

# Review

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*Every year brings  
new challenges +  
new opportunities.*

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*Here is a  
review  
of 2010*

This Annual Report reviews the performance of Genesis Energy in the past financial year. More information on our activities and our social and environmental performance can be found in our online Annual Report.

For the complete picture, go to [genesisenenergy.co.nz](http://genesisenenergy.co.nz)

## Focusing on opportunities for growth

The favourable result reflects strategic decisions taken in the past two years.



### Chairman's Report

A fundamental rethink of Genesis Energy's production, retail and development strategies conducted over the recent past is now delivering results in terms of improved business performance and a focus on future growth.

I am pleased to report that Genesis Energy has returned to profit in the year ended 30 June 2010 with a declared net profit after tax of \$69 million.

The full year profit after tax was higher than projected due to favourable wholesale hedge settlements, revenue from ancillary services, and savings from reduced operating costs, including bringing the Customer Contact Centre in house. The profit was partly offset by settlement of the longstanding Kinleith litigation and other accounting adjustments.

Total Group revenue was \$1,895 million, down from \$1,957 million in 2008/2009, while total operating costs were \$1,646 million, down from \$1,755 million in the previous year.

In 2009 we reported a loss of \$136 million, which was due to a downwards revaluation of our generation assets, primarily the older coal and gas units known as Huntly Units 1 to 4. As a result we highlighted the underlying earnings after tax of \$82 million. Underlying earnings in the year to 30 June 2010 were \$88 million.

#### Targets exceeded

The 2009/2010 financial result reflects strategic decisions taken over the past two years in order to strengthen the commercial focus and behaviour of the Company. A reduction in retail commitments has enabled our wholesale trading division to gain greater flexibility in the electricity market which has led to increased revenues from wholesale contracts, ancillary services and frequency keeping.

The focus on business improvement, efficiency and cost management has been applied to all sectors of the Company and has contributed to an improved result against our key targets which are outlined each year in the Company's Statement of Corporate Intent (SCI).

Genesis Energy has exceeded all key financial performance targets in its SCI for the year ending 30 June 2010. The target of a 1.9 per cent return on equity was more than achieved with an actual return of 4.9 per cent. Gearing was 28 per cent compared to the target of 31 per cent and interest cover was 10.1 against the SCI target of 5.7. There were also no significant resource consent non-compliances.

#### New business objectives

Genesis Energy has introduced a formal process to identify the Company's key material issues – those issues that influence the Company's ability to deliver on the business strategy and ives. The following are the major Company level material issues:

- Improvement of customer service levels and increased retail efficiency
- Improvement of financial performance as required by the shareholder
- Development of economic, long term generation opportunities
- Maximisation of value from the Huntly Power Station.
- Renewal of existing operating consents to maintain access to resources

The final step in this process will be the development of a suite of meaningful performance measures and targets to address these key business unit material issues. These performance measures will build upon those expressed in the SCI. The actions associated with these targets will be reflected in individual employee performance objectives. This all helps to integrate the Business Objectives (see below) into the Company's business planning and ensures constant monitoring and review of performance against them.



Dame Jenny Shipley  
Chairman

*“The favourable result reflects strategic decisions taken in the past two years.”*

Dame Jenny Shipley,  
Chairman



Business objectives

<b>01</b> <i>Financial</i>	To be fiscally responsible while delivering on shareholder value and performance expectations.
<b>02</b> <i>Production + New Generation</i>	To provide economic production and new generation solutions that demonstrate strong sustainability performance.
<b>03</b> <i>Customers</i>	To be recognised as a leading New Zealand energy provider with excellent customer service.
<b>04</b> <i>Employees</i>	To partner with our people for success.
<b>05</b> <i>Community, Iwi, Hapu + Stakeholders</i>	To engage meaningfully with the communities, Iwi and hapu in the areas in which we operate, and other key stakeholders.
<b>06</b> <i>Environmental + Social impact</i>	To follow best practice in corporate governance and benchmark the company's sustainability performance.
<b>07</b> <i>Governance + Benchmarking</i>	To follow best practice in corporate governance and benchmark the company's sustainability performance.

Future of Huntly

In the past year we have developed a new asset management strategy for the Huntly Power Station and begun its implementation. We have been able to push back retirement plans for the older, dual fuel Huntly Units 1 to 4 which we announced last year by a year or so as a result of signing a long term winter electricity hedge with Meridian Energy. We are also continuing constructive discussions with other market participants on other long term arrangements.

We have moved our strategic thinking away from retirement of Huntly's Units 1 to 4 to various storage options for these units. This would allow operational flexibility to meet market demands, should there be delays in the present forecasts of new generation build for the New Zealand market.

Another key initiative during the year was to bring the Retail Contact Centre in-house. The Company's goal is to provide a high level of service and innovative product offerings to its customers. The Company believes this is best achieved by the integration of the Contact Centre into the business.



Improving competition

The Government's announced policy in December 2009 to improve retail competition through the introduction of compulsory hedges and the sale of Tekapo A and B Hydro Power Stations to Genesis Energy was supported by the Company. We believe a more balanced and geographically-spread generation portfolio, achieved through a transfer of assets and long term financial hedges for electricity, will lead to greater competition and improved outcomes for electricity and gas customers.

Since the introduction to the House of the Electricity Industry Bill in December 2009, Genesis Energy has been negotiating for the purchase of Tekapo A and B from Meridian Energy.

Concurrent with negotiations and planning for the acquisition of Tekapo A and B, our Retail business launched a comprehensive sales and marketing campaign to acquire customers in Christchurch, Dunedin, and Queenstown. To date we have welcomed thousands of new South Island customers to our brand.



Tekapo

Board changes

I assumed the Chairmanship of Genesis Energy from Brian Corban CNZM QSO in November 2009. Brian's contribution to the development of the Company during his 11-year tenure as Chairman is well known and respected. I would also like to acknowledge the contribution of the other directors who left the Board during the year. Annabel Cotton and Ian Kusabs retired from the Board through rotation and Sara Lunam resigned from the Board to take a corporate management role. We welcomed John Dell and Rukumoana Schaafhausen to the Board in May 2010.

The Board and I acknowledge and thank the staff for its excellent response to the challenges set by the Electricity Industry Bill and for answering the call for a higher degree of commerciality throughout the business. This has been a year of change for Genesis Energy and the changes that are still being made are positioning us well for the future.

On behalf of the Board, I have great pleasure in submitting the 2009/2010 Genesis Power Limited Annual Report.

Rt Hon Dame Jenny Shipley  
DNZM, Chairman



# Creating *operational flexibility* to create a business edge

Our asset management strategy is designed to maximise market opportunities



## Chief Executive's Report

In 2009/2010 we have been able to successfully implement operational changes due to strategic decisions taken in the past two years and we have taken advantage of new opportunities that presented themselves to the Company.

In last year's Annual Report we raised some very important issues about the long term sustainability of our generation business, in particular the viability of the dual fuel units at Huntly that we refer to as Units 1 to 4.

Last year we signalled the potential retirement of these units at Huntly in the near future. This year we have been able to push back those retirement plans by a year or more by signing a five-year winter supply arrangement with Meridian Energy, and we are continuing constructive discussions with other market participants. As well, we have advanced our work on asset management strategies for the Huntly Power Station.

As a result we are now considering various storage options as an alternative to near term retirement of the Huntly units. Storage in our view is not the same as mothballing. We are considering a range of short and medium term storage options which would enable units to be returned to the market with a minimum of expenditure in a matter of days, weeks or months, depending on the storage approach.

The driver for this storage strategy is to obtain better commercial outcomes from our generating assets, as well as security of supply. A key commercial issue for Genesis Energy has been the ability to derive a satisfactory return from an increasingly expensive to maintain and operate generation asset. While this asset was originally built to provide security of supply for the country, our storage and asset management strategies will support the need to operate commercially.

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### Flexible response to the market

Our new asset management strategy can provide flexibility to respond to new generation development, or possible delays in new plant construction.

Allied to the asset management programme has been a shift in thinking regarding our Retail load – that is, the amount of electricity we are contracted to supply. Reducing our Retail load by around 10 per cent over the past year has allowed us more flexibility in the wholesale market. This retail load reduction has been achieved through a combination of reduced customer numbers as well as reduced load.

Apart from giving the Company more wholesale market flexibility, our retail strategy served to send a clear message that Huntly cannot be relied upon if other participants are not careful with their own risk management.

As a result, wholesale market behaviour in 2010 has been significantly different. Wholesale spot market prices at South Island nodes in late summer 2010 were higher than in previous years with similar low storage levels and remained firm even as inflows improved storage.

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### Improving customer service

During the year we made the decision to bring our Hamilton-based customer contact centre in-house. This decision was driven by a desire for greater efficiency, an improved grade of customer service and a long term strategy to develop a stronger and closer relationship with our customers.

The shift from outsource to in-house formally took place on 1 March 2010. However, this was preceded by several months of transition work. Despite it being early days, this move has improved customer service and has reduced our cost to serve.

There is no doubt the retail electricity market is going through a phase of intense competition and we expect this scenario to continue. We continue to be active in the retail market and have looked to retain our profitable, high value customers with competitive price offers, superior products and loyalty and win-back offers.

The programme to roll out Advanced Meters to our electricity customers has progressed well. As at 30 June 2010, Genesis Energy had installed 59,860 advanced meters in customer premises, and has now reached an installation rate of around 10,000 new meters per month. This scale will facilitate development in the near future of a range of new products to be offered via Advanced Meters.



**Albert Brantley**  
Chief Executive



**Retail Centre, Hamilton**



**Advanced Meter**

The likely acquisition of Tekapo A and B hydro power stations by the end of 2010 created significant challenges within the business. The potential acquisition of the two stations required a re-think of our generation and retail strategies. We were able to launch an aggressive customer acquisition campaign in the South Island in anticipation of being able to service a sizable retail load in that sector without being exposed to basis risk. By balance date, we had acquired around 6,000 new electricity and LPG customers in the South Island and we continue with good growth in this area.

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### *Developing generation capacity*

While the acquisition of the two South Island hydros will rapidly increase and reshape the generating portfolio of the Company, the need to develop generation capacity for the longer term remains.

We have a target to construct 300MW of new renewable electricity generation by 2015. With that objective in mind, we have been working over the past year on a range of generation opportunities in the wind, hydro and geothermal sectors.

The most promising development in our pipeline of projects is the Castle Hill Wind Farm site located 20kms north-east of Masterton and 20km east of Eketahuna. Genesis Energy has signed land use agreements with 27 owners of 30,000ha, with around 4,000ha suitable for wind farm development. Just after balance date we announced the Company's intent to lodge a resource consent application for this project. This decision was a significant step forward for the Company's strategy to increase its portfolio of renewable energy.

Wind monitoring at the site has confirmed an attractive wind prospect with a potential generating capacity of up to 600MW. The exact number of wind turbines, their precise location and size is yet to be determined. We expect that it could be built in stages over several years. The resource consent application will contain details on the turbines, site layout, construction and operation activities and a complete assessment of environmental effects and is expected to be lodged before mid 2011, following consultation with the community.

On 30 June 2010 Genesis Energy acquired the Slopedown Wind Farm project in Southland from Wind Prospect CWP NZ Ltd. The project is a 50 turbine site, 50km east of Invercargill and 8km east of Wyndham and is expected to have a generation capacity of between 110 to 150MW, with potential output of approximately 400 to 500GWh per annum.

