZ IFRS, these were adjusted against opening equity and, since then, movements in the fair value of these instruments have been taken through the income statement unless hedge accounting has been applied, in which case the fair value movements of effective hedges has been taken to the cash flow hedging reserve in equity. Under previous GAAP, these instruments were off-balance sheet, unless a premium was paid, in which case they were recorded at cost less accumulated amortisation.

**(b) Property, plant and equipment**

The Group has elected to continue measuring property, plant and equipment at cost (less accumulated depreciation and impairment losses) except for generation assets, which are stated at fair value (less accumulated depreciation and impairment losses) as determined on transition to NZ IFRS and supported by independent valuations at least every five years.

Included in property, plant and equipment at transition were generation assets of \$24.4 million (Company: \$24.4 million) which are subject to a finance lease. Under previous GAAP, these assets were considered to be under an operating lease arrangement.

Software, previously classified as an item of property, plant and equipment has been reclassified as an intangible asset under NZ IFRS.

**(c) Intangible assets**

The Group has elected not to restate business combinations that occurred prior to the date of transition to NZ IFRS, and accordingly, the carrying amount of goodwill at the date of transition has not changed. Under previous GAAP, goodwill was amortised on the straight line basis over the period during which the benefits were expected to be received, up to a maximum of 20 years. From the date of transition to NZ IFRS, goodwill is no longer amortised. The effect of the change is an increase in the carrying amount of goodwill.

Software, previously classified as an item of property, plant and equipment has been reclassified as an intangible asset under NZ IFRS. As a result of this, depletion charges relating to software have been reclassified from depreciation to amortisation expense. There is no tax effect arising from these adjustments.

**(d) Borrowings**

On transition to NZ IFRS, a finance lease payable of \$26.5 million (Company: \$26.5 million) was raised for generation assets. Under previous GAAP, these assets were considered to be under an operating lease arrangement. This resulted in additional depreciation expense and additional finance costs; however, it was partially offset by a reduction in operating lease charges.

**(e) Deferred tax liabilities**

On transition to NZ IFRS, the balance sheet method of tax effect accounting was adopted, as opposed to the liability method applied under previous GAAP. In accordance with the balance sheet approach in NZ IAS 12 – Income Taxes, income tax on the income statement for the period comprises current and deferred taxes. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity.

Deferred tax is provided using the balance sheet method of providing for temporary differences between the carrying amount of assets

and liabilities for accounting and tax purposes. A deferred tax asset or liability is recognised under NZ IFRS for all temporary differences other than those arising from:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities which are not part of a business combination and at the time of the transaction, affect neither accounting or taxable profit; and
- Undistributed profits from investments in subsidiaries and joint ventures, where the Group is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates expected to apply to the period when the asset is realised or liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date. At the date of transition, the tax rate was 33 per cent.

The impact on the Group on transition, of the change in basis and the transitional adjustments, on the deferred tax balances is an increase in deferred tax liabilities of \$200.5 million (Company: \$190.7 million), a decrease in asset revaluation reserve of \$112.4 million (Company: \$112.4 million), a decrease in the cash flow hedge reserve of \$2.5 million (Company: \$2.5 million) and an increase in retained earnings of \$85.6 million (Company: \$75.8 million). The most significant impact for the Group was the recognition of a deferred taxation liability in relation to the revaluation of generation assets.

Subsequent to initial transition, a substantially enacted change in tax rate from 33 per cent to 30 per cent had the effect of reducing the 30 June 2007 deferred tax liability by \$20.9 million (Company: \$19.0 million). Of this, \$11.5 million (Company: \$9.2 million) affected the income statement and the remaining \$9.4 million (Company: \$9.8 million) affected equity.

**(f) Asset revaluation reserve**

Under previous GAAP, downward asset revaluations, below cost, of individual assets were offset in the asset revaluation reserve against upward revaluations of other assets within the same class. When assets were disposed of, the balance of the asset revaluation reserve was transferred to retained earnings and did not impact the gain or loss on disposal in the income statement.

Under NZ IFRS, downward revaluations below the cost of individual assets are not permitted to be offset in the asset revaluation reserve against upward revaluations of other assets within the same asset class. Instead downward revaluations are taken directly to the income statement.

Upon transition to NZ IFRS at 1 July 2006, an amount of \$10.0 million (Company: \$10.0 million) was reclassified from the asset revaluation reserve to retained earnings, representing cumulative revaluations below cost for existing assets.

**(g) Balance sheet reset reserve**

Upon transition to NZ IFRS at 1 July 2006, an amount of \$226.5 million (Company: \$188.3 million) was reclassified from the balance sheet reset reserve to retained earnings.

**(h) Cash flow hedging reserve**

The effective portion of the fair value of derivatives that were designated and qualified as cash flow hedges has been recognised in equity in the cash flow hedging reserve. Upon transition, the cumulative gain or loss relating to the ineffective portion of qualifying

## Notes to the financial statements continued

### 32. Explanation of transition to New Zealand equivalents to IFRSs continued

hedges, and all other non-qualifying hedges, has been recognised in retained earnings and, since then, in the income statement.

#### (i) Finance lease liabilities

Certain leases classified as operating leases under previous GAAP have been reclassified as finance leases under NZ IFRS. As such, cash outflows in respect of these leases has been reclassified under

NZ IFRS from operating activities to financing activities.

#### (j) Purchased options

Under NZ IFRS, purchased options have been treated as operating cash outflows whereas under previous GAAP these cash flows were treated as investing activities.

### 33. Explanation of Accounting standards and interpretations in issue not yet effective

At the date of authorisation of the financial statements, a number of Accounting Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to Genesis Power Limited and its subsidiaries financial statements:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS-8 Operating Segments	1 January 2009	30 June 2010
NZ IAS-1 Presentation of Financial Statements – Revised Standard	1 January 2009	30 June 2010
Amendments to NZ IFRS-4 Insurance Contracts	1 January 2009	30 June 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial statements of Genesis Power Limited and its subsidiaries:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRIC-12 Service Concession Arrangements	1 January 2008	30 June 2009
NZ IFRIC-13 Customer Loyalty Programmes	1 July 2008	30 June 2009
NZ IFRIC-14 NZ IAS-19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008	30 June 2009
NZ IAS-23 Borrowing Costs – Revised (2007)	1 January 2009	30 June 2010
IFRS-2 Share-Based Payment – Revised Standard	1 July 2009	30 June 2010
IFRS-3 Business Combinations – Revised Standard	1 July 2009	30 June 2010
IAS-27 Consolidated and Separate Financial Statements – Revised Standard	1 July 2009	30 June 2010
Revised Amendments to NZ IAS 32 'Financial Instruments: Presentation' and NZ IAS 1 'Presentation of Financial Statements' – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009	30 June 2010
Improvements to NZ Equivalents to International Financial Reporting Standards (2008)	various*	30 June 2010
Amendments to NZ IFRS 1 First-Time Adoption of NZ equivalents to International Reporting Standards	1 January 2009	30 June 2010
Omnibus Amendments (2007)	1 January 2008	30 June 2009

\* The effective date and transitional provisions vary by Standard. Most of the improvements are effective for annual periods beginning on or after 1 January 2009, with earlier adoption permitted, and they are to be applied retrospectively.

## Auditor's Report

**The Auditor-General is the auditor of Genesis Power Limited (the Company) and Group. The Auditor-General has appointed me, Bruce Taylor, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the Company and Group, on his behalf, for the year ended 30 June 2008.**

### Unqualified Opinion

In our opinion:

- The financial statements of the Company and Group on pages 57 to 120:
  - comply with generally accepted accounting practice in New Zealand; and
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of:
    - the Company and Group's financial position as at 30 June 2008; and
    - the results of operations and cash flows for the year ended on that date.

- Based on our examination the Company and Group kept proper accounting records.

The audit was completed on 27 August 2008 and is the date at which our opinion is expressed.

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

### Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

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

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

## Auditor's Report continued

### Responsibilities of the Board of Directors and the auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the Company and Group as at 30 June 2008 and the results of operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 19(1) of the State-Owned Enterprises Act 1986.

### Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit, we have carried out assignments in the areas of International Financial Reporting Standards (IFRS) component evaluation review, opening balance sheet and comparatives audit which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with, or interests in, the Company or any of its subsidiaries.



**Bruce Taylor**

Deloitte  
On behalf of the Auditor-General  
Hamilton, New Zealand

**Deloitte.**

This audit report relates to the financial statements of Genesis Power Limited (the Company) and group for the year ended 30 June 2008 included on Genesis Power Limited's website. The Board of Directors are responsible for the maintenance and integrity of Genesis Power Limited's website. We have not been engaged to report on the integrity of Genesis Power Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Performance Against Statement of Corporate Intent — For the year ended 30 June 2008

### The Statement of Corporate Intent (SCI) for the period 1 July 2007 to 30 June 2010 was submitted by the Board of Directors of Genesis Power Limited (Genesis Energy) in accordance with section 14 of the State-Owned Enterprises Act 1986 (Act).

The SCI, as required by the Act, specifies information in respect of the financial year in question and each of the two immediately following financial years. Genesis Energy also voluntarily provides information for an additional two years above the Act requirement. Set out below is a table reporting on performance against SCI targets for the year ended 30 June 2008.

Financial Performance Targets	Notes	SCI Target	SCI Actual
Net operating profit after tax to average debt plus equity		5.3%	6.3%
Net profit after tax to average shareholders' funds		5.9%	6.8%
Earnings before interest and tax to average total assets		6.2%	6.9%
Dividend payout		40% of NPAT	\$28.5 million paid year to date (\$13.6 million 2008 Interim Dividend \$14.9 million 2007 Final Dividend)
Debt to debt plus equity		34.0%	28.0%
Consolidated shareholders' funds to total assets		52.0%	52.0%
<b>Non-financial Performance Targets</b>			
Number of significant RMA non-compliances	1	0	8
Trainees as a percentage of workforce	2	10.0%	12.5%
Customer satisfaction	3	85.0%	84.0%
Power station availability			
— Hydro	4	89.0%	88.8%
— Thermal	5	92.0%	88.7%

Note 1: 'Significant' refers to those incidents which are more than minor and for which it is appropriate to notify the consent authority (over and above standard notification of minor consent non-compliances in consent monitoring reports).

Note 2: Trainees as a percentage of the workforce is above target due to the third intake of the Genesis Energy National Apprenticeship Programme with a total of 39 apprenticeship positions now being filled.

Note 3: Based on a survey completed in May 2008: "How do you rate the overall performance of your energy supplier?" Percentage of customers rating Genesis Energy good, very good or excellent.

Note 4: Hydro was below target due to a significant unplanned outage at Tokaanu Power Station.

Note 5: Thermal was below target due to various changes to planned outages.

## Corporate Governance Statement

The following is an overview of Genesis Energy's main corporate governance practices. Genesis Energy has a strong focus on corporate governance and aims to comply with internationally recommended best corporate governance practices as they apply in New Zealand.

### Shareholders

Genesis Energy is a state-owned enterprise pursuant to the State-Owned Enterprises Act 1986 (SOE Act) and is wholly owned by Her Majesty the Queen in Right of New Zealand (Crown). The Crown's shareholding is held by the shareholding Ministers who as at 30 June 2008 were:

**Hon. Dr Michael Cullen** Minister of Finance

**Hon. Trevor Mallard** Minister for State-Owned Enterprises

Shareholding Ministers appoint the Board of Directors. The Board provides shareholding Ministers with a Statement of Corporate Intent (SCI) on an annual basis outlining goals, objectives and business plans in respect of the

relevant financial year and each of the immediately following four financial years.

### Role of the Board of Directors

The Board is responsible for the governance, management and proper direction and control of the activities of Genesis Energy and its subsidiaries. Day-to-day management is delegated to the Chief Executive of the Company under a formal delegations of authority policy with specific reservations to the Board and on-going Board oversight of all activities of the Company.

Generally, the principal functions of the Board are to:

- confirm corporate objectives, establish policy and approve major strategies;
- ensure business risks are appropriately identified and controlled;
- oversee processes for financial reporting and compliance and ensure the integrity of the management information system;
- select and review the performance of the Chief Executive and review succession planning;
- approve the formation, appoint Directors and oversee governance of subsidiary companies; and
- be accountable to shareholders for good stewardship of the whole entity.

The Board holds an annual strategic planning workshop with company management, and reviews strategic initiatives throughout the year.

While the Board acknowledges that it is responsible for the overall control framework of Genesis Energy, it recognises that no cost-effective internal control system will preclude all errors and irregularities. The system is based on written procedures, policies and guidelines, organisational structures that provide an appropriate division of responsibility, a programme of internal audit, regular reporting and the careful selection and training of qualified personnel.

In discharging its duties, the Board requires management to submit annually for its consideration and approval a business plan embracing the Company's resource requirements. The Board also requires an annual budget based on the adopted business plan to be submitted for approval.

The Board monitors actual financial results compared to budget and forecasts on a monthly basis, and on a quarterly basis it reviews the Company's performance compared to its business plan objectives.

The Board recognises the particular importance of, and the need to comply with,

Director	Special Responsibilities
<b>Brian Corban, QSO, MA (Hons), LLB, FInstD, FNZIM</b> Appointed: 21 December 1998	<ul style="list-style-type: none"> <li>– Establishment Board (IDG) member August 1998</li> <li>– Deputy Chairman of the Board of Directors from 15 February 1999</li> <li>– Acting Chairman of the Board from 15 April to 10 May 1999</li> <li>– Chairman of the Board of Directors from 11 May 1999</li> <li>– Member of Audit Committee from August 1999</li> <li>– Acting Chairman Audit Committee from May 2006 to August 2007</li> <li>– Member of Remuneration Committee from February 2001</li> </ul>
<b>Mike Williams, MA (Hons)</b> Appointed: 27 November 2002	<ul style="list-style-type: none"> <li>– Member of Remuneration Committee from March 2005</li> <li>– Deputy Chairman from May 2007</li> </ul>
<b>Geraldine Baumann, LLB</b> Appointed: 28 April 2002	<ul style="list-style-type: none"> <li>– Member of Audit Committee from March 2003</li> </ul>
<b>Denis McNamara, LLB (Hons)</b> Appointed: 29 April 2002	<ul style="list-style-type: none"> <li>– Member of Remuneration Committee from March 2003</li> <li>– Chairman of Remuneration Committee from March 2005</li> </ul>
<b>Annabel Cotton, BMS (Accounting and Finance), ACA, CSAP</b> Appointed: 8 June 2004	<ul style="list-style-type: none"> <li>– Member of Audit Committee from August 2004</li> </ul>
<b>Ian Kusabs, MSc (Hons) (Biological Sciences)</b> Appointed: 3 June 2004	<ul style="list-style-type: none"> <li>– Member of Remuneration Committee from July 2008</li> </ul>
<b>Nicki Crauford BSc (Hons), PhD, FIPENZ, MInstD, FAICD</b> Appointed: 1 January 2005	<ul style="list-style-type: none"> <li>– Chair of Remuneration Committee from July 2008</li> </ul>
<b>John Stace</b> Appointed: 1 May 2006	<ul style="list-style-type: none"> <li>– Member of Audit Committee from July 2008</li> </ul>
<b>Joanna Perry MA Econ (Cantab), FCA (ICAEW), FCA (NZICA)</b> Appointed: 1 May 2007	<ul style="list-style-type: none"> <li>– Member of Audit Committee from May 2007</li> <li>– Chair of Audit Committee from September 2007</li> </ul>
<b>Barbara Elliston B.E. Elect (Hons)</b> Appointed: 1 May 2008	

	Board Attendance (scheduled and one additional)	Audit Committee	Remuneration Committee	Chief Executive Search Committee
Brian Corban	11	4	5	11
Mike Williams	11		5	1
Denis McNamara (to April 2008)	8		5	10
Geraldine Baumann (to April 2008)	8	3	1	
Annabel Cotton	12	4	1	
Ian Kusabs	12		1	
Nicki Crauford	11		1	11
John Stace	9		1	6
Joanna Perry	12	4	1	11
Barbara Elliston (from May 2008)	2			

legislation controlling the environment and management of natural resources, consumer protection and safety and health of employees. For that reason, it monitors the Company's compliance with the statutes concerned through consideration of regular reports from management.

### Board membership

The Board comprises nine non-executive, independent Directors. All appointments to the Board are made by shareholding Ministers in accordance with section 36 (1) (a)(i) of the Companies Act 1993 and the Company's constitution.

Genesis Energy's constitution requires that Directors be appointed to the Board for a fixed term not exceeding three years. Shareholding Ministers may choose to renew an appointment for further fixed terms of up to three years.

The Board includes some of the country's most experienced business professionals and advisers. Directors' qualifications and special responsibilities, including standing committee membership, are set out on page 124.

### Composition of the Board

During the year, the Directorship terms of Geraldine Baumann and Denis McNamara ceased on 30 April 2008. Geraldine Baumann and Denis McNamara had both been Directors of the Company since 1 May 2002. Barbara Elliston was appointed as a director of the Company, with effect from 1 May 2008. Sara Lunam was appointed as a director from 15 August 2008, after the year in review.

The Directors are appointed by shareholding Ministers through a director recruitment process managed by the Crown Company Monitoring Advisory Unit (CCMAU). CCMAU seeks the advice of the Board through liaison with the Chairman and from reports of the results of the Board's self-review and

Director evaluation process, to ascertain the particular skills and experience required by the Board.

The Board seeks to maintain a balance of skills, knowledge, experience and perspectives among Directors to enable the Board to work effectively in the best interests of the Company.

### Governance practices

The Directors support the principles set out in the Code of Practice for Directors issued by the Institute of Directors in New Zealand and the Securities Commission's Principles of Corporate Governance. While recognising that the Code and the Principles are guidelines and do not purport to determine the detailed course of conduct by Directors on any particular matter, the Directors support the need for the highest standards of governance, behaviour and accountability and report on the matters set out in the Code and Principles in this statement.

### Board meetings

The Board schedules 11 meetings of Directors each year at which Directors review and update the Company's Directors' Interests Register and receive monthly monitoring reports from the Chief Executive and senior management and reports on matters requiring Directors' approval and information reports. The Board may call additional meetings of Directors as required. During the year in review, one additional meeting was called. Each year two or three of the meetings of Directors will be held away from the corporate office and combined with an opportunity for Directors to meet and engage with stakeholders, iwi and business partners of the Company.

For the year ended 30 June 2008, attendance at Board and Committee meetings is set out in the table above.

### Board committees

The Board may constitute standing committees that focus on specific areas of the Board's responsibility. The Board also reserves the right to constitute temporary non-standing committees to consider agreed business or projects of the Company. The Board uses committees where this enhances its effectiveness while retaining Board responsibility. Following each committee meeting, the committee is required to report back on its proceedings to the next meeting of the full Board.

The current standing committees comprise the Audit Committee and the Remuneration Committee.

### Audit Committee

The Audit Committee has power to recommend to the Board and is scheduled to meet no less than four times a year, with additional meetings being convened when required.

The role of the Audit Committee is to:

- Oversee risk management in conjunction with the internal auditors and management;
- Assist the Board in the proper and efficient discharge of its responsibilities relating to financial reporting, that is, in producing accurate financial statements in compliance with the law and accounting standards;
- Oversee, review and enhance the Company's external financial reporting procedures;
- Monitor and enhance the Company's internal financial systems and controls; and
- Oversee the relationship between the Company and both external and internal auditors.

The Chairman of the Audit Committee is a chartered accountant and is not the Chairman of the Board.

**Remuneration Committee**

The Remuneration Committee has power to recommend to the Board and is scheduled to meet no less than twice a year, with additional meetings being convened when required. The role of the Remuneration Committee is to oversee, review and monitor the remuneration and performance of the Chief Executive, to act in an advisory capacity to the Chief Executive, and to monitor and overview in respect of terms and conditions of employment, including remuneration for senior executives.

**Chief Executive Appointment Committee**

During the year, following Murray Jackson's announcement that he would be leaving the Company on 31 August 2008, the Board established a Chief Executive Appointment Committee. The role of the Appointment Committee was to assist the Board in discharging its responsibilities relative to the appointment of a new Chief Executive.

The members of the committee were Directors Brian Corban (Chairman), Joanna Perry, Nicki Crauford, Denis McNamara and John Stace. The Committee worked closely with an external executive search agent to identify, interview and verify the credentials of candidates for the position and reported its findings to the full Board.

The Committee concluded its work on 16 May 2008 with the announcement of the appointment of the new Chief Executive.

**Risk management**

The Board requires the Company to operate rigorous processes for risk management and internal control. Genesis Energy has developed a comprehensive, enterprise-wide risk-management framework which is reviewed for approval by the Board on an annual basis. The Company's management actively participates in the identification, assessment, and monitoring of new and existing risks. Particular attention is given to the market risks that could impact on Genesis Energy. All trading activities are consistent with the requirements and procedures stipulated in the Company's Market Risk Policy and credit risks arising in the retail business are managed through the Credit Risk Policy. Both of these policies are approved by the Board and are subject to regular oversight by a committee of senior executives and management undertakes regular reporting to appraise the Audit Committee and the Board of the Company's risks and the treatment of those risks.

**Audit**

The Board has adopted a policy to prevent the auditors providing services on any matters that may compromise audit independence.

**External audit**

In accordance with section 19 of the SOE Act, the Office of the Auditor General is required to express an opinion on Genesis Energy's financial statements and pursuant to section 15 of the Public Audit Act has appointed Bruce Taylor of Deloitte to undertake the audit on its behalf.

The Audit Committee meets regularly with Deloitte and the Board requires regular financial reports and information from management throughout the year, facilitating the Board's ability to give a true and fair view of the financial position and financial performance of the Company and the Group.

Specific note is made in the Financial Statements of certain other services provided by Deloitte during the period under review.

**Internal audit**

Genesis Energy has established an outsourced internal audit function that is responsible for monitoring the Company's internal control systems and risk management and the integrity of the financial information reported to the Board. Internal audit operates both with, and independently from, management and reports its findings directly to the Audit Committee. The Audit Committee reviews the annual internal audit plan and recommends the same for acceptance by the Board. Internal audit liaises with the external auditor, who also reviews the systems of internal control to the extent necessary to support its audit opinion.

The Company has appointed Ernst & Young as its internal auditor.