Genesis Energy lodged resource consent applications with the Auckland Regional Council (ARC) and Rodney District Council in July 2007 for the proposed Rodney Power Station. Consents were obtained from the ARC in December 2008 and Genesis Energy appealed three conditions to the Environment Court in January 2009. The appeal was resolved through mediation with the ARC and a consent order from the Environment Court was issued in October 2009 resolving the appeal.

An appeal lodged against the Vector pipeline designation for the Rodney Power Station project was heard in the Environment Court during the week commencing 19 April 2010. Genesis Energy was a party to the appeal and participated in the Environment Court hearing. The Environment Court ruled in favour of the gas pipeline designation on 18 June 2010.

Now that we have finalised all necessary approvals for the Rodney project, we are reviewing various development alternatives as well as long term fuel supplies to determine the optimum development timeframe for this project.

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### *Securing fuel supplies*

A significant milestone for Genesis Energy during the year was the commissioning and production of fuels from the 31 per cent owned Kupe Oil and Gas Project. All of the natural gas from the field is contracted to Genesis Energy and this has added security and flexibility to our gas supplies for generation and for wholesale and retail customers.

Commissioning was completed on 22 March 2010, and the project has now entered commercial production. Genesis Energy's Kupe sales over 2009/2010 included 3PJ of gas, 319,000 barrels of oil and 8,800 tonnes of LPG.

On 14 July 2010, the Kupe Joint Venture approved revised Kupe reserves numbers. The initial proved and probable (P50) sales gas reserves have increased by eight per cent, LPG reserves by five per cent and light oil reserves by 27 per cent.

At balance date, Genesis Energy's total expenditure for the Kupe project was \$539.3 million, inclusive of a rehabilitation provision.

Our coal stockpile stood at 1,092 kilotonnes as at 30 June 2010. The level of the stockpile is likely to vary under different hydrological conditions.

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### *Iwi engagement*

There has been a significant development of emphasis and relationships with most iwi that we engage with. There is an increasing willingness to engage with each other in a constructive and direct manner.

The signing of a Relationship Agreement between Genesis Energy and six Huntly Marae and the Huntly based Waahi Whaanui Trust was the culmination of five years of engagement and dialogue. The agreement records the parties' intention to establish an enduring, positive and beneficial relationship which directly addresses the effects of the Huntly Power Station on local Marae, while recognising the Huntly Power Station is a key strategic asset for Genesis Energy and New Zealand.

Through regular engagement and funding provided by Genesis Energy, the parties seek to deliver the broad objectives of developing a long term relationship, assisting Marae development, fostering cultural understanding, supporting the kaitiaki role of the Marae and enhancing the environment and supporting education and training initiatives.

With regard to the legal dispute with Whanganui River Maori Trust Board, Ngati Rangī Trust and Tamahaki Incorporated Society over the duration of resource consents for the Tongariro Power Scheme, we have all agreed to suspend legal proceedings (an appeal to the Supreme Court) and talk constructively about options to resolve outstanding issues.



**Kupe Production Station**



**Relationship Agreement Signing**





### Environmental and social impact


Our challenge as we developed the Company's business plan and strategy was to bring sustainability into all parts of the business. The task now is to make it real and bring it to life and into all performance measures.

Genesis Energy's impact on climate change is still a priority even as our emissions from thermal generation are decreasing. The Company is significantly affected by the Emissions Trading Scheme which came into force on 1 July 2010. We have been planning and preparing our staff and systems for the onset of emissions trading for some time. As the detail around the scheme became clearer in 2010, we re-scoped our position and scaled back some activities. Genesis Energy was ready for the scheme when it launched on 1 July 2010.

We believe we manage our environmental impact to the highest possible standard. We had no significant breaches of our resource consents in the past year and we are continually striving to improve our environmental management processes and systems. A significant environmental issue for Genesis Energy is ash produced by Units 1 to 4 at Huntly and we are constantly seeking methods to upgrade and improve our ash management programme.

The safety of our staff remains a major concern to the Company. Our annual statistics show an overall improvement, but still demonstrate an increase in loss time injuries. We believe our health and safety processes are at a high standard and may have reached their limits from a procedural point of view. We have been focusing more on behavioural outcomes using new programmes and we will continue to investigate new methods of improving staff safety.

Finally, I would like to express my gratitude to the Company's employees for the way that they have responded to the challenges presented by the results of the Ministerial Review into the Performance of the Electricity Market, as well as to the challenges required to adapt to revisions in the Company's strategy. Their efforts have positioned us well for the future.

 Albert Brantley  
Chief Executive



Emissions Protection

## Highlights + Challenges

### 01 New Technology

59,860 Advanced Meters installed.



### 05 New Customers

South Island customer acquisition campaign launched. The Company continues to seek growth in the South Island.

### 08 New Schools

42 Schoolgen schools now generating their own renewable electricity; nine schools in the Manawatu/Wanganui region added to the programme



### 02 New Power Stations

Electricity Industry Bill enables sale of Tekapo A and B to Genesis Energy.



### 09 New Fuel

Natural gas, LPG and light oil flows from Kupe Field.

### 03 New Skills

Two more years of commitment to the marae-based Trades Training programme created by Nga Kanohi Marae o Wairarapa in Masterton.

### 06 New Agreements

Huntly Marae Relationship Agreement signed, signifying new era of connection with local marae.

### 10 New View

New asset-management strategy adopted for Huntly Power Station.



### 04 New Warmth

Wellington Curtain Bank launched with support from Genesis Energy



### 07 New Staff

Customer Contact Centre brought in-house.



## New Customers

While competition for electricity and gas customers in New Zealand has, arguably, never been more intense as it has in 2009/2010, Genesis Energy has welcomed thousands of new customers to its service during the year.

Overall customer numbers for both electricity and gas are down compared to the previous year as a result of aggressive campaigns run by rival retailers. However the Company was also involved in the bid for new customers, particularly in the South Island where comprehensive sales and marketing campaigns were run in the second half of the financial year.

The residential offer included competitive pricing (in some areas Genesis Energy could give customers a saving of up to \$350 per annum), bonus Brownie Points when joining and fixed pricing. As at 30 June 2010 Genesis Energy had welcomed over 6,000 new residential and business South Island customers to Genesis Energy.

Genesis Energy values its existing customer base and rewards loyalty with a scheme called Brownie Points. Instead of encouraging a higher spend, Brownie Points rewards customer behaviour, particularly those aligned to our sustainability targets. Customers gain Brownie Points by receiving their bills online, paying electronically or by using the online Your Account function.



Dean Carroll, General Manager Retail



## New Power Stations

The Government's announced policy in December 2009 to improve retail competition through the introduction of compulsory hedges and enable the sale of Tekapo A and B hydro power stations to Genesis Energy was supported by the Company. We believe a more balanced and geographically-spread generation portfolio, achieved through real and virtual swaps, will lead to greater competition and improved outcomes for electricity and gas customers.

Since the introduction to the House of the Electricity Industry Bill in December 2009, Genesis Energy has been negotiating for the purchase of Tekapo A and B from Meridian. By balance date, the negotiations had progressed well.

While the addition of Tekapo A and B will significantly increase and alter the company's generation portfolio it is also advancing plans to build more generating capacity. We have been working over the past year on a range of renewable generation opportunities in the wind, hydro and geothermal sectors.

The most promising wind farm development in our pipeline of projects is the Castle Hill Wind Farm site located 20kms north-east of Masterton and 20km east of Eketahuna. Genesis Energy has signed land use agreements with 27 owners of 30,000ha, with around 4,000ha suitable for wind farm development.

In July 2010 we announced we would lodge a resource consent application for this project. The decision to apply for resource consents for the project was a significant step forward for the Company's strategy to increase its portfolio of renewable energy

## New Opportunities

A fundamental rethink of Genesis Energy's production, retail and development strategies carried out recently is now delivering results in terms of improved business performance and a focus on driving growth through commercial behaviour.

The installation of 59,860 Advanced Meters plus an investment in retail systems has created an opportunity to develop and offer new electricity tariffs and services to meet customer needs. We expect to roll out these new offers in the next 12 months.

The likely acquisition of Tekapo A and B hydro power stations, enabled by the Electricity Industry Bill, provided an opportunity to aggressively seek new customers in the South Island.

We have developed a new asset management strategy for the Huntly dual fuel units and begun its implementation. We have been able to push back retirement plans for Huntly Units 1 to 4 which we announced last year by a year or so as a result of signing a long term winter supply arrangement with Meridian Energy. We have moved our strategic thinking away from retirement of these units to various storage options which would allow operational flexibility to meet market demands.



## *New People*

Having determined the need to maintain a closer relationship with our customers, Genesis Energy announced in June 2009 its intention to bring the Customer Contact Centre in-house. This decision was driven by a desire for greater efficiency, an improved grade of customer service and a long term strategy to develop a stronger and closer relationship with our customers.

Since the successful transition on 1 March 2010 to an in-house model, Genesis Energy has seen the benefits of having a single organisation with one core culture that is delivering to the same strategic plan. This is resulting in a more efficient and dynamic company with customers at the centre.



Dame Jenny Shipley visiting customer contact centre

## Financial Highlights

### Business Objective



To be fiscally responsible while delivering on shareholder value and performance expectations

### Three year summary of financial information

\$m	Year end 30 June 2008	Year end 30 June 2009	Year end 30 June 2010
Operating revenue	2,437	1,957	1,895
Operating expenses	2,137	1,755	1,646
Operating earnings before interest, taxation, depreciation and amortisation	300	202	249
Other (gains)/losses and impairment	46	29	25
<b>Earnings before interest, taxation, depreciation and amortisation (EBITDAF)</b>	<b>254</b>	<b>173</b>	<b>224</b>
Depreciation and amortisation	85	88	93
Revaluation loss	-	261	-
<b>Earnings before interest and taxation (EBIT)</b>	<b>169</b>	<b>(176)</b>	<b>132</b>
Finance costs (less finance income under NZIFRS)	27	13	25
Profit before taxation	142	(189)	107
Taxation	43	(53)	38
Total assets	2,707	2,585	2,532
Total liabilities	1,300	1,192	1,087
Total equity	1,407	1,393	1,446
<b>Total dividends paid to shareholders</b>	<b>29</b>	<b>36</b>	<b>39</b>
Operating cash flow	209	263	243
Investing cash flow	(254)	(239)	(83)
Payments to employees	55	62	64

## Company Report



Genesis Energy is a complex business with two core revenue earners - Production and Retail. This section details the company's operations, sustainability performance and stakeholder engagement over the past year.

# Sustainability – simply the way business is done

Genesis Energy considers sustainability is about ensuring our business is viable for the long-term, delivering value for our shareholders, and contributing lasting benefits to society.



## Approach to Sustainability

In our view sustainability has to be simply the way business is done and not a bolt on or an afterthought.

This approach is not something that will happen overnight. Rather sustainability is a long-term journey covering all aspects of the business – our workforce, management of our assets, our environmental performance, energy products and our impact on communities. We have been on the journey since we first opened our doors for business. We recognise that we are not there yet - good things take time.

Last year was about trying to position sustainability in all areas of the business rather than have it as an isolated programme. The manifestation of our commitment to this integrated view of sustainability has been the elevation, in 2010, of the company's sustainability objectives to be company objectives. These objectives are being incorporated across our operations as a key part of our strategic approach to drive performance.

The challenge has been how to make it real, how to bring these objectives to life and into performance measures.