Both the internal auditor and the external auditor have unrestricted access to the Audit Committee and to the Board.

**Corporate social responsibility**

The Board recognises that Genesis Energy has obligations under the SOE Act to be a good employer and to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so. However, the Board has endorsed a strategy that seeks to go beyond a legal compliance approach with corporate social responsibility. Genesis Energy has adopted three strategic themes to guide the Company's Corporate Social Responsibility which are building practical ways to address the impacts of climate change, managing and reducing Genesis Energy's environmental footprint and making a difference in the communities in which the Company operates and beyond. These themes are the umbrella for a number of pro-

grammes and practices which the Company seeks to embed within the organisation and measure and report on. The Company's performance and progress in relation to its corporate social responsibility targets are reported on elsewhere in this report.

**Stakeholder and iwi engagement**

The Board requires management to provide regular reporting on the nature and extent of stakeholder and iwi engagement and consultation pertinent to the Company's business interests and the communities in which it operates.

The Company carries out customer, stakeholder and employee surveys on a regular basis and as required by the Board from time to time.

**Board self review**

The Board undertakes an annual self-review process. High-level outcomes from this process are required to be reported to the CCMAU. In addition, the Directors review the Chairman and the Chairman carries out a one-on-one evaluation with each director. The Board has established evaluation templates to guide the review process and addresses matters including integrity and ethics, teamwork, governance, communication, strategic leadership, perspective, business acumen, judgement and decision-making.

**Board training and development**

The Board recognises the importance of continuing education on the role, duties and knowledge requirements of Directorship in New Zealand. Directors, whether new to the role or experienced senior Directors are given the opportunity to participate in training and development programmes made available by the CCMAU, the Institute of Directors and other providers. Board members partake in specific industry conferences and workshops to keep abreast of developments particular to the business of the Company. A planned Company induction programme, including site visits, is completed at the commencement of each director's term to ensure a broad understanding by each director of the business and the Company's assets. During the individual director evaluations with the Chairman, as part of the Board's annual review process, the Chairman and director discuss and plan the individual director's training and development needs.

**Performance based remuneration**

A percentage of the Chief Executive's total remuneration and that of each of the Company's senior executives is linked to the

achievement of financial, environmental and social performance targets which are agreed and reviewed on an annual basis.

The Board, through the Remuneration Committee, agrees the Chief Executive's performance targets and the percentage of at risk salary attached to each target and undertakes a six-monthly and annual review of the Chief Executive's achievement of the targets to determine the amount of at risk salary payable.

**Conflicts of interest**

The Board has adopted a policy that prohibits any director providing services, in any capacity, to the Company except with the prior written approval of shareholding Ministers. All Directors are required to disclose any conflicts of interest or if they have an interest in any transaction in which case they will generally not be entitled to partake in the discussion or to vote in relation to that transaction. To facilitate the disclosure of interests and identification of any actual or perceived conflicts of interests, the Company's Disclosure of Interests Register is tabled and reviewed at the beginning of each Board meeting.

**Ethical behaviour**

The Board has adopted a number of policies to provide guidance to Directors, management and staff as to the expected standard of behaviour in conducting the business of the Company. These include policies covering Directors' and employees' expenses and reimbursement, the giving and receipt of gifts, probity when dealing

with suppliers, the treatment of fraudulent actions and protected disclosures.

**Shareholder relationship**

The SOE Act provides a comprehensive outline of a State-Owned Enterprise's reporting responsibilities and accountability. The business planning process culminates in the delivery of a final Statement of Corporate Intent (SCI) for tabling in Parliament. Before the SCI is finalised, the Company is required to provide shareholding Ministers with a draft SCI supported by the Company's business plan to enable shareholding Ministers and their advisers to assess the SCI. In preparing the SCI, the Company is required to take account of the shareholding Ministers' Statement of Shareholders' Preferences which is the result of the Crown's long-term ownership review and to address the Company's objectives and nature and scope of activities, to provide financial and non-financial performance indicators to provide an estimate of current commercial value and to indicate the matters in respect of which the Company will consult with shareholding Ministers. The Company is required under the SOE Act to provide annual and six-monthly reports and, in addition, shareholding Ministers also expect quarterly reporting to shareholding Ministers. This quarterly report is required to fully and accurately summarise the Company's performance against budget, identify the cause of major variances, signal any potential developing issues and highlight major achievements for the quarter as

well as the number of full-time-equivalent staff employed by the Company and a clear statement of the outlook for the rest of the financial year.

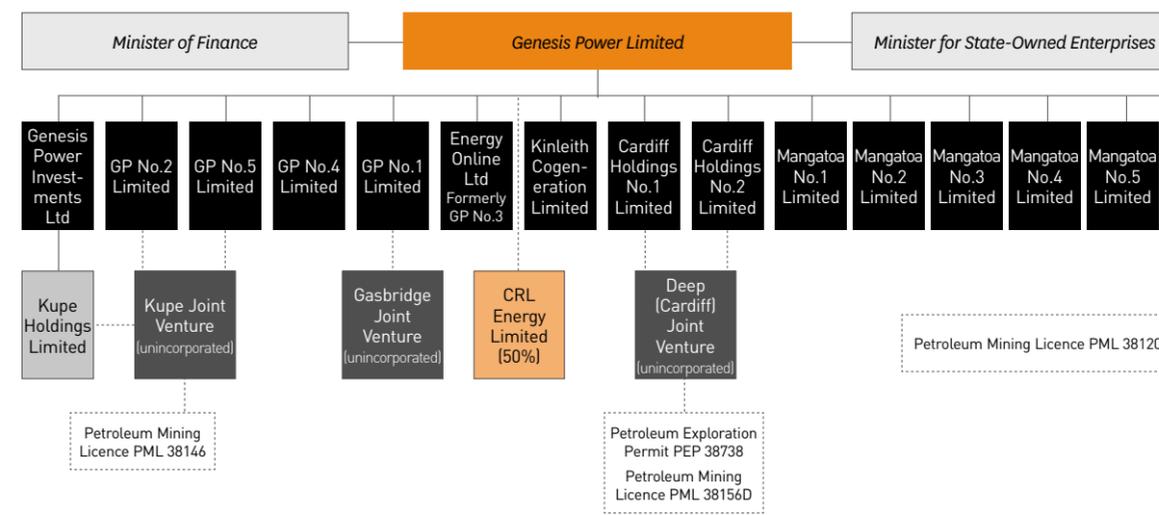
Shareholding Ministers expect the Board to be sensitive to their interests and to be mindful that Ministers are accountable to a wider audience and thus operate a 'no surprises' policy under which shareholding Ministers expect to be informed well in advance of any material or significant events, transactions and other issues relating to the Company that may be contentious or could attract wide public interest, whether positive or negative.

CCMAU acts as the liaison between shareholding Ministers and the Company and facilitates quarterly meetings. CCMAU issues an Owner's Expectations Manual which is provided to each director to ensure Directors are aware of shareholding Ministers' expectations of Directors.

The Board has adopted a policy that requires all communications with shareholding Ministers whether in writing or in person are to be made through the Board.

The Board requires regular monthly reports from management on all communications with Ministers and officials.

**Company Structure as at July 2008**



## Statutory Information

### Directors holding office during accounting period

The names of the Directors of Genesis Power Limited, trading as Genesis Energy (Genesis Energy or Company), and its subsidiary companies, during the accounting period 1 July 2007 to 30 June 2008 are shown below.

### Disclosure of interest

The general disclosures of interest made

by the Directors of Genesis Energy and its subsidiary companies pursuant to section 140(2) of the Companies Act 1993 are shown below. There were no declarations of interest made pursuant to section 140(1) of the Companies Act 1993 entered in the Interests Registers of Genesis Energy or its subsidiary companies. No Director of Genesis Energy is a shareholder of Genesis Energy or any of its subsidiary companies.

### Interest Register entries

In accordance with section 211(1)(e) of the Companies Act 1993, particulars of the entries in the Interests Register of Genesis Energy made during the period are as set out below:

Director	Position	Organisation
Brian Corban, QSO	Chairman and Shareholder	Corban Consultants Limited
	Chairman and Shareholder	Lindsay Corban Associates Limited
	Chairman and Shareholder	Ngatarawa Wines Limited
	Chairman and Trustee	Corban Estate Arts Centre
	Chairman	Radio New Zealand Limited
	Chairman	Melanesian Mission Trust Board
	Chairman	Corbans Viticulture Limited
	Chairman	West Auckland Trust Services Limited
	Chairman	Butts Bainbridge & Weir, Accountants
	Chairman	Languages International Limited
	Chairman	Frontier Global Limited
	Director	Frontier Mapping (NZ) Limited
	Consultant	Corban Revell Lawyers
	Trustee	Royal New Zealand Navy Museum
	Trustee	West Auckland Hospice Foundation Trust
Kenneth (Mike) Williams	Trustee	Waitakere Enterprise Board
	Advisory Council Member	Church of Melanesia
	Member	Speaker's Assurance Committee
	President	New Zealand Labour Party
	Chairman	Transport Board Reference Group
	Director	Institute of Geological and Nuclear Sciences
Annabel Cotton	Director	Auckland Regional Transport Authority
	Director	New Zealand Railways Corporation
	Director	Waitakere Enterprise Board
	Director	Transit New Zealand Limited
	Director	Merlin Consulting Limited
	Director	Barramundi Ltd and subsidiaries
	Member	Kingfish Limited and subsidiaries
Ian Kusabs	Director	Marlin Global Limited
	Director	Anamallai Tea Estates & Ropeway Company Limited
	Director	Riverbend Dairy Farms Limited
	Member	Securities Commission
	Chairman	Lake Taupo Sustainable Management Group
	Director and Shareholder	Ian Kusabs and Associates
	Member	Lake Taupo Management Board
Nicola Crauford	Advisor	Ngati Tuwharetoa
	Fisheries Associate	Wildland Consultants
	Fisheries Associate	Charles Mitchell and Associates
	Member	Lake Taupo Protection Project Joint Committee
	Member	Lake Taupo Liaison Sub-committee
John Stace	Director	Centre for Advanced Engineering
	Director and Shareholder	Crauford Robertson Consulting Limited
	Director and Shareholder	Martin Crauford Limited
	Minority Shareholder	iYomu Limited
	Director	Institution of Professional Engineers of New Zealand
Joanna Perry	Chief Executive	Institute of Directors, New Zealand
	Chairman and Shareholder	Triplejump Limited
	Director	The Kiwi Expat Association Incorporated
	Member	New Zealand Trade and Industry Beachhead Advisory Board.
	Board Member	Equestrian Sports New Zealand (ESNZ)
Joanna Perry	Trustee	Woodford House Foundation
	Chairman	Financial Reporting Standards Board
	Director and Shareholder	JMGP Limited
	Director	Kiwi Income Property Limited
	Director	PSIS Limited
	Director	Pod Limited
	Director	AssureQuality Limited
	Trustee	Melanesian Mission Trust Board

Joanna Perry continued	Member	Audit and Risk Committee of the Office of the Auditor General
	Member	Australian Accounting Standards Board
	Member	New Zealand Regional Council for Financial Services Institute of Australasia
	Member	Audit Committee of the Victorian Auditor General's Office
	Member	Speakers Assurance Committee
Barbara Elliston (term commenced 1 May 2008)	Member	Securities Commission
	Director	Solar Power and Renewables Company Limited
	Director	SPARCO Limited
	Director	Investment Vehicle Limited
	Director	King Solar Limited
	Director	Sun King Solar Limited
	Director	The Solar Hot Water Company Limited
	Director	Elliston Power Consultants Limited
	Director	Timeless by Design Limited
	Director	Fireball Limited
Denis McNamara (term expired 30 April 2008)	Partner	Simpson Grierson
	Honorary Consul	Mexico
	Deputy Chairman and Board Member	New Zealand Committee of the Pacific Economic Co-operation Council
	Council Member	Inter Pacific Bar Association
	Director	Simpson Grierson and companies associated with the partnership
	Director	Tacron Investments Limited
	Member	Hopper Fiji Limited
Geraldine Baumann (term expired 30 April 2008)	Member	Advisory Board of NZ Centre for Latin American Studies at Auckland University
	Trustee	Royal New Zealand Ballet Trust
	Trustee	Meridian Energy Katherine Mansfield Fellowship
	Senior Legal Advisor	Energy Efficiency Conservation Authority New Zealand Historic Places Trust

### Indemnity and insurance

In accordance with section 162 of the Companies Act 1993 and the Company's constitution, Genesis Energy has indemnified and arranged insurance for all current and former executive officers of the Company and its subsidiary companies in respect of all liabilities to persons (other than the Company or a related body corporate) to the extent permitted by law which arise out of the performance of their normal duties as Directors or executive officers unless the liability relates to conduct involving a lack of good faith.