In last year's report we detailed our ambitious plans to develop targets associated with the seven company-wide objectives. Whilst we have not yet finalised all of the targets and 2010/2011 actions associated with these seven objectives as we said we would have by the end of 2009, we have identified key performance measures against our business objectives and expressed these in the Statement of Corporate Intent 2010/11-2013.

In addition to the Statement of Corporate Intent targets, the next stage in this process is to develop a more comprehensive suite of targets to address the material issues and to deliver on the business objectives. The actions associated with these targets will then be reflected in individual employee performance objectives.

### Global Reporting Initiative

- 1.2 Description of key impacts, risks and opportunities

[Click this link to the GRI table for explanation](#)



Hau Nui Wind Farm

### Global Reporting Initiative Indicator



## Production + New Generation Development

### Business objective



To provide economic production and new generation solutions that demonstrate strong sustainability performance

The focus in the Production business unit in 2009/2010 has been on our assets, our people and our performance. There has been a complete review of forecast maintenance and capital requirements with a focus on efficiency gains.

Sound cost management meant cost savings were achieved during the year resulting in indirect costs being below budget. This was mainly through reduced staff costs, reduced or delayed maintenance on Huntly units and the delay of non-critical projects.

Total revenue from the generation and wholesale trading of electricity and related products in the year to 30 June 2010 was \$1,151 million (\$1,213 million in 2008/2009). Profit before tax from the Production segment was \$154 million (in 2008/2009 there was a loss of \$122 million.)

While there have been no job losses, the change in focus in our asset management regime has impacted staff. The move away from high levels of thermal plant availability, which required high levels of engineering excellence, has necessitated a shift in thinking to a more flexible engineering culture.

### Thermal production

In light of increasing fixed operational and fuel costs, compounded by the impending introduction of a carbon price, Genesis Energy reviewed the economic life of its four 250MW coal and gas fired units at Huntly. We have developed new asset management philosophies and implemented a regime where the older units are to be maintained according to expected usage. These asset management philosophies will allow greater flexibility to either store units so as to return if market conditions change or retire at some future date.

Generally plant performance for the 2009/2010 year was inline with targets except for Huntly Unit 6 – a 48MW open cycle gas turbine. The full year availability for Huntly Unit 6 was well below budget due to an unplanned outage to repair internal damage.

### Hydro production

The Tongariro and Waikaremoana power schemes provide backbone generation and hydro flexibility to our generation profile. This is increasingly important as we review how we manage diverse assets across the portfolio.

In the early part of the year these stations were also used heavily to provide frequency keeping and ancillary services which increased generation revenues significantly. The Equivalent Availability Factor for the hydro stations was 91.8% (target 94.4%) for the Tongariro scheme and 93.6% (target 90.7%) for the Waikaremoana stations.

### Major production projects

#### Hydro Control Systems

A Hydro Control systems project continued during the year. In this project analogue control systems are replaced with digital control systems. Tokaanu Power Station was upgraded in 2009 with Rangipo and Tuai being completed in 2010. The remaining Waikaremoana stations will be completed in the 2010/2011 year.

#### Huntly Consents project

Work has commenced on the planning and consultation process for the renewal of resource consents to generate from the Huntly site. These are due for replacement from March 2013 onwards.

#### Condenser Upgrades

Huntly Unit 1 condenser has been purchased and is awaiting installation in the next cold survey. Unit 3 condenser is in storage.

### Production metrics

Production revenue from external sources was down slightly when compared with the 2008/2009 year. Due to the lower wholesale electricity price there was less thermal generation offset by additional ancillary services provided to the market. Offsetting the lower electricity revenue was additional wholesale gas sales.

#### Production Summary

	2008/2009	2009/2010
Thermal generation (GWh)	6,276	5,761
Hydro & Wind generation (GWh)	1,770	1,815
Total Generation	8,046	7,576
Average Wholesale electricity price (\$/MWh)	67.82	61.88
Gas used in generation PJ	26.50	31.80
Coal used in generation PJ	31.00	21.20
Total fuel used PJ	57.50	53.00



Bob Weir  
General Manager Production



Tokaanu Hydro Station



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### New Generation Development

Genesis Energy is focused on identifying opportunities for long term growth. Genesis Energy is investigating a wide range of technology and resource opportunities including thermal, geothermal, wind and hydro.

We take a wide focus as we believe diversity of supply will remain a key element of the New Zealand power system into the future. Equally, there is no one technology from an economic perspective that warrants exclusive attention in the current environment.

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### Castle Hill Wind Farm project

Genesis Energy continues to develop a portfolio of renewable energy options to help us meet our target of consenting and constructing 300MW of renewable energy projects by 2015. Among these projects are some high quality wind generation options including Castle Hill, Hau Nui Stage 3 (Wairarapa Region) and the recently acquired Slopdown Wind Farm prospect east of Invercargill in Southland.

After completing a detailed feasibility assessment in February 2010, the Castle Hill Wind Farm project advanced through to the next phase of development in July 2010.

The project, located in the Northern Wairarapa, encompasses 30,000ha of land held by 28 landowners. The site offers a Class I wind regime with average wind speeds in the order of 9.5m/s. Our studies suggest the wind farm could be developed in stages up to a capacity of 600MW. Although final numbers are yet to be confirmed a wind farm of this scale could incorporate upwards of 290 turbines, depending on the turbine size adopted in order to maximise the energy yield.

We are now well underway with resource consent acquisition activities on the Castle Hill project which incorporates consultation with stakeholders and a detailed assessment of environmental effects.

The Generation Development team is also pursuing other opportunities. In June 2010 Genesis Energy purchased the Slopdown Wind Farm prospect from developer Wind Prospect CWP NZ Ltd. The 100MW Southland project is in the early stages of investigation and will add to Genesis Energy's range of new generation development options.

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### Other development options

Long term thermal development options are being worked up that could see additional generation at either the Huntly or Rodney Power Station sites. Pre-feasibility assessments and preliminary cost estimates for several new hydro opportunities are also underway.

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### Water management policy participation

Genesis Energy is an active participant in the Governments "New Start for Fresh Water" programme. Genesis Energy is a plenary member of the Land and Water Forum – the Forum asked to report back to the Minister for the Environment on potential water reform.

Genesis Energy continues to stay involved in the development of the proposed National Environmental Standard for Ecological Flows and Water Levels and the proposed National Policy Statement on Freshwater Management.

As well as getting involved at the national level, Genesis Energy participates in water management at the regional level with the Regional Councils responsible for water bodies and freshwater. Where necessary, Genesis Energy provides authoritative comment and submissions on regional policies and Plans in relation to water.

### Global Reporting Initiative

- EU2 Net energy output broken down by energy source and regulatory regime
- EN4 Direct energy consumption
- EU30 Average plant availability factor by energy source and regulatory regime
- EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.
- EU8 Research and Development activity and expenditure aimed at providing reliable electricity and promoting sustainable development
- EU10 Planned capacity against projected electricity demand

[Click this link to the GRI table for explanation](#)



**Richard Pearce**  
General Manager  
Generation Development



Castle Hill



## Customers

### Business Objective



To be recognised as a leading New Zealand energy provider that customers are proud to be associated with

The electricity, gas and LPG retail markets remain very competitive with all retailers actively trying to acquire and retain customers. Genesis Energy is no exception and recognises that there is no one factor that influences a customer to either join or stay. Having competitive pricing, excellent customer service levels, innovative products and services, an effective loyalty programme, and a strong brand are just some of the areas that Genesis Energy has focused on to retain and acquire customers.

Revenue from retail sales of electricity, gas and other products totalled \$1.25 billion in the year to 30 June 2010 (\$1.33bn in 2008/2009). Profit from the retail segment in the year was \$30.6 million compared to \$42.6 million in the previous year. Retail sales of electricity in the financial year were 6,378GWh compared to 6,970GWh in the previous year. Genesis Energy had 652,000 electricity and gas customers at the end of the financial year.



Customer Contact Centre Staff

### Customer service

Having determined the need to maintain a closer relationship with customers Genesis Energy announced in June 2009 its intention to bring its Contact Centre in-house. Since the successful transition on 1 March 2010 Genesis Energy has begun to see the benefits of having a single organisation with one core culture that is delivering to the same strategic plan. This is resulting in a more efficient and dynamic company with customers at the centre.

### Business improvement

From small and more immediate to larger initiatives, Genesis Energy has identified and implemented changes to operational processes that enhance customer experiences and reduce costs. Larger initiatives are assessed and implemented through the Business Improvement Team utilising Lean Six Sigma methodology. Business improvement opportunities in the areas of customer retention, cost efficiency and customer experience continue to be worked on. These improvements are being achieved in a manner that doesn't compromise business stability.

### Revenue protection

A continued focus on Revenue Protection activities during the 2009/10 year resulted in significant amounts of previously unidentified revenue being recovered. Activities such as ensuring customers are on the correct pricing plan, vacant sites with consumption, stopped meters and auditing high risk sites contributed significantly to Genesis Energy's revenue.

### Advanced Metering

The roll out of Advanced Meters to customers continues. At the end of June 2010 Genesis Energy had installed 59,860 Advanced Meters throughout New Zealand. In addition to the immediate benefits of no estimated bills and no visits from meter readers, Genesis Energy continues to develop services using the Advanced Metering technology. This includes having the ability to disconnect and reconnect customers remotely and immediately all while a customer is on the phone to the Contact Centre. This service is particularly appealing to people moving house. Specialised metering data is also being used in Genesis Energy's reconciliation processes, providing a higher level of accuracy for the electricity market.



Advanced Meter

### New markets

With the proposed plan for Genesis Energy to obtain Tekapo A and B hydro power stations, the Company is in the position to acquire new customers in the South Island. Acquisition of residential and business customers began in February 2010 with a focus on Dunedin, Queenstown and Christchurch regions. Several marketing channels, including telemarketing, door to door selling, press, radio, internet and television advertising, were adopted to help build the Genesis Energy brand and to promote the offer. The residential offer included competitive pricing (in some areas Genesis Energy could give customers a saving of up to \$350 per annum), bonus Brownie Points when joining and fixed pricing. As at 30 June 2010 Genesis Energy had welcomed over 4,500 new residential and 762 new Business South Island customers to Genesis Energy.



Tekapo

Since June 2009 residential gas customers have benefited from Genesis Energy's Big Gas Thank You. A daily discount of 50 cents off their bills and the bonus Brownie Points for customers who had both their gas and electricity with Genesis Energy proved extremely popular. Residential gas customer losses reduced by 2.7% and over 3,700 new customers joined Genesis Energy during the promotional period ending 30 December 2009.

Residential customers were also given the opportunity to reduce their energy bill through the Panasonic Heat Pump offer. Over 2,600 customers installed at least one heat pump and received a credit of up to \$300 on their Genesis Energy bill.

Genesis Energy continues to reward its residential customers for what they do as well as what they spend. Brownie Points is an effective loyalty programme and is being used to retain customers and help acquire new ones. As at 30 June 2010 over 30% of the residential base had enough points to redeem a reward and numerous customers had made redemptions.

Business customers attended the Big Thinking Business Series events that were held in various locations throughout New Zealand. In addition to having an economist speak, customers also gained business insights from guest speakers.

For Genesis Energy's trade customers the Kustom Konnections Rewards programme was launched in April 2010. This programme recognises the number of new connections a builder, electrician or gas fitter gives Genesis Energy and rewards them in a variety of ways including, contribution towards their



Dunedin promotional mail drop



gas licensing fee, access to free gas industry courses and contribution to their electrician's practicing licence fee.