### Use of Company information

No notices have been received by the Board of Genesis Energy under section 145 of the Companies Act 1993 with regard to the use of Company information received by Directors in their capacities as Directors of the Company or its subsidiary companies.

### Remuneration of Directors

Shareholding Ministers advise the Board of the total allowance for fees available to Directors of Genesis Energy and its subsidiary companies. The following table sets out the total remuneration (including remuneration for standing committee membership) and the value of other benefits received or receivable from Genesis Energy by each director of the Company during the period 1 July 2007 to 30 June 2008.

Name	Total \$
Brian Corban	100,370
Mike Williams	60,398
Annabel Cotton	50,804

Ian Kusabs	45,804
Nicki Crauford	45,804
John Stace	45,804
Joanna Perry	52,887
Barbara Elliston	7,634
Geraldine Baumann	42,623
Denis McNamara	42,098

During the year in review, Geraldine Baumann and Denis McNamara ceased to be Directors with effect from 30 April 2008.

Barbara Elliston was appointed as a director of Genesis Energy, with effect from 1 May, 2008.

As at 30 June 2008, Genesis Energy had 10 wholly owned subsidiary companies (detailed in the financial statements). The Directors of nine of those companies were Messrs Brian Corban and Murray Jackson. The Directors of Energy Online Limited were Messrs Murray Jackson, Mark Anderson and Dean Carroll. Messrs Murray Jackson and Mark Anderson were Directors of Gasbridge Limited in connection with Genesis Energy's 50 per cent ownership of Gasbridge Limited. Messrs Mark Anderson, Allan Melhuish and Richard Pearce are Directors of CRL Energy Limited in connection with Genesis Energy's 50 per cent ownership of CRL Energy Limited.

None of the Directors of the subsidiary companies received any specific remuneration or other benefits during the period in relation to their duties as Directors of these companies.

### Remuneration of employees

In accordance with section 211(1)(g) of the

Companies Act 1993, the number of employees, or former employees of Genesis Energy and/or members of the Company who, during the year in review received remuneration and other benefits the value of which exceeded \$100,000 is as follows:

Summary of Earnings Over \$100k	Number of Employees
\$1,320,000 – 1,330,000	1
\$430,000 – 440,000	1
\$390,000 – 400,000	1
\$380,000 – 390,000	1
\$370,000 – 380,000	1
\$360,000 – 370,000	1
\$300,000 – 310,000	1
\$280,000 – 290,000	2
\$230,000 – 240,000	1
\$220,000 – 230,000	1
\$210,000 – 220,000	1
\$200,000 – 210,000	1
\$180,000 – 190,000	3
\$170,000 – 180,000	2
\$160,000 – 170,000	2
\$150,000 – 160,000	5
\$140,000 – 150,000	11
\$130,000 – 140,000	7
\$120,000 – 130,000	30
\$110,000 – 120,000	39
\$100,000 – 110,000	44
TOTAL	156

Brian Corban QSO  
Chairman

Mike Williams  
Deputy Chairman

## Global Reporting Initiative and this Report

**Our corporate vision is to Make a Difference to New Zealand. This vision is delivered through a variety of strategies and actions. Making a difference to New Zealand runs through our investment activities, ongoing operations and into the regions in which we operate. Genesis Energy has determined that creating a sustainable organisation is an integral part of Making a Difference to New Zealand.**

### The reason for this report

Producing a sustainability report is part of the process to define what being a sustainable organisation means, to us and our stakeholders. It will help promote discussion both within the Company and in the communities in which we operate. Genesis Energy is committed to operating responsibly, efficiently and profitably for customers, stakeholders, employees and shareholders. We are committed to providing responsible energy solutions for our customers while working actively to protect people and the environment.

### Materiality

This is Genesis Energy's second annual sustainability report, containing information about the Company's economic, environmental and social policies and performance. The previous sustainability report was published in 2007. This report identifies the areas that we believe are the most important to Genesis Energy's sustainability. This report offers a frank discussion of the key challenges and risks facing the Company. The scale and scope of the Company's activities prohibit a detailed discussion of all issues in this report. Further information, particularly on environmental management and performance, can be found on the Genesis Energy website - [www.genesisenergy.co.nz](http://www.genesisenergy.co.nz). To determine which issues are of material importance, management considered issues: that might impact the operation of the Company; that impact the environment or communities in which we operate; and substantially impact our individual customers and stakeholders. Who do we expect to use this report? This report is aimed at all our stakeholders.

### Sustainability reporting guidelines

This Annual Sustainability Report is compiled using the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 3.0 (G3) and meets the content requirements of Application Level (C).

The GRI guidelines provide a voluntary reporting framework used by organisations around the world as the basis for sustainability reporting. The GRI is the generally accepted framework for "measuring, disclosing, and being held accountable to internal and external stakeholders for organisation performance toward the goal of sustainable development".

The GRI consists of a framework and guiding principles as well as a range of indicators against which reporting organisations can report. Indicators are chosen on the basis of materiality or significance to the business and/or stakeholders. Not all indicators are reported against in this report. We have used the G3 standards as well as some indicators from the GRI Electric Utility Sector Supplement. An index at the back of this report provides readers with a link between content and relevant GRI indicators.

### Reporting principles

We have reviewed GRI's G3 Reporting Principles in an effort to provide a balanced and reasonable representation of Genesis Energy's sustainability performance. We have applied the key principles of materiality, completeness, context, comparability, accuracy, timeliness, clarity, reliability and boundary setting. For the purposes of this sustainability report we have drawn upon the outcomes of our frequent and formal stakeholder engagement programme to inform materiality.

### Reporting period, accuracy and completeness

This report is based on the performance and information for the financial year to the end of June 2008. Some data on our environmental performance for the financial year is not included in this report due to data analysis completed after the deadline for this report. This information will be available in State of the Environment reports produced for individual power schemes.

Genesis Energy is in the process of developing a formal information collection system for the GRI process. Many data are provided via a formal Environmental Management System; other data are collected from individual business units. We are developing a more complete information management system as part of our ongoing sustainable development.

### Boundary of the report

Wholly owned subsidiaries of Genesis Energy, such as Energy Online, are included in the scope of this report. The sustainability requirements for Energy Online will be reported more fully in 2009. Joint ventures or

investments such as the Kupe Gas Project and the Cardiff deep gas prospect are not included for the purposes of sustainability reporting as they are largely operated by external organisations. Also outside of the scope of this report are outsourced customer services provided by SITEL and a variety of field services contractors.

### External assurance

As in 2007, URS provided a high-level review of our draft report against the GRI principles and disclosure requirements. The review findings informed some final aspects of this year's report.

While it was our intention to undertake external assurance of our report this year, for a variety of reasons we have not achieved this. We have, however, clarified our assurance objectives and are clearer about the steps towards full external assurance in the future. Over the next year, we will focus on our assurance objectives and implement stronger processes to ensure accuracy and quality of data and to support continuous improvement in reporting. We will report on our progress in the 2009 report. This year we will also start the journey towards a greater level of stakeholder engagement in the report development and assurance process.

Our financial statements have again been audited by Deloitte on behalf of the Auditor-General.

### Stakeholder engagement

Our many and diverse stakeholders are key to the successful generation and delivery of energy to homes, business and industry throughout New Zealand. It is vital that we engage with our stakeholders in effective dialogue and develop relationships built on mutual respect and a desire to find balanced outcomes.

We seek to be open and transparent with our key stakeholders and acknowledge that in some instances the impact of our activities cannot be mitigated. We operate an open door policy at Genesis Energy and do not seek to exclude any stakeholder groups from our engagement processes.

## Stakeholders' Engagement Table

Stakeholder	Dialogue	Key Interests And Concerns	How We Respond
<b>Generation Communities</b>	<ul style="list-style-type: none"> <li>Community meetings on key topics of interest</li> <li>Regular community group meetings</li> <li>Stakeholder audits and surveys</li> <li>Charitable donations and community projects</li> </ul>	<ul style="list-style-type: none"> <li>Impact of power generation on communities including transport of goods and staff</li> <li>Health of biodiversity values</li> <li>Impact on recreational areas around generation sites</li> <li>Local employment</li> <li>Contribution to economic and sustainable development of the communities</li> </ul>	<ul style="list-style-type: none"> <li>Targeting 100 per cent compliance with consent conditions</li> <li>Mitigation projects</li> <li>Environmental Management Systems</li> <li>Charitable donations/community projects</li> <li>Policy of hiring locally</li> <li>Implementation of Corporate Social Responsibility Strategy</li> <li>Independent audit of stakeholder relationships</li> </ul>
<b>Tangata Whenua</b>	<ul style="list-style-type: none"> <li>At our generation sites, regular formal and informal meetings with iwi are held</li> </ul>	<ul style="list-style-type: none"> <li>Tangata whenua are kaitiaki of resources and taonga within their rohe</li> <li>The ongoing impact and degradation on tangata whenua cultural and spiritual values</li> <li>Concern over the ongoing environmental footprint of the operation</li> <li>Desire to understand what activities Genesis Energy does undertake from site maintenance to high-level decision-making</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledge that tangata whenua have issues with how the power schemes were developed</li> <li>Acknowledge that our activities do have an impact on the values held by tangata whenua</li> <li>Where possible third party agreements have been reached with iwi impacted by operations</li> <li>Respect the role of tangata whenua on Maori as kaitiaki of the natural resources and taonga within their rohe</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Customer surveys</li> <li>Engagement through customer newsletter</li> <li>Everyday engagement through call centre team</li> </ul>	<ul style="list-style-type: none"> <li>Cost and access to energy</li> <li>Customer service</li> <li>Genesis Energy and customer contribution to climate change</li> <li>Energy efficiency</li> <li>Company reputation</li> </ul>	<ul style="list-style-type: none"> <li>Committed to following Electricity Commission disconnection guidelines</li> <li>Energy efficiency advice to customers</li> <li>Committed to continual improvement of customer service</li> <li>Provision of tools to enable customers to reduce their carbon footprint</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Staff surveys</li> <li>"Illuminate" staff newsletter</li> <li>Staff intranet</li> <li>Direct engagement on key topics of interest</li> <li>Quarterly company meetings</li> <li>Staff social club</li> </ul>	<ul style="list-style-type: none"> <li>Work/life balance</li> <li>Competitive rates of pay</li> <li>Working for a socially and environmentally responsible employer</li> <li>Staff benefits</li> <li>Provision of a safe working environment</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of Corporate Social Responsibility Strategy</li> <li>Provision of a staff superannuation scheme and associated insurance benefits</li> <li>Ongoing improvement of staff Wellness programme</li> <li>Committed to health, safety and disability management</li> </ul>
<b>Non-Governmental Organisations</b>	<ul style="list-style-type: none"> <li>Meetings to discuss key topics of interest</li> <li>Partnerships and funding to deliver community projects</li> <li>Respond to information requests</li> <li>Membership of relevant organisations</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to climate change</li> <li>Impact on local communities - positive and negative</li> </ul>	<ul style="list-style-type: none"> <li>Climate Change Strategy</li> <li>Agreements with NGOs to acquire resource consent</li> <li>Implementation of Corporate Social Responsibility Strategy</li> <li>Commitment to reduce carbon intensity of generation business</li> </ul>
<b>Government Stakeholders and Shareholders</b>	<ul style="list-style-type: none"> <li>Regular briefings with Ministers and officials</li> <li>Submissions on policy</li> <li>Contribution to development of policy</li> <li>Participation in working groups, conferences and meetings</li> </ul>	<ul style="list-style-type: none"> <li>Return on investment</li> <li>Security of supply</li> <li>Corporate Social Responsibility of the company</li> <li>Shareholder value</li> <li>Contribution of Genesis Energy to New Zealand's carbon footprint</li> <li>Investment decisions and other activities that may impact government</li> </ul>	<ul style="list-style-type: none"> <li>Climate Change Strategy</li> <li>Committed to following government guidelines on disconnection and vulnerable customers</li> <li>Submission on the New Zealand Energy Strategy and other key energy policy documents</li> <li>Implementation of Corporate Social Responsibility Strategy</li> <li>Development of a CO<sub>2</sub> reduction target</li> </ul>
<b>Electricity Sector</b>	<ul style="list-style-type: none"> <li>Submissions on Electricity Sector policy</li> <li>Participation in utility forums e.g. electricity generators environmental management forum</li> </ul>	<ul style="list-style-type: none"> <li>Huntly's key role in security of supply in the short to medium term</li> <li>Working together on mutual interests related to planning and regulation</li> </ul>	<ul style="list-style-type: none"> <li>Submission on the New Zealand Energy Strategy</li> <li>Participation in working groups, conferences and other key forums on key topics of mutual issue</li> <li>Participation in Winter Supply working group and Powersavers campaign</li> </ul>
<b>Suppliers and Contractors</b>	<ul style="list-style-type: none"> <li>Contractual arrangements</li> <li>Through procurement policy</li> </ul>	<ul style="list-style-type: none"> <li>Requirements of Genesis Energy clearly communicated</li> </ul>	<ul style="list-style-type: none"> <li>Development and implementation of a sustainable procurement policy</li> </ul>
<b>Civil Society</b>	<ul style="list-style-type: none"> <li>Media releases</li> <li>Public meetings</li> <li>Direct mail communications</li> <li>Advertising</li> </ul>	<ul style="list-style-type: none"> <li>Keeping the lights on uninterrupted</li> <li>Contribution to climate change</li> <li>Cost and access to energy</li> <li>Impact on local communities - positive and negative</li> </ul>	<ul style="list-style-type: none"> <li>Climate Change Strategy</li> <li>Implementation of Corporate Social Responsibility Strategy</li> <li>Development of a CO<sub>2</sub> reduction target</li> </ul>

## Targets and Actions

### Financial targets

The principal statutory objective of Genesis Energy, as stated in the State-Owned Enterprises Act 1986, is to operate as a successful business. A summarised Statement of Corporate Intent on page 121 of this Report outlines a number of financial and non-financial performance targets.

<b>Financial Performance Targets for 2007/08</b>	<b>Actual (year end 30 June 2008)</b>
Achieve a 5.3% Net Operating Profit After Tax return on average capital	6.3%
Achieve a 5.9% net profit after tax return on average shareholder funds	6.8%
Achieve a 6.2% earnings before interest and tax on average total assets	6.9%
Have a debt to debt + equity ratio of 34%	28%
Achieve consolidated shareholders' funds to total assets ratio of 52%	52%

### OBJECTIVE 1: To respect the social, economic and environmental well-being of the world around us

<b>In 2006/2007 we said:</b>	<b>Our progress in 2007/2008:</b>	<b>Our future plans:</b>
<b>Genesis Energy's CSR practices are at best practice</b>	Ongoing. We use the GRI framework. We measure our community contributions using the London Benchmarking Group. We have not sought a full assurance of this Annual Report. A high-level review of this report against GRI principles and disclosure requirements has been undertaken by URS New Zealand Ltd.	Genesis Energy's CSR practices are working towards best practice.
	Genesis Energy participated in the London Benchmarking Group (LBG) in 2007. Genesis Energy's community contributions included in LBG had a value of \$1.5 million from a total Australasian pool of \$117 million.	To participate in the London Benchmarking Group in 2008.
	Refer to article on page 43	Investigate options to amend current auditing processes to encompass Annual Report data. The 2009 Annual Report is to be independently reviewed against GRI principles and disclosure requirements. Implement stakeholder engagement tools across the Company's business units as a mechanism to work towards best practice.
		Submit LBG data by 1 August 2008.

### OBJECTIVE 2: To engage employees in the Corporate Social Responsibility Strategy

<b>In 2006/2007 we said:</b>	<b>Our progress in 2007/2008:</b>	<b>Our future plans:</b>
<b>Develop and offer an employee volunteering programme</b>	Achieved. Launched November 2007. As at 30 June 2008, seven months into the programme, 11.5 per cent of staff had participated in employee volunteering across the communities in which we operate.	Continue to develop and offer an employee volunteering programme – 30 per cent of staff participate in employee volunteering.
	Refer to article on page 39	Provide specific opportunities for staff across the business to participate in community volunteering activities.

### OBJECTIVE 3: To reduce the carbon intensity of Genesis Energy's generation portfolio over time

<b>In 2006/2007 we said:</b>	<b>Our Progress in 2007/2008:</b>	<b>Our Future Plans:</b>
<b>Reduce carbon intensity by 30 per cent below 2005/2006 levels by 2015</b>	Ongoing target. Carbon intensity in 2007/2008 is 13.1 per cent below 2005/2006 levels. Benchmarking and Life Assessment investigations undertaken in 2007. Identified areas for efficiency improvements for further consideration. Condenser upgrade on one unit completed April 2008. Control and Instrumentation upgrade continues – three units now completed. Tuning of units following C&I upgrade, together with training of operators, is resulting in improved cycle efficiency. Efficiency software operating since March 2008, which enables us to identify non-performance components, and assists us to operate more efficiently. Genesis Energy continues to identify and pursue opportunities for investing in new generation that uses zero or less carbon intensive fuels. Refer to article on page 30	Continue to implement efficiency improvements at existing plant. Condenser upgrade completed on additional unit by June 2009. C&I Upgrade completed on additional unit by June 2009.
<b>Consent and construct 300MW of renewable energy projects by 2015</b>	Ongoing target. 2MW Mangaio hydro station due to commence commissioning in July 2008. Continue to investigate suitable sites to construct wind farms. Geothermal Survey project in Tokaanu completed.	Consent and construct 300MW of renewable energy projects by 2015. Investigate and consent 300MW of suitable wind farm sites. Investigate, consent and construct 40MW of hydro opportunities. Investigate and consent the development of 150MW of geothermal energy.
<b>Advance the commercialisation of wave and tidal energy generation technology in New Zealand</b>	Still in progress. Provided financial support for AWATEA and represented on AWATEA Executive. Funded New Zealand representative for international marine energy conference. Investigated financial support for a marine generation device.	Continue to advance the commercialisation of wave and tidal energy generation in New Zealand.
<b>Champion New Zealand inc generation initiatives for carbon capture and sequestration</b>	Still in progress. Ongoing membership of EPRI Carbon Capture and Sequestration research. Purchased 50 per cent stake in CRL – to advance research in carbon sequestration in New Zealand. Ongoing partner in CO <sub>2</sub> CRC carbon capture and sequestration research consortium.	Continue to champion initiatives for carbon capture and sequestration.

### OBJECTIVE 4: To reduce the carbon intensity of Genesis Energy's non-generation activities

<b>In 2006/2007 we said:</b>	<b>Our Progress in 2007/2008:</b>	<b>Our Future Plans:</b>
<b>All non-generation activities to become carbon neutral by June 2008 and annually thereafter through a mix of emissions reduction and offset by carbon neutral technology</b>	Achieved. Non-generation emissions totalled 977 tCO <sub>2</sub> . Purchased 1,000 carbon credits originating from the Palmerston North City Council's Awapuni Landfill Gas to Electricity project. The carbon credits have been retired on the Chicago Climate Exchange by Carbon Market Solutions Ltd on behalf of Genesis Energy. Refer to article on page 36	Continue to monitor non-generation activities and, where possible, reduce emissions. Introduce videoconferencing in generation sites. Offset remaining emissions by June each year. Monitor use of videoconferencing to frequency of use.