**Global Reporting Initiative**

- 2.7 Nature of markets served
- EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.

[Click this link to the GRI table for explanation](#)



## Energy Online

During the year, customer switching between retailers reached unprecedented levels and to preserve our customer base, our focus moved to ensuring our existing customers are receiving the level of service that they deserve. With an increasing number of our customers expecting to be able to engage with us electronically, initiatives were delivered to fulfil these expectations as well as enhancing our existing service delivery.

To fulfil these objectives, our customers can now opt to receive their invoice by email instead of by post as well as being able to pay their bills by credit card on our website customer portal My Account. The completion of our 'billing to actual reads' initiative has ensured increasing volumes of accurate bills delivered to our customers removing any element of estimation on their bills.



Nic McCordach,  
General Manager Energy Online

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### Entering gas market

We broadened our service offering when we entered the gas supply market in November. This enables us to offer our customers a dual fuel package of electricity and gas with the convenience of dealing with only one company and receiving one bill for both services.

A revised version of our Terms and Conditions was released in November and incorporated requirements for Gas supply as well as accommodating the Electricity Commission's guidelines for model domestic retail contracts.

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### Hawkes Bay marketing

A team from Energy Online attended the Hawkes Bay Better Home and Living Show in May which was promoting sustainable living. We were able to meet many of our Hawkes Bay customers and discuss their energy needs and provide advice on energy efficiency.

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### Computer donation

During the year, Energy Online embarked on a computer replacement programme and we were able to donate our older, replaced computers to a number of our customers that are 'not for profit' organisations.



## Employees

Business Objective

**04** *To partner with our people for success*

Genesis Energy has an outstanding group of people on its staff. Over the years the company has developed a reputation as an employer of choice through a range of internal programmes focused on leadership development, training, performance, wellness, and health and safety.

Wellness programmes are encouraged and include the use of on-site gymnasiums, fitness programmes and the support of teams and individuals in long distance running and multi-sport events. On-site occupational health nurses are available for advice, flu jabs and regular workstation assessments.

Genesis Energy holds the health and safety of our workforce as our top priority. The company's management approach to health and safety is that the responsibility for operational health and safety should be part of the line function of the organisation.

The company's Health and Safety division promotes accident prevention and employee wellness through a range of programmes. It is also responsible for developing an organisational health and safety strategy that supports the Genesis Energy business strategy and partners with management and employee representatives to deliver that strategy.

Ninety nine per cent of our staff receive regular performance and career development reviews.

### Genesis Energy safety and wellbeing policy

Genesis Energy is committed to excellence in the management of the work environment and procedures to provide for the safety and wellbeing of all staff.

This means:

- Ensuring that all employees are working in a safe and healthy work environment;
- Ensuring that all employees are adequately trained and competent to perform the tasks expected of them in an effective and safe manner;
- Ensuring all employees, visitors and contractors conform to Genesis Energy's safety and quality management programme;
- Systematically identifying and appropriately managing existing and new workplace hazards;
- Adhering to best practice and legislative requirements through policies and procedures; and
- Continuously improving safety and wellbeing management through employee consultation and review.

### Health and Safety performance

Genesis Energy continues to empower leaders and employees to jointly take control of their safety and wellness at work and while the results for this year are disappointing they are an improvement on 2009, with the exception of Loss Time Injuries.

Perhaps this is some indication that Zero Incident Process (ZIP) Programme is beginning to change behaviour. We will continue to strive for a zero incident workplace through People, Process, Environment and Leadership.

Ultimately, every employee of Genesis Energy has a duty of care for his/her own health and safety and to avoid placing others at risk.

ZIP continues to be a major safety initiative within the Production business unit to create a safety culture which enables employees to close the gap between their values, goals and actual behaviour allowing people to make the right choices about their safety and wellbeing at the right time to prevent exposure to unnecessary risks causing injury.

Changing people's behaviours long term takes courage and leadership coupled with consistent and continuous reinforcement of the behaviours expected in the work place that prevent events causing injury.

The Company encourages all staff to be involved in safety briefings: 99% of employees are represented in formal joint management and employee committees. Every site has a safety committee that meets monthly and has manager and employee representation.

#### Performance metrics

Total injuries	2010 including Contact Centre	2010 excluding Contact Centre	2009 excluding Contact Centre
Injuries / 100 employees	20.6 (1)	21.4 (3)	29 (4)
Occupational disease / 100 employees	0	0	0
Percent lost days (lost days / days scheduled to be work)	0.02%	0.02%	0.01%
Percent absent days (Absentee days / days scheduled to be work)	3.62%	3.01%	2.40%
Contractor injuries / 100 employees	23.72 (2)	23.72	63.72

(1) Based on 1006 employees

(2) Based on 150 contractors

(3) Based on 511 employees

(4) Based on 520 employees



Peggy Molynieux  
General Manager - Corporate Services



Employees protective waders



The inclusion of the Contact Centre in this year's health and safety results makes it difficult to compare our performance with last year – particularly as the Contact Centre has only been part of Genesis Energy for four months of the twelve month reporting period. Partly as a result of this the normalised results of this year's health and safety performance may appear to demonstrate improvement i.e. 20.6 injuries / 100 employees compared to 29 in 2009, however, the de-normalised results tell a different story.

In 2009 there were 4 lost time injuries (LTIs) and 11 days of incapacity whereas this year we have had 11 lost time injuries and 34 days of incapacity. While LTIs are a lagging indicator it is one of Genesis Energy's key measures of health and safety performance along with lead indicators such as attendance to safety education and preventative action clearance rate from events, near misses and audits.

Production had 5 LTI injuries – mainly soft tissue strain type injuries resulting in 14 days of incapacity. The office environment had 6 LTI injuries – mainly slips, trips and falls resulting in 20 days of incapacity.

Many initiatives have been undertaken in Production to reduce the incidence of soft tissue injury however there is still one task that has continued to cause back injuries for the last 10 years. Clearing of coal mill rejects through shovelling by hand presents the most significant contributor to back injuries. A solution has been engineered however it is taking some time to be implemented.

The office environment although seemingly less hazardous compared with Production produced more LTI injuries particularly in the last quarter of the year (with the addition of the Contact Centre). Over the past financial year two areas of change that may have contributed to these results were a decrease in attendance to tool box sessions run internally by the business units and health and safety education programmes were reduced at the request of the business units. Further, Health and Safety performance at the Contact Centre, is not yet up to the high standard achieved by the remainder of Genesis Energy.

As for the absence rate, the introduction of the Contact Centre has contributed significantly to the results. If the performance figures for 2010 were to exclude the Contact Centre the absence rate would be 3.01%. Inclusion of the Contact centre in our performance figures demonstrates an absence rate of 5.88%.

Genesis Energy remains committed to the Health and Safety of employees and contractors across the organisation and will continue to focus on People, Process and Environment encouraging people to have safe attitudes and behaviors at work and at home.

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### *Virtual Classroom programme at Huntly Power Station*

In 2010 Genesis Energy completed its first virtual classroom programme for technical staff based at the Huntly Power Station.

A pilot programme which sought to up-skill Genesis Energy employees via the internet began in July 2008. The programme consisted of Genesis Energy candidates linking via video conferencing with an actual mechanical engineering classroom located at the Wellington Institute of Technology (Weltec) in Wellington.

Over two years Genesis Energy candidates attended evening classes working along side Weltec students via the internet to meet the educational requirements of a National Certificate in Maintenance and Diagnostics in Mechanical Engineering Level 5.

This programme has bridged the knowledge gap between trades and engineering and has opened up opportunities for Genesis Energy tradesmen and women to study towards an engineering degree, an opportunity which had been difficult to take up during full time employment.

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### *Foundations of Leadership*

This programme provides an early stepping stone for leadership development for emerging or new front-line leaders, or as a refresher. It complements the flagship Leadership Development Programme which has been running for a few years. The programme was piloted in 2009 and due to high demand ran again six months later.

The Foundations of Leadership programme is a three day programme run over two months. The course is designed to support people to develop relevant behaviours from our leadership framework, ASPIRE, such as motivating and developing others, conflict management and self awareness.

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### *Genesis Energy Employee Benefits Programme*

The company's 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 faced with a crisis or ill health. The ability to attract and retain valuable employees is critical to meeting business objectives.

The Employee Benefits Programme is a comprehensive package that is provided to all full-time and part-time employees. The Programme currently consists of:

- Life, terminal illness and accident insurance cover;
- Trauma benefit;
- Income protection cover;
- Surgical Plan insurance;
- Annual medical with your GP; and
- Will and Enduring Power of Attorney service.

A cumulative Genesis Energy retirement savings subsidy, conditional on employees contributing a matching amount is available to all employees.

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



### Employee Volunteering

In 2009/10 206 employees made a real difference in the community as part of the Employee Volunteer Programme.

Staff spent many hours helping a number of different organisations throughout the country. Here are just some of the places we helped out:

- Collecting donations for the Asthma Society Balloon Day
- Weeding and tidying the carnivore area at the Auckland Zoo
- Helping Department of Conservation staff to catch and band Whio as part of their Blue Duck Monitoring programme
- Providing labour to assist in the refurbishment of the Citizens Advice Bureau in Turangi
- Helping Habitat for Humanity build homes for families in Auckland
- Preparation of the Fishing Cats enclosure at Hamilton Zoo
- Helping to paint and tidy the garden at the Kimihia Resthome and Hospital
- Helping Department of Conservation plant trees at Lake Ohinewai
- Providing assistance to set up the Red Cross Book Fair
- Providing experts to man the activity stations for the Schoolgen Cluster Day
- Helping to set up the Special Needs Christmas Party for disabled and disadvantaged children in the Waikato
- Providing assistance for the Turangi Blue Light programme
- Painting over graffiti at the Turangi Community Health Centre
- Collecting donations for the Victims Support Street Appeal



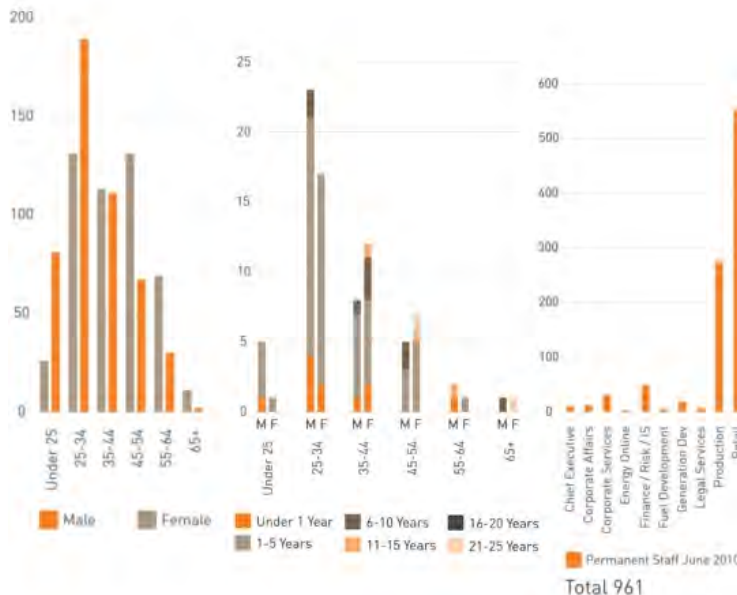
Employees volunteer in Hamilton

Everyone who has taken part in a volunteering opportunity has really enjoyed doing something for the community as part of a team. The volunteering programme provides a practical way for employees to contribute their skills and energy to local communities while also personifying company values to Imagine, Respect, Support and Drive.