Targets and Actions continued

<b>Achieve office energy performance within the Energy Efficiency and Conservation Authority's EECA low typical usage benchmark of 200 – 280kWh/m<sup>2</sup></b>	Achieved EECA Benchmark at Greenlane and Wellington offices. Energy audits undertaken at Greenlane and Hamilton offices. Specific IS Carbon Footprint audit undertaken October 2007. Recommendations being implemented include energy efficient lighting, removing excess lighting and installing light sensors in new meeting rooms. Upgrade of IS equipment to low energy use, e.g. upgrade monitors and install default PC standby mode and multifunctional printing devices. Commence virtualisation programme in transition with Blade technology to reduce equipment requirements and energy consumption. Videoconferencing installed in three sites. Plans to introduce videoconferencing in generation sites and external connectivity. Refer to article on page 36 – 37	Continue to reduce energy consumption to meet EECA low typical usage benchmark at all office sites. Investigate energy efficiency opportunities in non-generation energy consumption at generation sites.	All remaining sites to have energy audits. Commence implementation of appropriate recommendations by June 2009.
<b>Benchmark our current fuel consumption in all Genesis Energy fleet vehicles and rental vehicles</b>	Not achieved. We have collected fuel consumption data since 2004; this is not currently benchmarked. Independent advice recommended that there was little value in a full company-wide audit as we already have implemented various energy saving measures, for example the production fleet includes six bicycles and eight electric golf carts for use at the Huntly site. A lower engine rated pool car was purchased and a hybrid car was allocated for use by the Production Business Unit.	Benchmark our current fuel consumption in all Genesis Energy fleet vehicles and rental vehicles.	Collate annual vehicle data that include kms travelled and litres of fuel used. Complete a fleet management plan.
<b>Reduce waste to landfill from all office buildings by 30 per cent below 2007 levels by June 2008</b>	We achieved this target for Greenlane office. Waste audits completed for Hamilton and Wellington to establish baseline data. Greenlane staff reduced waste to landfill by 68 per cent, and staff numbers increased by 14. A waste minimisation programme is in place for all office sites and we will continue to conduct annual waste audits. Refer to article on page 38	Reduce total waste to landfill from all office buildings by 30 per cent below 2007 levels by June 2010.	Implement annual waste audit procedures across all sites.
<b>Reduce waste to landfill from all generation sites by 30 per cent below 2007 levels by June 2008</b>	Not achieved. Waste audits conducted at Huntly and Tokaanu. The Huntly site audit showed an increase in waste to landfill, corresponding with a significant increase in the number of personnel on site for various project works. The waste minimisation programme continues to be implemented at all significant sites.	Reduce total waste to landfill from generation sites.	Implement a waste minimisation and reduction programme that identifies the appropriate level of site waste reduction for specific generation sites. Implement annual waste audit procedures across all sites.
<b>Fully implement Environmental Purchasing Guidelines into all office and stationery purchasing decisions</b>	Ongoing. Purchasing Guidelines implemented. A Review of Sustainable Building Refurbishment Guidelines is under way. In 2008, Genesis Energy joined the New Zealand Green Building Council. Refurbishments using the Sustainable Building Refurbishment Guidelines completed at Greenlane and Energy Online office fit outs. Appointed dedicated person to manage sustainability in new builds and refurbishments.	Implement recommendations from the Sustainable Purchasing Guidelines review by June 2009.	Review Environmental Purchasing Guidelines. Develop a matrix for new builds and refurbishments. Implement a monitoring system for purchasing. Integrate Guidelines into business systems. Provide staff training in Sustainable Purchasing Guidelines.

**OBJECTIVE 5: To encourage and assist customers and stakeholders to reduce greenhouse gas emissions**

<i>In 2006/2007 we said:</i>	<i>Our Progress in 2007/2008:</i>	<i>Our Future Plans:</i>	
<b>Identify and offer a suite of climate change campaigns that will provide measurable energy emission reductions for the customer</b>	Ongoing. Launched Heat Pump campaign for customers in May 2008; more than 800 heat pumps were purchased as at 30 June 2008. Developed and launched Tree People www.treepeople.co.nz, a website for people to pledge to reduce their greenhouse gas emissions. As at 30 June 2008, 13,477 people have signed up to Tree People, and have made 42,433 pledges to take specific action to reduce emissions. Genesis Energy is developing a formula for converting carbon savings to something meaningful for the customer. Genesis Energy continues to assist schools to install 2kW Photovoltaic systems through its Schoolgen programme. By the end of June 2008, Schoolgen had generated 11,955 kWh and had saved 4,184 tonnes of CO <sub>2</sub> across 16 schools. All schools in New Zealand have access to Schoolgen's website where students and teachers can access curriculum-ready learning resources. Genesis Energy has not identified a quantifiable target for emission reductions associated with climate change campaigns. Refer to articles on pages 34, 35 and 36	Continue to identify and offer climate change campaigns that will provide measurable energy emission reductions for customers.	Implement a loyalty programme that enables residential customers to benefit from their carbon savings where practical. Continue to provide energy-efficient offers and advice to customers to assist them to reduce their carbon footprints. Commence roll-out for advanced metering. Publish the potential carbon savings of climate change campaigns where practical.

**OBJECTIVE 6: To measure and accurately report Genesis Energy's greenhouse gas emissions across all areas of its business**

<i>In 2006/2007 we said:</i>	<i>Our Progress in 2007/2008:</i>	<i>Our Future Plans:</i>	
<b>Report all non-generation emissions in accordance with an internationally recognised standard</b>	Partially achieved. We have amended the current tool to capture all non-generation data required under GHG Protocols. Completed upgrades to the emissions calculator to ensure that Genesis Energy's reporting of non-generation emissions is in accordance with recognised standards. Refer to article on page 36	Have greenhouse gas data verified to an international standard. Maintain annual reporting of SF <sub>6</sub> .	
<b>Report all generation emissions in accordance with an internationally recognised standard</b>	Partially achieved. We have not had our data independently verified. We will continue to assess which is the appropriate verification standard to meet business obligations. Genesis Energy has been reporting on CO <sub>2</sub> emissions and carbon intensity since 2000. We capture information on a range of emissions and voluntarily report on annual SF <sub>6</sub> emissions to the New Zealand Climate Change Office.	Report all generation emissions in accordance with the proposed NZETS reporting requirements. Audit emissions data in line with the proposed NZETS requirements by March 2010.	Review current practices to ensure that our reporting methodology meets the proposed NZETS requirements. Identify the appropriate standard in which to verify our data.
<b>Develop a policy on supply chain boundaries for non-generation and generation suppliers in the context of sustainable procurement and reporting</b>	Ongoing. Supply chain policy under way. Have commenced initial work on developing a policy to work with our key non-generation suppliers.	Develop a policy on supply chain boundaries for generation suppliers in the context of sustainable procurement and reporting.	Implement the supply chain policy for non-generation suppliers. Identify the boundaries for generation suppliers. Develop a policy for generation suppliers in the context of sustainable procurement and reporting.

## Targets and Actions continued

**OBJECTIVE 7: To develop and constantly improve internal policies and strategies to allow Genesis Energy to effectively respond to external climate change policies and regulations**

<i>In 2006/2007 we said:</i>	<i>Our Progress in 2007/2008:</i>	<i>Our Future Plans:</i>
<b>Actively participate in the development of national Climate Change policy</b>	Ongoing. Submission lodged on Climate Change (Emissions Trading and Renewable Preference) Bill. Genesis Energy presented at Select Committee and is a member of the New Zealand Government's Stationary Energy and Industrial Processes Technical Advisory Group.	Continue to participate in, and contribute to, the development of New Zealand's Climate Change policy.
<b>Review the Genesis Energy climate change strategy annually</b>	Ongoing. Climate Change strategy reviewed as part of development of the CSR strategy. Addressing the impacts of climate change identified as a key component of the Company's CSR strategy launched in November 2007.	Ongoing identification and implementation of opportunities to achieve Genesis Energy's objectives relating to climate change – see Objectives 3, 4, 5 and 6.

**OBJECTIVE 8: To ensure that all reasonable steps are taken to manage the potential adverse effects that our activities have on the environment**

<i>In 2006/2007 we said:</i>	<i>Our Progress in 2007/2008:</i>	<i>Our Future Plans:</i>
<b>Continuously improve our Environmental Management System to achieve best practice</b>	Achieved. A review of the EMS completed January 2008. EMS review report presented to the Genesis Energy Audit committee on 4 February 2008. Plans under way to implement the report recommendations.	Continuously improve our Environmental Management System to achieve best practice. EMS kept relevant and up to date. Recommendations from July 2007 EMS audit implemented where appropriate by December 2008. Ongoing EMS audit programme developed by March 2009.
<b>Hold all relevant resource consents</b>	Achieved. All relevant resource consents held. Resource consent application submitted for Rodney Power Station. Minor consents and variations were obtained as required. Refer to article on page 19	Hold all relevant resource consents for activities.
<b>Successfully implement and manage the resource consents to achieve 100 per cent compliance</b>	Partially achieved. There were a number of resource consent breaches at the generation sites with no or minor adverse effects on the environment. Regulatory authorities were notified of seven of these events as a matter of good practice, and corrective actions were taken to address these. Environment Waikato awarded 'High level of Compliance' for main consents at Huntly Power Station and Tongariro Power Scheme. No significant compliance issues reported by consenting authorities. Refer to article on page 25	Manage resource consents aiming for 100 per cent compliance. Follow up all consent breaches and implement preventative measures for reoccurrence, where appropriate.

**OBJECTIVE 9: To mainstream environmental considerations into the business**

<i>In 2006/2007 we said:</i>	<i>Our Progress in 2007/2008:</i>	<i>Our Future Plans:</i>
<b>All generation sites to have an Annual Environmental Report by June 2009</b>	Ongoing. Annual Environmental Report completed for Tongariro Power Scheme and Waikaremoana Hydro Scheme. Annual Environmental Reports available on <a href="http://www.genesisenergy.co.nz">www.genesisenergy.co.nz</a>	All generation sites to have an environmental performance reporting framework by June 2009. Continue to produce an Annual Environmental Report for Tongariro Power Scheme and Waikaremoana Hydro Scheme. Develop and implement a revised framework for reporting annual environmental performance and compliance data for Huntly Power Station. Implement existing environmental training for all relevant staff across business units.

**OBJECTIVE 10: To engage our communities and stakeholders through regular communication, seeking their feedback on the environmental and community impacts of our activities**

<i>In 2006/2007 we said:</i>	<i>Our Progress in 2007/2008:</i>	<i>Our Future Plans:</i>
<b>Continue our regular stakeholder and community forums/meetings</b>	Achieved. Stakeholder meetings held as planned. Refer to table on page 131	Continue our regular stakeholder and community forums/meetings. Produce regular and relevant newsletters and updates as appropriate for our key stakeholders. Communicate significant stakeholder issues and Genesis Energy's response.
<b>Gauge our stakeholders' perceptions of the way we do business. What are our perceived strengths and areas for development?</b>	Achieved within various sectors of the business, thermal and hydro generation. Huntly Power Station completed an independent survey of internal and external stakeholders' perceptions in November 2007. We have formulated a strategy to implement issues raised in the survey.	Continue to seek feedback from our stakeholders about the way we do business. Identify appropriate opportunities to engage with stakeholders.

**OBJECTIVE 11: To meet EC 'Guidelines on Arrangements to Assist Low-Income and Vulnerable Consumers', and so reduce the number of avoidable disconnections for non-payment by vulnerable consumers**

<i>In 2006/2007 we said:</i>	<i>Our Progress in 2007/2008:</i>	<i>Our Future Plans:</i>
<b>Successful implementation of Electricity Commission Guidelines by 2nd October 2007</b>	Achieved. Conducted an internal review to ensure our processes met the requirements of the Guidelines. Genesis Energy continues to work with WINZ and other appropriate agencies for the benefit of our customers. Refer to article on page 45	Continue to review and refine our procedures for medically dependent customers. Continue to work with lead agencies and DHBs to improve our response to vulnerable customers.

**OBJECTIVE 12: To provide robust generation solutions**

<i>In 2006/2007 we said:</i>	<i>Our Progress in 2007/2008:</i>	<i>Our Future Plans:</i>
<b>Maintain the reliability and availability of our existing generation capacity – 90 per cent availability for hydro and 87 per cent for thermal assets</b>	Achieved for thermal generation. Hydro schemes averaged 88.53 per cent, thermal units averaged 88.2 per cent. Refer to table on page 25	Maintain the reliability and average availability of our existing generation capacity – 88 per cent availability for hydro and 88 per cent availability for thermal.

**OBJECTIVE 13: To safeguard current gas turbine generation investment by consenting a site for importing LNG**

<i>In 2006/2007 we said:</i>	<i>Our Progress in 2007/2008:</i>	<i>Our Future Plans:</i>
<b>Gain a resource consent for a LNG importation terminal in New Plymouth by 2010</b>	Ongoing. Public consultation continued. Environmental assessments commenced. Refer to article on page 21	Gain statutory approvals for a LNG importation terminal. Hold public open days as planned. Lodge appropriate applications. Continue consultation.

## Targets and Actions continued

<b>OBJECTIVE 14: To retain talented staff and offer development within the organisation</b>			
<i>In 2006/2007 we said:</i>	<i>Our Progress in 2007/2008:</i>	<i>Our Future Plans:</i>	
Staff voluntary turnover of less than, or equal to, 6 per cent	Not achieved. Staff voluntary turnover at 8.4 per cent. Total turnover as at 31 May 2008 was 10 per cent.	Staff voluntary turnover of less than, or equal to, 8 per cent.	Continue to develop and market the Genesis Energy employee benefits. Review Employee Value Proposition.
Internal transfers account for 30 per cent of vacancies filled	Achieved.		
Quantify our non-technical training spend by June 2008	Partially achieved. Piloting a Return on Investment analysis for core business skills programme.	Review ROI pilot with a view to potentially applying to other inhouse training programmes.	
<b>OBJECTIVE 15: To have a diverse workforce and meet talent and skill requirements</b>			
<i>In 2006/2007 we said:</i>	<i>Our Progress in 2007/2008:</i>	<i>Our Future Plans:</i>	
10 per cent of workforce are trainees	Achieved. Trainee workforce as at 31 May 2008 was 13 per cent. Continue with the national Apprenticeship Programme. 14 apprentices graduated with additional 36 undergoing training. Refer to article on page 42	10 per cent of workforce are trainees.	Continue with the national Apprenticeship Programme.
<b>OBJECTIVE 16: To have a culture that will support our goal of being an employer of choice</b>			
<i>In 2006/2007 we said:</i>	<i>Our Progress in 2007/2008:</i>	<i>Our Future Plans:</i>	
At least 70 per cent of employees think that Genesis Energy is a great place to work	Achieved. Employee survey conducted June 2008. 78 per cent agreed that "Overall we would recommend this organisation as a great place to work". Genesis Energy executive agreed to start using coaching as an option for senior management which will be implemented in 2008/2009. Adaptable working policy released for feedback and consultation. Expanded the employee benefits and Wellness programme. Have locked in a no price increase until 2010 for medical and insurance and have improved trauma benefit. Refer to article on page 40	Implement coaching for senior management.	Continue to develop and market Genesis Energy's employee benefits. Review Employee Value Proposition.
Trend analysis from induction reviews and exit interviews demonstrate a positive view of company	Achieved. Exit interviews conducted with 93 per cent of all exits; there were no significant trends.		
<b>OBJECTIVE 17: To provide alternative ways of working for attraction, retention and management of changing demographics</b>			
<i>In 2006/2007 we said:</i>	<i>Our Progress in 2007/2008:</i>	<i>Our Future Plans:</i>	
Ensure that difficult-to-fill jobs (i.e. those that take longer than five months to fill) comprise less than 20 per cent total staff vacancies	Achieved. Difficult-to-fill jobs = 3 per cent of total vacancies. Adaptable working policy released for feedback and consultation. Refer to article on page 40	Complete sign-off for policy and implement by June 2009. The adaptable working policy is fully implemented into the business.	Embed the policy across the organisation. Provide guidelines for working from alternative or non-Genesis Energy workplace sites.

Build a score into the staff-satisfaction survey to measure success of alternative working philosophy	Achieved. Employee survey conducted June 2008, 70 per cent agreed that "I am able to maintain a balance between my personal life and working life". 77 per cent agreed that "I have the freedom to do my job effectively". Alternative working philosophy formalised into the adaptable working policy. Refer to article on page 40	The Adaptable Working policy is fully implemented into the business.	
Workforce diversity initiatives reflect the diverse demographics targeted	Achieved. Now analysing recruitment demographics.		
Introduce and integrate new leadership and people competencies by June 2008	Achieved. Piloted and implemented 360 programme. Ran six focus groups. Rolled out ASPIRE leadership framework. Integrated behaviours into Performance Management process. Succession Management Guidelines agreed by the executive. Reviewed key leadership and strategic roles. Refer to article on page 42	Implement ASPIRE leadership framework across the Company by June 2009.	
<b>OBJECTIVE 18: To eliminate or manage hazards and workplace practices that could cause injury or illness to people</b>			
<i>In 2006/2007 we said:</i>	<i>Our Progress in 2007/2008:</i>	<i>Our Future Plans:</i>	
Zero serious harm incidents for the period 1 July 2007 to 30 June 2008	Achieved. Zero serious harm incidents. Genesis Energy operates a Health and Safety Committee at each site. 87 per cent attendance at Safety Tool Box sessions. Six emergency response exercises at generation sites. Management teams completed ZIP behavioural safety programme in February 2008. Genesis Energy maintained tertiary level ACC accreditation. Awarded the International Disability Management Standard Council Certification. Refer to article on page 44	Zero serious harm incidents for the period 1 July 2008 to 30 June 2009. ZIP to be rolled out to production staff by June 2009.	Safety culture survey of all production-based staff in August to establish a starting point from which to assess effectiveness of behavioural safety-based programme going forward. Concurrently introduce a task-based monitoring programme utilising occupational therapists to reduce soft tissue injuries.
<b>OBJECTIVE 19: Provide information and educate employees on health matters to enable individuals and families to make informed choices surrounding their health</b>			
<i>In 2006/2007 we said:</i>	<i>Our Progress in 2007/2008:</i>	<i>Our Future Plans:</i>	
Wellness programme utilised by 80 per cent of staff	Achieved. 82 per cent staff utilised the Wellness programme. Refer to article on page 40	Wellness programme utilised by 80 per cent of staff.	Continue with exercise and nutrition programmes and employee health monitoring.
Sick leave < 3 per cent (year-end 2007)	Achieved. Sick leave year-end 2007 = 1.94 per cent.	Sick leave < 3 per cent (year-end 2008).	Continue with health-based education programmes.
Annual leave 8 per cent (year-end 2007)	Achieved. Annual leave year-end 2007 = 7.86 per cent.	Annual leave 8 per cent (year end 2008).	Actively promote work/life balance to keep employees fresh and healthy.

## Global Reporting Initiative Index

This GRI Index identifies the G3 indicators which are contained within this report and their location. Decisions regarding which indicators to report were guided by the process we undertook to identify key issues and their materiality, for example, many of the Human Rights indicators do not apply to a New Zealand business without any offshore business. We have incorporated some new pilot indicators as they relate to our current business.

For a full GRI disclosure, including additional indicators visit [www.genesisenergy.co.nz](http://www.genesisenergy.co.nz)

\* Refer to Targets and Actions table on pages 132–139

### GRI Report Content (key indicators)

Strategy and Analysis		Reference
1.1	CE and Chairman Statement	Chairman's Report (pg 2 – 7)
1.2	Key impacts, risks and opportunities	Throughout the report
<b>Organisational Profile</b>		
2.1	Name of reporting organisation	Front Cover; Back Cover; Directory (pg 145)
2.2	Products and/or services	Throughout the report
2.3	Operational structure	Corporate Governance Statement (pg 125)
2.4	Organisation's headquarters	Back Cover; Directory (pg 145)
2.5	Countries in operation	Chief Executive Interview (pg 10–15); Notes to Financial Statements (pg 62); Physical Assets (pg 143)
2.6	Nature of ownership	Notes to Financial Statements (pg 62)
2.7	Markets served	New Connections Through Trades (pg 46); Energy Online (pg 47)
2.8	Scale of the organisation	Chairman's Report (pg 2 – 7); Physical Assets (pg 143)
2.9	Significant organisational changes	Notes to Financial Statements (pg 62)
2.10	Awards received in the reporting period	International recognition for disability management (pg 44)
<b>Report Parameters</b>		
3.1	Reporting period	Reporting on GRI Principles (pg 130)
3.2	Previous report	Reporting on GRI Principles (pg 130)
3.3	Reporting cycle	Reporting on GRI Principles (pg 130)
3.4	Contact point for questions	Back Cover; Directory (pg 145)
3.5	Content definition	Reporting on GRI Principles (pg 130)
3.6	Boundary of the report	Reporting on GRI Principles (pg 130)
3.7	Limitations on the report's scope	Reporting on GRI Principles (pg 130)
3.8	Joint ventures, subsidiaries, leased facilities, outsourced operations and other entities	Rodney Power Station Proposal (pg 19); Kupe Update (pg 20); Gasbridge Project near consenting phase (pg 21); Energy Online (pg 47); Notes to Financial Statements (pg 62); Reporting on GRI Principles (pg 130)
3.9	Data measurement techniques and calculations	Throughout the report
3.10	Effects of restatements	Throughout the report
3.11	Significant changes from previous reports	Energy Online (pg 47); Reporting on GRI Principles (pg 130)
3.12	GRI Index table	GRI Index (pg 140–141)
3.13	External assurance policy and practice	Auditor's Report (pg 121–122); Reporting on GRI Principles (pg 130)
<b>Governance</b>		
4.1	Governance structure	Corporate Governance Statement (pg 124–127)
4.2	Indicate whether the Chairperson is also an executive officer	Statutory Information (pg 128–129)
4.3	Independence of the Executive Board	Corporate Governance Statement (pg 124)
4.4	Mechanisms to provide recommendations to the Board	Chief Executive's Interview (pg 10–15); Corporate Governance Statement (pg 122–125)
4.5	Performance and compensation	Corporate Governance Statement (pg 124–127)
4.6	Avoiding conflict of interest	Corporate Governance Statement (pg 124–127)
4.7	Qualifications and expertise of the members of the Board	Corporate Governance Statement (pg 124–127)
4.8	Corporate missions and values	Chief Executive Interview (pg 10–15); Sustainability covers the entire business (pg 33); Employee Volunteering (pg 39)
4.9	Board-level processes for identifying and managing risks and opportunities	Corporate Governance Statement (pg 124–127)
4.10	Processes for evaluating the Board's own performance	Corporate Governance Statement (pg 124–127)
4.12	External charters	Corporate Governance Statement (pg 124–127)
4.13	Memberships / Associations	London Benchmarking Group (pg 43); *Objective 1 (pg 132); *Objective 3 (pg 133)
4.14	List of Stakeholders	Stakeholders' Engagement Table (pg 131)
4.15	Stakeholder Identification and Selection	Stakeholders' Engagement Table (pg 131)