All employees of Genesis Energy receive one day each year to get involved in activities in the community. Genesis Energy has set itself the target of 35% of staff participating in employee volunteering. In the year to 30 June 2010 we achieved a 21.4% participation rate. If the Call Centre staff, which only joined Genesis Energy in March 2010 are excluded, we achieved 36.2 per cent staff participation up from 35 per cent the previous year. The challenge for the coming year is to successfully roll-out the employee volunteer programme across all staff.

### Our Changing Workforce

The number of employees at Genesis Energy nearly doubled this year with the inclusion of the Contact Centre from 520 at balance of year 2009 to 961 plus 39 people on fixed term contracts (not included in graph). The Contact Centre staff (511 in total) are predominantly female and young, masking the trend towards an ageing workforce experienced by the electricity industry. The Contact Centre are all part of the Retail business unit, making this the largest unit of Genesis Energy taking over from Production in previous years.



Our annual total turnover this year was 8.64 compared to 8.62% for the previous year.

Personnel leaving the organisation	Number of leavers	Total staff in age group	Rate(%)
<b>Age</b>			
Under 25	6	107	5.61
25-34	40	320	12.50
35-44	20	224	8.93
45-54	12	198	6.06
55-64	3	99	3.03
65+	2	13	15.38
<b>Gender</b>			
Male	39	481	8.11
Female	44	480	9.17
<b>Total</b>	<b>83</b>	<b>961</b>	<b>8.64</b>

**Global Reporting Initiative**

- LA1 Total workforce by employment type, employment contract, and region.
- LA2 Total number and rate of employee turnover by age group, gender, and region.
- LA3 Benefits provided to full-time employees that are not provided to part-time or temporary employees.
- LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.
- LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.
- EU16 Policies and requirements regarding health and safety of employees, contractors and sub-contractors.

[Click this link to the GRI table for explanation](#)



## Community, Iwi + Stakeholders

Business Objective



To engage meaningfully with the communities, iwi and hapu in the areas in which we operate, and with other key stakeholders

Sponsorships and support for community, iwi and hapu groups substantiate Genesis Energy's commitment to developing and maintaining constructive relationships with its neighbours and the wider community.

The highlight of the year was the signing of a long term relationship agreement with the Huntly-based Waahi Whaanui Trust and six local marae.

Genesis Energy engages with its communities and iwi in many ways – from formal meetings to supporting a wide range of community activities and organisations. Genesis Energy is in regular contact with customers, shareholders, regulators and people who live and work near the sites of the company's projects and operations.

Annual environmental reports, regular consultation meetings and the company website keep the public up to date with latest developments and Genesis Energy staff meets regularly with Maori and environmental consultation and advisory groups.

The company is well-known for supporting a wide range of community initiatives, facilities and organisations. This support is delivered through financial sponsorship agreements, provision of materials and services, and through management support and advice.

### Relationship agreement with Huntly Marae

In May 2010 Genesis Energy signed a long term relationship agreement with the Huntly based Waahi Whaanui Trust and six local marae: Kaitumutumu Marae, Matahuru Marae, Taupiri Marae, Te Kauri Marae, Te Ohaaki Marae and Waahi Paa.

The agreement was the culmination of many years of engagement and work on the part of representatives of all of the agreement signatories including a principle-based review into the impact of the Huntly Power Station on the local Marae communities.

The agreement records the parties' intention to establish an enduring, positive and beneficial relationship which directly addresses the effects of the Huntly Power Station on the Marae, while recognising the Huntly Power Station as a key strategic asset for Genesis Energy and New Zealand.

Through regular engagement and funding provided by Genesis Energy the parties seek to deliver the broad objectives of developing a long term relationship, assisting Marae development, fostering cultural understanding, supporting the kaitiaki role of the Marae and enhancing the environment and supporting education and training initiatives.



Relationship Agreement Signing

### Marae-based Trades Training in Masterton

Following the successful first year of the Marae-based Trades Training scheme created by Nga Kanohi Marae o Wairarapa, Genesis Energy restated its commitment to the scheme by agreeing a sponsorship package of funding and services for another two years.

The retention of 90% of the trainees on the scheme in its first year was a good indicator of the quality of the scheme's community support, structure and management.

Nga Kanohi Marae o Wairarapa, a collective of 11 Wairarapa Marae, developed a Marae-Based Trades Training Program targeting primarily youth between 16 and 18 that would like a career within the building or allied trades industries. The programme is based on NZQA Level 2 BCATS partnered with cultural, life and employment skills.

The aim of the programme is to provide each trainee with a balance of marketable employment and meaningful life skills coupled to a confidence to participate in Marae activities.

Students study at a former marae in Masterton that has been equipped with a workshop and classroom. They also complete practical work and carry out maintenance at the 11 Wairarapa marae.

### Schoolgen programme expands

Genesis Energy's solar power in schools programme – Schoolgen – has now grown to include 42 schools with photovoltaic panels installed. In the past year we completed the installation of solar panels into nine schools in the Manawatu/Wanganui region.

Since the programme was launched in February 2007 Schoolgen has saved more than 34 tonnes of CO2 from entering the atmosphere and has generated 155MWh of electricity.

In order to broaden the programme and reach more schools without necessarily installing solar panels, a 'sister school' programme was developed.

More than 70 Auckland students from 15 different schools gathered at Greenhithe School in September 2009 to learn about the benefits of solar energy.

Schools in the Northern Auckland 'cluster' were invited to attend the launch of the Schoolgen Sister School programme. During the day students took part in a series of activities related to solar energy.

Schoolgen is a programme that was developed by Genesis Energy in 2006 to bring solar energy to life for New Zealand children. There are 42 schools across the North Island with a Schoolgen two-kilowatt photovoltaic system (solar panels) installed on the roof of one of their school buildings. This allows them to generate their own electricity from the sun and to learn more about renewable energy and climate change.

Nine schools that showed outstanding contribution and student involvement in the Schoolgen programme were selected as our top Schoolgen schools for 2009. Their achievements were highlighted in the inaugural Schoolgen Yearbook for 2009 <http://www.schoolgen.co.nz/ss/2009-yearbook.aspx>



Schoolgen uses the same technology as the Australian solar schools programme to capture and communicate the solar electricity data from the solar panels to the Schoolgen website. This has created the ability for visitors on the Australian solar schools site ([www.solarschools.net](http://www.solarschools.net)), to compare how much solar electricity Australian solar schools are generating compared to New Zealand Schoolgen schools. Schoolgen schools can access this data via a link from the Schoolgen website.

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### Curtain Bank

Genesis Energy has been supporting the Huntly Curtain Bank with funding and professional support since 2006. In the past year more than 1000 sets of curtains were distributed throughout Huntly and Hamilton. These curtains went into some 310 homes

This year the Company has reconfirmed its support for the Huntly Curtain Bank for a further three years and in July 2010 reaffirmed its commitment to communities and healthy homes by supporting the establishment of a second Curtain Bank. The Wellington Curtain Bank has been established in Wellington by the Sustainability Trust.

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### Sir Edmund Hillary Outdoor Pursuits Centre Sponsorship

OPC offers outdoor education to children and adults throughout New Zealand from its sites at Tongariro and Great Barrier Island. Based alongside the Tongariro Power Scheme, the Tongariro site has long been supported by Genesis Energy.

New Genesis Energy Scholarships are now being offered to low decile schools in parts of New Zealand where Genesis Energy has a presence. These scholarships enable students to attend the Genesis Energy Secondary School Hillary Challenge, which is a fiercely contested five days of adventure racing held annually at the Sir Edmund Hillary Outdoor Pursuits Centre, near Turangi.

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### Lake to Lighthouse Challenge

Genesis Energy was proud to be the official sponsor of the second Genesis Energy Lake to Lighthouse Challenge, one of New Zealand's newest multi-sport events. The event circumnavigates the spectacular Lake Waikaremoana before heading to the coastal town of Wairoa. It was held over two days in November 2009 and was very successful attracting more than 250 competitors.

#### Global Reporting Initiative

- SO1 Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting

[Click this link to the GRI table for explanation](#)



Wellington curtain bank



## Our Business' Key Stakeholder Relationships

Genesis Energy' many diverse stakeholders are key to the successful generation and delivery of energy to homes and, businesses and industry throughout New Zealand. It is crucial that we engage with our stakeholders in an effective dialogue and develop relationships built on mutual respect and a desire to find balanced outcomes.

We seek to be open and transparent with our stakeholders and acknowledge that in some instances the impact of our operations cannot be mitigated. We identify our stakeholders as any group which has an interest or concern relating to Genesis Energy. We operate an open door policy at Genesis Energy and do not seek to exclude any stakeholder groups from our engagement processes.

Genesis Energy has a range of formal and informal stakeholder relationships that enable the company to identify and assess stakeholder needs and concerns. Stakeholder groups and their key concerns and interests are illustrated in the diagram below. Further details on how we respond to stakeholder interests and concerns and the mechanisms we use to engage with them are set out below.

Stakeholder Group	Stakeholder concerns and expectations	How we engage	How we respond to stakeholder concerns
Shareholders	<p>Return on investment and shareholder value</p> <p>Investment decisions and other decisions that may impact on shareholder value</p> <p>Timely and accurate information Ethical behaviour</p>	<p>Briefings with Ministers and officials.</p> <p>Conduct analyst briefings</p> <p>Hold Annual meeting</p> <p>Prepare accurate, timely and informative Half Year and Annual Reports.</p> <p>Release disclosure statements as required</p>	<p>Business strategy with a commitment to increase performance of the business</p> <p>Business strategy with a commitment to reduce carbon intensity of business.</p> <p>Implementation of a business model focussed on driving performance across the entire business.</p> <p>Commitment to following government guidelines on disconnection and vulnerable customers.</p> <p>Produced clear and comprehensive Quarterly Reports to shareholders, and public Half Year and Annual Reports.</p> <p>Released relevant continuous disclosure reports to the Shareholders as required.</p> <p>Held an Annual meeting</p>
Customers	<p>Cost and access to energy</p> <p>Reliable supply</p> <p>Customer service</p> <p>Climate change and energy efficiency</p> <p>Company reputation</p>	<p>Surveys.</p> <p>Customer newsletter.</p> <p>Develop retail processes that support a positive customer experience</p> <p>Develop innovative product offerings</p>	<p>Continuous improvement of customer service.</p> <p>Customer contact centre brought "in-house" on 1 March 2010 to facilitate improvements in customer service.</p> <p>Committed to following Electricity Commission's disconnection guidelines.</p> <p>Deployment of advanced meters</p> <p>Tools, advice and product offers for energy efficiency and carbon footprint reduction.</p> <p>Held an Annual meeting</p>
Generation Communities	<p>Impact of power generation on communities</p> <p>Local environmental footprint</p> <p>Compliance with the law and resource consent requirements</p> <p>Local employment and local economic impact</p> <p>Support for the needs of the local community</p> <p>Honest and open engagement</p>	<p>Consult communities on issues in a timely manner</p> <p>Community meetings on topics of interest.</p> <p>Newsletters and reporting</p> <p>Comply with resource consents</p> <p>Be cognisant of the impacts of our operations and ensure the community understand these impacts and the actions we undertake to minimise and mitigate them.</p> <p>Foster relationships with local communities</p> <p>Involve the community in key milestones</p> <p>Invest in the communities in which we operate via local sponsorships and other support.</p>	<p>Provided community updates on the activities on generation sites via newsletters and meetings</p> <p>Held an Annual meeting</p> <p>Consulted in an open and transparent manner on our projects</p> <p>Targeting 100 per cent resource consent compliance.</p> <p>Environmental Management Systems.</p> <p>Implementation of a sustainable business model.</p> <p>Policy of hiring locally.</p> <p>Celebration in Tuai to mark the 80th year of the Station.</p>