### GRI Report Content (key indicators)

GRI Report Content (key indicators)		Reference
4.16	Stakeholder engagement	Stakeholders' Engagement Table (pg 131); Huntly Stakeholder Survey (pg 43); *Objective 10 (pg 137); *Objective 13 (pg 137)
4.17	Topics raised by stakeholders	Stakeholders' Engagement Table (pg 131)
<b>Economic Performance Indicators</b>		
	Disclosure on management approach	Chairman's Report (pg 2–9); Chief Executive Interview (pg 10–15); Responding to the NZ Energy Strategy and the NZETS (pg 17); Our Renewable Energy Plans (pg 18); Kupe Update (pg 20); Gasbridge Project near consenting phase (pg 21); Mangatōa Seismic Survey (pg 26); Advanced Meters (pg 45)
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Chairman's Report (pg 2–9); London Benchmarking Group (pg 43); Financial Statements and Notes to Financial Statements (pg 56–120); *Objective 1 (pg 132)
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Chairman's Report (pg 2–9); Chief Executive Interview (pg 10–15); Responding to the New Zealand Energy Strategy and the NZETS (pg 17); *Objective 3 (pg 133); *Objective 7 (pg 136)
EC3	Coverage of the organisation's defined benefit plan obligations	Genesis Energy Employee Benefits Programme (pg 40); *Objective 16 (pg 138)
EC4	Significant financial assistance received from government	Schoolgen (pg 35)
EC6	Policy, practices and proportion (may be hard to quantify) of spending on locally based suppliers at significant locations of operation	Examples cited in Generation Performance (pg 23)
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Examples cited in Kupe Update (pg 20); Generation Performance (pg 23 – 25); A Career Pathway (pg 41) ; First Graduation of new apprentices (pg 42)
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Kupe Update (pg 20); Advanced Meters (pg 45); Mangatōa Seismic Survey (pg 26)
PILOT EU9	Planned capacity (MW) against projected demand over the long term	Planned capacity examples cited in Rodney Power Station Proposal (pg 19); Kupe Update (pg 20); Mangaio Scheme (pg 23); Generation Performance (pg 23 – 25);
PILOT EU12	Average generation efficiency by energy source and by country or regulatory regime	Generation Performance (pg 23–25); *Objective 12 (pg 137)
<b>Environmental Management Indicators</b>		
EN1	Materials used by weight or volume	Chairman's Report (pg 2–9); Genesis Energy's Non-Generation Emissions (pg 36); Reducing our Waste (pg 38); *Objective 4 (pg 133–134)
EN2	Percentage of materials used that are recycled input materials	Genesis Energy's Non-Generation Emissions (pg 36); *Objective 4 (pg 133–134)
EN4	Indirect energy consumption by primary energy source	Genesis Energy's Non-Generation Emissions (pg 36); *Objective 4 (pg 133–134)
EN5	Energy saved due to conservation and efficiency improvements	Schoolgen (pg 35); Genesis Energy's Non-Generation Emissions (pg 36); *Objective 5 (pg 135)
EN6	Initiatives to provide energy-efficient or renewable-energy-based products and services, and reductions in energy requirements as a result of these initiatives	Generation Emissions (pg 30); Genesis Energy's Non-Generation Emissions (pg 36); Hello Tomorrow (pg 46); Advanced Meters (pg 45); *Objective 5 (pg 135)
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Genesis Energy's Non-Generation Emissions (pg 36); Advanced Meters (pg 45); *Objective 5 (pg 135)
EN16	Total direct and indirect greenhouse gas emissions by weight	Generation Emissions (pg 30); *Objective 3 (pg 133); *Objective 6 (pg 135)
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Generation Emissions (pg 30); Genesis Energy's Non-Generation Emissions (pg 36); *Objective 3 (pg 133)
EN22	Total weight of waste by type and disposal method	Reducing our Waste (pg 38); *Objective 4 (pg 133–134)
EN23	Total number and volume of significant spills	Resource Consent Compliance (pg 25); *Objective 8 (pg 136)
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	Resource Consent Compliance (pg 25)

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continued

GRI Report Content (key indicators)	Reference
<b>Labour Management Indicators</b>	
Disclosure on Management Approach	An Adaptable Workforce (pg 40); First Graduation of new Apprentices (pg 42); Planning for Future Leaders (pg 42)
LA2 Total number and rate of employee turnover by age group, gender, and region	Partially reported in *Objective 14 (pg 138)
<b>Occupational Health and Safety</b>	
LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Health and Safety Report (pg 44); *Objective 18 (pg 139)
LA8 Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	Genesis Energy Employee Benefits Programme (pg 40); *Objective 19 (pg 139)
<b>Training and Education</b>	
LA11 Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	An Adaptable Workforce (pg 40); A Career Pathway (pg 41); First Graduation of new Apprentices (pg 42); *Objective 17 (pg 138)
LA12 Percentage of employees receiving regular performance and career development reviews	Planning for Future Leaders (pg 42); *Objective 14 (pg 138); *Objective 17 (pg 138)
<b>Social Performance</b>	
SO1 Report on specific social issues related to electric utilities sector	Creating unique connections with communities (pg 50-51)
SO5 Public policy positions and participation in public policy development and lobbying	Responding to the New Zealand's Energy Strategy and proposed NZETS (pg 17); *Objective 3 (pg 133); *Objective 7 (pg 136)
<b>Product Responsibility</b>	
Disclosure of Management Approach	Looking After Vulnerable Customers (pg 45)
<b>Product and Service Labelling</b>	
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Energy Online (pg 47); Performance Against Statement of Corporate Intent (pg 123); Stakeholder Engagement Table (pg 131)
PILOT EU10 Estimated capacity (MW) saved through demand-side management programmes	Responding to the New Zealand's Energy Strategy and proposed NZETS (pg 17); Advance Meters (pg 45)
PILOT EU29 Average plant availability factor by energy source and by country or regulatory regime	Generation Performance (pg 23-25); *Objective 12 (pg 137)

Physical Assets

- 01 **Huntly Power Station, Huntly.**
- 02 **Moawhango Dam, near Mt Ruapehu. This dams the Moawhango River to create Lake Moawhango.**
- 03 **Mangaio Powerhouse.**
- 04 **Hau Nui wind farm, near Martinborough.**



01



02

**Hydro**  
**TONGARIRO POWER SCHEME**

The Tongariro Power Scheme gathers water from the mountains of the central volcanic plateau in the North Island. The water passes through two power stations before entering Lake Taupo. The scheme has a catchment area of over 2,600 sq km and uses a series of lakes, canals and tunnels to bring water to the two stations that typically generate 1,300GWh per annum.

**Thermal**  
**HUNTLY POWER STATION**

With an output of 1448MW, Huntly is New Zealand's largest power station. It has four separate generating units of 250MW utilising conventional boiler and steam turbine technology. Each unit can burn coal, gas or a mixture of the two. Unit 5 is a 400MW Mitsubishi 701F combined cycle gas turbine. Unit 6 is a 48MW open cycle gas turbine.



03



04

**Year commissioned:** 1981      **Capacity:** 1448MW  
**Generation units:** 250MWx4, 1x400MW, 1x48MW      **Fuel:** coal / gas

**Years commissioned:** Tokaanu, 1973; Rangipo, 1983      **Generation units:** Tokaanu, 60MW x4; Rangipo, 60MWx2  
**Total capacity:** 360MW

**Cogeneration**  
**KINLEITH COGENERATION PLANT**

This plant is located at the Carter Holt Harvey Pulp and Paper Plant at Kinleith, Tokoroa. It is fuelled by wood waste biomass supplemented as necessary with gas or coal. Biomass fuel is considered a renewable energy source because it can be replenished by planting more plantations. The fuel is burnt in a boiler to produce steam for a 40MW steam turbine and for process use.

**Year commissioned:** 1998      **Electrical output:** 40MW

**WAIKAREMOANA HYDRO SCHEME**

The Waikaremoana Hydro Scheme includes the Tuai (60MW), Piripaua (42MW) and Kaitawa (36MW) hydro stations. Annual generation output is between 400 and 500GWhs.

**KOURARAU HYDRO SCHEME**

This scheme in the Wairarapa hills consists of two small power stations with a total generation capacity of 0.9MW. Its annual output is between 2 and 2.4GWhs. Each station is fed by a small artificial reservoir that was formed by the damming of the Kourarau Stream.

**Year commissioned:** 1925      **Capacity:** 0.9MW

**Gas**  
**KUPE GAS PROJECT**

Genesis Energy owns 31 per cent of the Kupe oil and gas field, located 30km offshore of South Taranaki. Retail gas is expected by mid 2009.

**CARDIFF**

Genesis Energy holds a 40 per cent interest in respect of the deep petroleum rights in Petroleum Exploration Permit 38738.

**MANGATOA GAS PROSPECT**

Genesis Energy holds 100 per cent interest in respect of the petroleum rights in Petroleum Exploration Permit 381204.

**Wind**  
**HAU NUI WIND FARM**

Hau Nui's 15 wind turbines provide enough power for around 4,200 homes in the district. Its annual generation output is between 20 and 25GWhs. Hau Nui has excellent availability, recording up to an annual average 48 per cent capacity factor since commissioning.

**Years commissioned:** 1996/2004      **Total capacity:** 8.65MW

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The Tongariro hydro scheme has been expanded with the new 2MW Mangaio powerhouse.

## Genesis Energy initiatives



genesisenergy.co.nz



genesisoncology.org.nz



schoolgen.co.nz



treepeople.co.nz



electrocity.co.nz

## Directory

### Board of Directors

- Chairman  
Brian Corban, QSO
- Directors  
Mike Williams (Deputy Chair)  
Annabel Cotton  
Ian Kusabs  
Nicola Crauford  
John Stace  
Joanna Perry  
Barbara Elliston  
Sara Lunam

### Executive Management Team

- Chief Executive  
Albert Brantley  
September 2008
- Murray Jackson  
April 1999 – August 2008
- General Counsel and Company Secretary  
Maureen Shaddick
- GM Finance  
Mark Anderson
- GM Retail  
Dean Carroll
- GM Corporate Affairs  
Malcolm Alexander
- GM Generation Development  
Richard Pearce
- GM Corporate Services  
Peggy Molyneux
- GM Fuel Development  
Allan Melhuish
- GM Production  
Bob Weir
- GM Energy Online  
Nic McCondach

### Address of Corporate Office

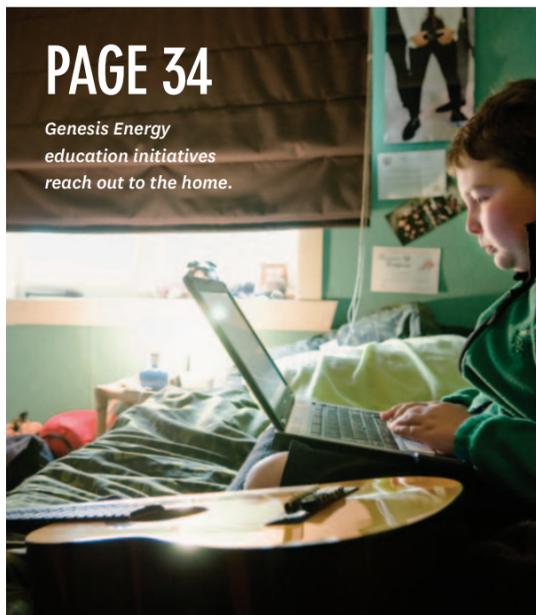
Genesis Energy Building  
602 Great South Road  
PO Box 17188  
Greenlane  
Telephone 64 9 580 2094  
Facsimile: 64 9 580 4894

Auditor – Bruce Taylor of Deloitte has been appointed to perform the audit on behalf of the Auditor-General.

Banker – Westpac

Solicitors – Russell McVeagh

For further information email: [feedback@genesisenergy.co.nz](mailto:feedback@genesisenergy.co.nz)



# PAGE 34

Genesis Energy education initiatives reach out to the home.



# PAGE 23

Commissioning Mangaio was testing during harsh winter conditions.