			Continued to support activities in the communities in which we operate
Government Stakeholders	<p>Investment decisions and other decisions that may impact on government</p> <p>Ethical behaviour</p> <p>Contribution to New Zealand's carbon footprint</p>	<p>Open and detailed engagement and contribution on policy issues relating to our business.</p> <p>Policy submissions.</p> <p>Participation in working groups, conferences and meetings.</p>	<p>Business strategy with a commitment to increase performance of the business</p> <p>Business strategy with a commitment to reduce carbon intensity of business.</p> <p>Implementation of a sustainable business model to drive performance.</p> <p>Policy submissions.</p> <p>Commitment to following government guidelines on disconnection and vulnerable customers.</p> <p>Produced clear and comprehensive Half Year and Annual Reports.</p> <p>Held an Annual meeting</p>
Non-governmental organisations	<p>Climate change</p> <p>Impact on local communities</p> <p>Cost and access to energy</p>	<p>Meetings on topics of interest.</p> <p>Partnerships and funding for community projects.</p> <p>Membership of organisation</p>	<p>Business strategy with a commitment to reduce carbon intensity of business.</p> <p>Resource consent agreements.</p> <p>Implementation of a sustainable business model.</p> <p>Held an Annual meeting</p>
Tangata Whenua	<p>Tangata whenua are kaitiaki of resources within their rohe</p> <p>Ongoing impact and degradation on tangata whenua cultural and spiritual values</p> <p>Local environmental footprint</p> <p>Desire to understand extent of Genesis Energy activities</p>	<p>Regular formal and informal meetings.</p>	<p>Acknowledge that tangata whenua have concerns about how the power schemes were developed.</p> <p>Acknowledge that ongoing activities impact on tangata whenua values.</p> <p>Third-party agreements.</p> <p>Respect role of tangata whenua as kaitiaki of the natural resources and taonga within their rohe.</p> <p>Policy of hiring locally.</p>
Employees	<p>Interesting and rewarding work</p> <p>Work/life balance</p> <p>Competitive rates of pay</p> <p>Benefits</p> <p>Provision of a safe working environment</p> <p>Security of employment</p> <p>Working for a responsible employer</p>	<p>Attract, recruit and retain the right person – job fit and organisational fit</p> <p>Regular meetings/briefings.</p> <p>Surveys.</p> <p>Staff newsletter.</p> <p>Intranet.</p>	<p>Competitive salaries and staff benefits.</p> <p>Continued to implement Leadership Development Programmes</p> <p>Continued to implement employee development initiatives</p> <p>Continuous improvement of Wellness programme.</p> <p>Rewards and Recognition programme</p> <p>Flexible ways of working</p> <p>Commitment to health, safety and disability management.</p> <p>Implementation of a sustainable business model.</p>
Electricity Sector	<p>Huntly's future role in the market</p> <p>Working together on mutual interests related to planning and regulation</p>	<p>Submissions on electricity sector policy.</p> <p>Participation in utility forums.</p>	<p>Policy submissions.</p> <p>Participation in working groups, conferences and forums of mutual interest.</p>
Suppliers and Contractors	<p>Requirements of Genesis Energy clearly communicated</p> <p>Genesis Energy future demand for services and goods</p>	<p>Contractual arrangements.</p> <p>Procurement policy.</p>	<p>Sustainable procurement policy.</p>

Civil Society	Climate change Security of supply Cost and access to energy Impact on local communities Management and use of natural resources Electricity market effectiveness	Media releases. Public meetings. Annual meeting Direct mail communications. Advertising.	Business strategy with a commitment to reduce carbon intensity of business. Implementation of a sustainable business model. Held an Annual meeting
Future Generations	Our use of resources Climate change	n/a	Long-term business strategy response to climate change. Implementation of a sustainable business model

**Global Reporting Initiative**

- 4.14 List of stakeholder groups engaged by the organisation
- 4.15 Identification and selection of stakeholders
- 4.16 Approaches to stakeholder engagement
- 4.17 Key topics and concerns from stakeholder engagement

[Click this link to the GRI table for explanation](#)



## Environmental + Social Impact

### Business Objective



To manage responsibly Genesis Energy's environmental and social impact while growing our business

The two key highlights of Genesis Energy's environmental impact during the financial year were meeting the long term carbon intensity target and reporting nil significant resource consent compliance breaches.

The company has a target to reduce the carbon intensity from its generation portfolio by 30% below 2006 levels by 2015 i.e to 484 tCO<sub>2</sub>/GWh or less. This year we have achieved our target with a 33% decrease in carbon intensity compared to 2006 levels. This was due to lower thermal generation volumes and increased use of gas in generation. The challenge is to sustain this position for the long term.

### Approach to managing our impact

Genesis Energy understands its business has an impact on the environment and communities and, in order to reduce this impact it:

- Identifies those with responsibility for environmental management;
- Identifies and documents all environmental effects associated with our activities;
- Identifies environmental objectives and develops associated work programmes to address our environmental and social effects;
- Regularly reviews how well we are implementing our environmental values and meeting our objectives; and
- Reports publicly on our environmental performance.

### Greenhouse Gas Emissions

Genesis Energy has a target to measure and accurately report on Genesis Energy's greenhouse gas emissions across all areas of the business. This year we have reconsidered the way we voluntarily report our greenhouse gas emissions. In previous years we have reported solely on the basis of generation versus non-generation emissions.

We are now reporting a Greenhouse Gas Inventory in alignment with the World Business Council for Sustainable Development Greenhouse Gas Protocol (GHG Protocol). This addition to our reporting was also a key recommendation of the assurance process for our 2009 Annual Report.

Although we are now reporting in alignment with the GHG Protocol, as a thermal electricity generator, we believe it is important to continue to report on our thermal generation emissions in more detail as they are the majority of our greenhouse gas emissions.

The Company's total generation emissions for the 2010 year were 3,529 kilotonnes of CO<sub>2</sub>.

Our approach to reducing our emissions is to focus on our carbon intensity and we have a target to reduce the carbon intensity of Genesis Energy's generation portfolio by 30% below 2006 levels by 2015 i.e to 484 tCO<sub>2</sub>/GWh or less.

This year we have achieved our target with a carbon intensity of 463 tCO<sub>2</sub>/GWh - a 33% decrease in carbon intensity compared to 2006 levels. The challenge is to sustain this position for the long term.

For more detail on Genesis Energy's Greenhouse Gas Emissions please click here.

### Internal Environmental Footprint

Genesis Energy has been working to measure, report and reduce the environmental impact of its day to day activities since the company's inception. Our approach to managing our impact is to ensure that all of our employees are aware of their responsibility to minimise their impact and to support and encourage them to do so wherever possible.

This year yielded some notable improvements to our internal footprint largely around accurately reporting and monitoring our environmental impacts and waste reduction.

We:

- Upgraded our bespoke greenhouse gas calculator to report our greenhouse gas emissions in accordance with the World Business Council for Sustainable Development Greenhouse Gas Protocol;
- Included Energy Online, a new office in Christchurch, and our customer Contact Centre into our performance metrics;
- Established baseline auditing of waste at the Contact Centre and at Huntly Power Station; and
- Significantly improved waste reduction practices at Huntly Power Station.

Our total non-generation footprint for the year was 965.2 tonnes of Carbon Dioxide equivalent (tCO<sub>2</sub>e) and 1.3 tCO<sub>2</sub>e per Full Time Equivalent (FTE) staff member.

We have purchased 970 carbon credits from Permanent Forests International Ltd to offset all of our non-generation emissions for the year 2009/2010. The carbon credits have been retired on the Market Environmental Registry by Permanent Forests International on behalf of Genesis Energy.

For more detail on Genesis Energy's Internal Environmental Footprint including the following please click here.

- Non-Generation Carbon Footprint;
- Electricity use;
- Travel;



Reduce carbon intensity by  
**30%**  
below 2006 levels.

- Waste minimisation; and
- Sustainable procurement.

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### Compliance with resource consents

In the past financial year there have been no significant spills or non-compliance events at Genesis Energy generation sites. There were a number of low level or technical breaches with no adverse effects on the environment and corrective actions were put in place to address these. Where appropriate, consent variations have been or are being sought to resolve areas of technical non-compliance. Genesis Energy's resource consent compliance has been independently audited by specialist auditors and regulating authorities.

Genesis Energy also meets regularly with stakeholders of the Huntly, Tongariro and Waikaremoana Power Schemes to inform communities on operational and environmental performance and to receive feedback. One complaint was received at each of the TPS and WPS through the year. Neither of these complaints were the result of Genesis Energy activities or non-compliance. A complaint was also received regarding Huntly Power Station's overland coal conveyor noise and remedial action was subsequently taken.

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### Tuna fisheries management

Genesis Energy has been involved in supporting several tuna (native eel) management programmes in areas adjacent to the Company's assets.

The Waikato River – Lake Okowhao Eel Habitat Enhancement Project is a collaborative venture between Waikato-Tainui Te Kauhanganui Incorporated (Iwi Authority of Waikato Tainui), Hukanui Amuri Paa (Mana Whenua), Waahi Whaanui Trust (Marae Representative Trust) and Genesis Energy.

The project aims to enhance habitat for eels within Rahui Pokeka (Huntly), restore eel passage to and from Lake Okowhao and the Waikato River, and in so doing, re-create opportunities for customary and traditional use of tuna, and enhance habitat for other indigenous flora and fauna. The project launch and site blessing was held on 18 December 2009 and preliminary vegetation clearance activities were carried out 18 March 2010.

#### Annual Environmental Reports

The Tongariro Power Scheme and Waikaremoana Power Scheme have produced Annual Environmental Reports. These reports bridge the gap between site-specific environmental performance reporting and this Annual Report. They contain detailed information on resource consent compliance, monitoring and research programmes, community and environmental initiatives. Please use this link to access the current annual environmental reports.

On 30 April and 1 May 2010 the Waikato-Tainui Claims and Environment Unit and Genesis Energy jointly hosted an Eel Monitoring Workshop for Waikato-Tainui tribal members in Huntly. The workshop had a mix of korero from Waahi Pa traditional eelers, presentations from NIWA on eel biology and eel fisheries issues, electric fishing demonstrations and monitoring.

The highlight for many was the release of an 11kg longfin female eel back into the Waikato River. For many of the Kaumatua it has been a long time since they had seen an eel of that size in the rohe. The long term goal of holding such workshops is to empower the community to be actively involved in the management of eel populations.

A Tuna Wananga was also held at Hiruharama Marae, Jerusalem, in the middle reaches of the Whanganui River, during April 2010. It was hosted by Ngati Hau; run by NIWA Te Wai Maori Unit and Fisheries staff; and funded by Genesis Energy. The Wananga was attended by some 30 people representing four local Hapu. Attendees gained a contemporary understanding of many aspects of Tuna biology and management.

Genesis Energy has contracted the Lake Waikaremoana Hapu Restoration Trust to begin implementing a Tuna Fisheries Management Plan for the Waikaremoana/Wairoa Catchment. The first year has involved baseline monitoring and skill development for the trap and transfer of migrant tuna (both elvers and mature adults) around power scheme structures.

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### Waahi Stream Restoration Project

Electricity generation at Huntly Power Station results in cooling water discharge which has an impact on the Waikato River. Ecology mitigation projects to offset these impacts are required under our resource consents.

During the year a project commenced to complete outstanding fisheries mitigation obligations required by a resource consent condition. Waahi Stream was chosen due to its close proximity to Huntly Power Station and its importance to local Marae.

Enhancement of the stream and Lake Waahi margins will also support the fishery and improve connectivity with the Waikato River. This project involved fencing and planting along 3km (1.5km each side) of Waahi Stream.

This project is highly dependant on strong partnerships with the adjacent land owners which includes Waahi Paa Marae, private landowners, and Te Wharekura o Rakaumangamanga. Other parties actively involved in the project include Environment Waikato and Department of Conservation.

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### Moawhango Willow Control

While willow infestation on the Moawhango River is not caused by Genesis Energy activities, the reduced flow due to diversion of water for the Tongariro Power Scheme has increased willow impacts on the river. Genesis Energy must undertake 200 metres of willow control per year as a resource consent condition. The control programme has been so successful however, that over 7.0 km has been controlled in the first five years. What has now become a multi-stakeholder catchment-wide, willow management programme, will progressively remove all willows from the Moawhango catchment, upstream of Pungatawa Bridge, over the next few years.



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### *Whio (Blue Duck) Awareness Month*

Whio are an iconic river species on New Zealand's fast flowing, high quality mountain streams. Genesis Energy uses these same rivers to generate renewable energy and, as such, has a responsibility to look after these national treasures. The company has a proud history of involvement with an increasing number of successful Whio conservation programmes through a range of resource consent conditions, mitigation packages and sponsorship agreements.

As part of the company's marketing campaigns, and together with the Central North Island Blue Duck Conservation Charitable Trust, DOC and Forest & Bird, Genesis Energy made March 2010 the inaugural Whio Awareness Month. The month culminated in a Whio Family Day at the Tongariro National Trout Centre on 20 March, where over 500 people attended to enjoy fun activities and learn about Whio.



Whio (Blue Duck) Awareness Month

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### *Fishability study*

The operation of the Waikaremoana Power Scheme can influence the seasonal levels of Lake Waikaremoana, which in turn can affect angling opportunity for shore based anglers who target cruising brown trout as they feed in the shallow lake margins. As part of its resource consent requirements, Genesis Energy has completed a Fishability Study of Lake Waikaremoana to determine how access for shore based angling opportunities changes with varying lake level. The results have been mapped and, when viewed in association with water levels from the Genesis Energy Hydrology website, provide a useful guide for anglers as to how much shore-based fishing is available at a given lake level, and where to access this opportunity.

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### *Lake Waikaremoana Shoreline Hazard Management Guidelines*

The size and nature of the Lake Waikaremoana catchment can often mean the lake's shoreline is affected by high lake levels after heavy rain. Camping, tramping, conservation activities and infrastructure placement can be affected by these high lake levels. A draft 'Shoreline Hazard Management Report' for Lake Waikaremoana was completed during the reporting period. This Report presents practical information guiding the management of risk to activities and assets around the shore of the lake including methods for avoiding and/or mitigating these risks

#### **Global Reporting Initiative**

- EN13 Habitats protected or restored
- EN23 Total number and volume of significant spills
- EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

[Click this link to the GRI table for explanation](#)



## Greenhouse Gas Emissions

This year we have achieved our target to reduce the carbon intensity of our generation business. Our challenge is to sustain this reduction.

Genesis Energy has a target to measure and accurately report on Genesis Energy's greenhouse gas emissions across all areas of the business. This year we have reconsidered the way we voluntarily report our greenhouse gas emissions. We are now reporting a Greenhouse Gas Inventory in alignment with the World Business Council for Sustainable Development Greenhouse Gas Protocol (GHG Protocol).

### Greenhouse Gas Inventory

Greenhouse Gas Emissions Scope 1 (tCO <sub>2</sub> e)	2009	2010
Generation (1)	4,236,000	3,529,287
SF <sub>6</sub>	85	1
Petrol (fleet fuel use)	259	184
Diesel (fleet fuel use)	97	78
LPG	0.1	0
<b>Total Scope 1</b>	<b>4,236,441</b>	<b>3,529,550</b>
<b>Greenhouse Gas emissions Scope 2 (tCO<sub>2</sub>e)</b>		
Purchased electricity - auxiliary	356	243
Purchased electricity – non-generation sites	277	459
<b>Total Scope 2</b>	<b>633</b>	<b>700</b>
<b>Greenhouse Gas emissions Scope 3 (tCO<sub>2</sub>e)</b>		
Air travel	345	211
Rental Cars and mileage	14	35
<b>Total Scope 3</b>	<b>359</b>	<b>246</b>
<b>Total Scope 1, 2 and 3 (2)</b>	<b>4,237,433</b>	<b>3,530,497</b>

(1) Our thermal assets also emit small amounts of methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O). These emissions are not included in our emissions profile.

(2) Scope 1: All direct GHG emissions i.e. burning of fossil fuels in our generation facilities and fuel combustion in our vehicle fleet

Scope 2: Indirect GHG emissions from consumption of purchased electricity.

Scope 3: Other indirect emissions i.e. transport-related activities in vehicles not owned or controlled by Genesis Energy. We cannot currently track taxi usage accurately.

(3) Note that all of the emissions in this inventory are on an operational control basis.

In previous years we have reported solely on the basis of generation versus non-generation emissions. Reporting in alignment with the GHG Protocol is in accordance with best practice in New Zealand and globally. This addition to our reporting was also a key recommendation of the assurance process for our 2009 Annual Report.

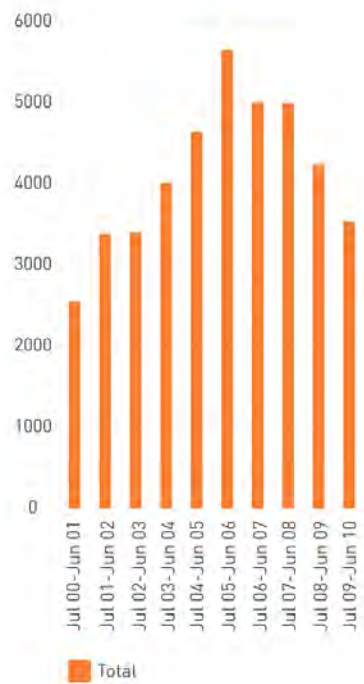
We have also been able to present our 2009 emissions in accordance with the WBCSD. As the Greenhouse Gas Inventory shows, we produced significantly fewer Scope 1 emissions from our electricity production this year compared to last year. Our Scope 3 emissions have also decreased from 2009 largely due to a greater use of video conferencing facilities. The bringing in-house of the Contact Centre has resulted in an increase in our Scope 2 emissions as we have two additional buildings to purchase electricity for. Further discussion on these trends is contained in the Internal Environmental Footprint section.

Genesis Energy offsets emissions due to the operation of our vehicles and purchased electricity for non-generation activities (scopes 1 + 2), plus air travel, and car hire (scope 3) i.e any non-generation emissions that we have not reduced. This year we purchased 970 carbon credits from Permanent Forests International Ltd. The carbon credits have been retired on the Markit Environmental Registry by Permanent Forests International on behalf of Genesis Energy.

Although we are now reporting in alignment with the GHG Protocol, as a thermal electricity generator, we believe it is important to continue to report on our thermal generation emissions in more detail as they are the majority of our greenhouse gas emissions.

The Company's total generation emissions for the 2010 year were 3,529 kilotonnes of CO<sub>2</sub>. The CO<sub>2</sub> is calculated by multiplying the fuel burn (PJ) by the relevant emission factor for each fuel (ktCO<sub>2</sub>/PJ). Emissions factors are sourced from Energy Greenhouse Gas Emissions 1990-2008 published by the Ministry for Economic Development. The emission factor for the rate of CO<sub>2</sub> produced from electricity generation using coal (GJ – T) was 0.0894. The emission factor for the rate of CO<sub>2</sub> produced from electricity generation using gas (GJ – T) was 0.0531.

Carbon Dioxide Emissions for our Thermal Generation (ktCO<sub>2</sub>)



### Commitment to Emissions Reduction

Genesis Energy is committed to reducing the carbon intensity of our generation portfolio. Our approach to reducing our emissions is to focus on our carbon intensity and we have a target to reduce the carbon intensity of Genesis Energy's generation portfolio by 30% below 2006 levels by 2015 i.e to 484 tCO<sub>2</sub>/GWh or less.

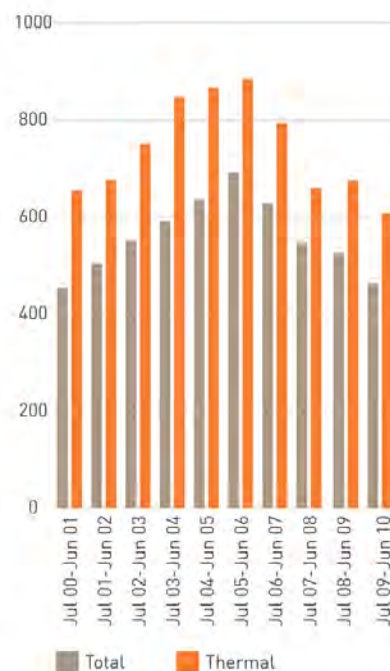
The carbon intensity of our generation portfolio this year was 463 tonnes of Carbon Dioxide (tCO<sub>2</sub>)/GWh compared with 526 tCO<sub>2</sub>/GWh in 2009. Our thermal assets had a carbon intensity of 608 tCO<sub>2</sub>/GWh compared with 675 tonnes of CO<sub>2</sub>/GWh in 2009.

These results are a reflection of reduced demand due to mild early winter conditions and strong national hydro inflows. Market conditions during this period provided for higher hydro generation but lower output from Huntly Power Station. Changes in fuel mix have also been a contributing factor.

This year we have achieved our target with a 33% decrease in carbon intensity compared to 2006 levels. The challenge is sustain this position for the long term.

Carbon intensity is calculated by dividing annual CO<sub>2</sub> emissions by the annual net generation (GW). The percentage variation is then calculated in comparison to the 2005/2006 result.

Carbon Intensity Profile of Our Generation Portfolio (Tonnes CO<sub>2</sub>/GWh)



#### Change to the Calculation Methodology of Carbon Intensity and Total Emissions

This year for the first time we have used our bespoke greenhouse gas calculator to voluntarily report on our generation emissions. Generation fuel consumption and fuel delivery data for thermal sites that is used in the Greenhouse gas calculator is sourced from the Generation Operational Data Store (GODS).

GODS is a collection of information from the PI (Plant Information system) on actual metered quantities of coal and gas. Previous year's emissions have been manually derived from fuel consumption reconciled to financial and production values. Due to subtle differences between the actual measurements provided by PI and derived measurements there is a very small difference in results between manual calculation and the greenhouse gas calculator.

This methodology has been applied to the Genesis Energy emissions as of 2010. The variation in emissions for 2010 is <1% under the new methodology compared with the previous methodology.

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#### *Sulphur hexafluoride (SF6)*

Genesis Energy operates SF6 circuit breakers across the generation sites. A small amount of SF6 is lost from this equipment over time. Genesis Energy is a signatory to the voluntary electricity sector Memorandum of Understanding relating to "Management of Emissions of Sulphur Hexafluoride to Atmosphere" ("MOU") managed by the New Zealand Climate Change Office. All signatories of the MOU, agree to maintain both a yearly leakage rate and a three year rolling average leakage rate below 2 per cent of total weight of SF6 held by the Participant.

For the period 1 July 2009 – 30 June 2010 Genesis Energy had a total of 0.06 kg of SF6 gas lost to the atmosphere. This is equivalent to 1.4 tonnes of CO<sub>2</sub>e. This leakage is considered a 0.006% loss and is well within the target of 2 per cent. There has been a marked reduction in the loss of SF6 gas over this reporting period in comparison to previous years – last years leakage was equivalent to 84.8 tonnes of CO<sub>2</sub>e. This can be attributed to Genesis Energy's focus on SF6 management.

## Internal Environmental Footprint



Genesis Energy has been working to measure, report and reduce the environmental impact of its day to day activities since the company's inception. Our approach to managing our impact is to ensure that all of our employees are aware of their responsibility to minimise their impact and to support and encourage them to do so wherever possible.

We have two key targets that aim to improve our performance in this area:

- To measure and accurately report on Genesis Energy's greenhouse gas emissions across all areas of the business; and
- To reduce the carbon intensity of Genesis Energy's non-generation activities.

This year yielded some notable improvements to our internal footprint largely around accurately reporting and monitoring our environmental impacts and waste reduction.

**We:**

- Upgraded our bespoke greenhouse gas calculator to report our greenhouse gas emissions in accordance with the World Business Council Sustainable Development GHG protocol;
- Included Energy Online, a new office in Christchurch, and our customer Contact Centre into our performance metrics;
- Established baseline auditing of waste at the Contact Centre and at Huntly Power Station;
- Significantly improved waste reduction practices at Huntly Power Station; and
- Offset all of our non-generation emissions for the year 2009/2010.

Our total non-generation footprint for the year was 965 tonnes of Carbon Dioxide equivalent (tCO<sub>2</sub>e) and 1.3 tCO<sub>2</sub>e per Full Time Equivalent (FTE) staff member. It has been challenging this year to compare our performance against the previous year as there have been a number of changes including a significant number of new staff with the Contact Centre coming in-house and three new offices.

### Non-Generation Carbon Footprint

While we have included all of our Scope 1 and 2 emissions in our Greenhouse Gas Inventory we believe it is important to identify the proportion of these emissions that come from our non-generation activities as opposed to our generation activities so that we can effectively manage them. We also see our responsibility for our Scope 3 non-generation emissions as being equally as important. Overall, non-generation emissions include the direct emissions from our fleet, and the indirect emissions from rental car use and mileage, purchased electricity, and air travel.

For the second year we have measured our non-generation emissions using our greenhouse gas calculator. This year we expanded the boundary of our reporting to include air travel, purchased electricity, mileage and rental car use for Energy Online. We also captured emissions from our Contact Centre in Hamilton and our new office in Christchurch. All data captured in the calculator is multiplied by associated emission factors. The emission factors used are sourced from the Ministry of Economic Development Guidance for Voluntary Corporate Greenhouse Gas Reporting 2008 and the WBCSD/WRI GHG Protocol Initiative Travel Emissions version 2 for air travel.

Our total non-generation footprint for the year was 965 tonnes of Carbon Dioxide equivalent (tCO<sub>2</sub>e) and 1.3 tCO<sub>2</sub>e per Full Time Equivalent (FTE) staff member.

While this may seem like an improvement compared to our performance last year (1071 tCO<sub>2</sub>e and 1.83 tCO<sub>2</sub>e per FTE), it is difficult to draw any conclusions due to the addition of our Contact Centre staff members and three new offices. Contact centre staff members are unlikely to travel compared with the rest of the company and are therefore likely to have skewed the results this year.

As with previous years we have offset the non-generation emissions that we have not been able to reduce. This year we purchased 970 carbon credits from Permanent Forests International Ltd. The carbon credits have been retired on the Market Environmental Registry by Permanent Forests International on behalf of Genesis Energy.

### Electricity Use

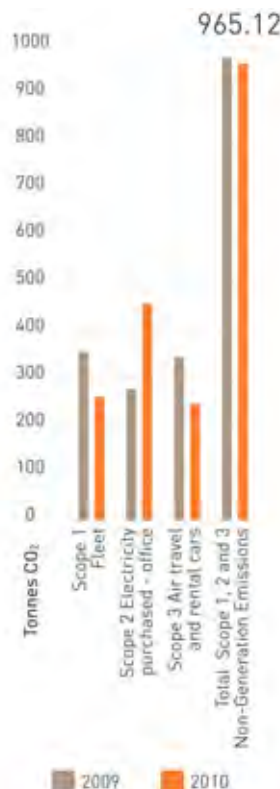
We have now built a comprehensive picture of electricity use at all of our non-generation sites including our recently acquired offices in Hamilton and Christchurch. All of our non-generation sites meet the Energy Efficiency and Conservation Authority (EECA) low typical usage benchmark of 200 – 280 kWh/sqm except for the Greenlane and Hamilton (London St) offices.



Environmental testing at Huntly



Reducing carbon with hybrid cars



Electricity Consumption	2008 kWh/sqm	2009 kWh/sqm	2010 kWh/sqm
Greenlane	151	232	338
Hamilton – London St	274	472	641
Hamilton – 371 Victoria St	-	-	93
Hamilton – 500 Victoria St	-	-	85
Wellington – The Terrace vacated Feb 2010	116	110	57
Wellington – Chews Lane	-	-	24
Christchurch	-	-	29
Energy Online	-	240	222

Overall the electricity consumption across all our non-generation sites was 0.6 tCO<sub>2</sub> per FTE; the same result as the previous year. It is not possible to identify a trend from this result as there have been significant changes in our electricity use largely due to the addition of three new office sites and a significant increase in employees resulting from the Contact Centre coming in-house.

Recent energy audits have identified good opportunities to improve energy efficiencies at several of the sites. However, at the Greenlane site we have now implemented all energy efficiency improvements with a reasonable payback period and there are limited opportunities for further improvement while we remain in our current building.

We also track the purchased electricity used by our generation sites, although it is a particular challenge to manage this electricity use due to the capital cost constraints of improvements.

### Travel

Emissions attributable to travel by fleet and rental cars for 2010 were 296 tCO<sub>2</sub>e or 0.4 tCO<sub>2</sub>e per FTE. For air travel it was 212 tCO<sub>2</sub>e or 0.3 tCO<sub>2</sub>e per FTE. We have not reported in this level of detail in the past and will seek to identify trends in this area of performance in coming years.

The bringing in-house of the Contact Centre resulted in an increase of vehicle trips between Auckland and Hamilton. Where possible the impact of this travel has been minimised by carpooling and by increased use of video conference facilities. There has also been a decrease in air travel across the company, largely due to video conference facilities which are now utilised wherever possible and also a focus on overhead reductions.

Fuel Use (litres)	2009	2010
Diesel	36,296	29,032
Petrol	111,110	78,655
LPG	60	0

### Waste Minimisation

This year we have been working hard to ensure all sites have a waste minimisation programme in place. All sites now have the same bin systems and signage and five out of seven of our non-generation sites have had an annual audit undertaken. We have improved performance at all non-generation sites except for Greenlane where a 24% increase of waste to landfill has occurred compared to 2009.

The Hamilton London St office has achieved the most notable improvements in performance with a 58% decrease in waste sent to landfill. This has been achieved by the use of improved recycling facilities and signage, and a campaign lead by the office manager. The key barrier to continued improvement has been identified as the lack of facilities for organic waste recycling in Hamilton.

Huntly Power Station has also significantly improved waste reduction practices, with new recycling facilities being installed. The new waste service provider, Metrowaste, is providing good information on tonnages of waste. Previous waste audits estimated tonnages based on information supplied by the previous contractor on skip bin sizes, number of lifts and estimates of how full these bins were each time they were lifted.

No audits were undertaken at Tokaanu or Tuai power stations this year.

Office	Waste per employee (kg per FTE)				
	2007	2008	2009	2010	performance
Greenlane Office	88	28	15	19	+24%
Hamilton Office – London St	-	45	54	23	-58%
Hamilton Contact Centre – ASB Building	-	-	-	21	
Hamilton Contact Centre – Waitomo House	-	-	-	31	
Wellington Office	-	76	25	55	
Christchurch Office	-	-	-	-	
Energy Online Office	-	-	40	34	-15%
<b>Total Waste to Landfill (tonnes)</b>					
Huntly Power Station	1,976	1,756	1,463	316*	-78%
Tokaanu Power Station	97.25	60.82	-	-	
Tuai Power Station	-	429	-	-	



Waste minimisation

\*No audit has been undertaken at Huntly this year as the new waste providers are now weighing all waste to landfill from January 2010. This data is an extrapolation of 4 months worth of data. It is difficult to draw conclusions from this data as a number of changes have occurred during that time. The most likely reasons for this result is that improved site wide recycling, including diversions of an estimated 85 tonnes per annum of river weed, is now occurring.

An ongoing success story this year for Genesis Energy has been the composting of weed at Tokaanu Power Station. Some 600 cubic metres of weed is collected from the weed screen at the Lake Rotoaira intake and is provided to an iwi based worm farm initiative in Turangi. Previously this weed was a significant problem for the power station, with weed being removed to landfill at great cost to Genesis Energy and the environment.

The worm farm is a trial for the possible use of weed from Lake Taupo in a commercial worm farm to create nutrients that can be used within the Lake Taupo catchment as an alternative to importing nutrients into the catchment.

Genesis Energy provides a cost effective source of weed for the trial. Tokaanu Power Station has been involved from the start of the trial in November 2008.

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### *Sustainable Procurement*

Genesis Energy has continued to progress the embedding of sustainability principles into purchase decisions made within the company. While we have not been as active in this space as in previous years we recognise this as a key area of business and sustainability leadership. We continue to implement our Sustainable Purchasing Guidelines and have also added some tools specific to sustainable building and office fitouts to our suite of procurement practices.



Remaining weed from the Tongariro River near the Rangipo Dam

## About This Report

Genesis Energy remains committed to sharing the key highlights and challenges of our economic, environmental and social performance through our Annual Report. This year's report has been produced in an expanded online format that moves us towards best practice in sustainability reporting. An accompanying print version contains a summary of the Annual Report focussing on key highlights and challenges along with the financial statements and notes.

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### The reason for this report

Producing a sustainability report is a key 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. As such the target audience for this report is all of our stakeholders.

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### Identifying Material Content

This is Genesis Energy's fourth annual sustainability report, containing information about the company's economic, environmental and social policies and performance. The previous sustainability report was published in 2009. This report identifies the areas that we believe are the most important to Genesis Energy's sustainability.

To identify the key material issues, we first compiled information on economic, environmental, governance and social issues that were relevant to Genesis Energy's business and stakeholders. To this end, we reviewed numerous sources, including:

- Corporate plans, objectives and strategies;
- Risk Register;
- Shareholder resolutions and other feedback received through ongoing dialogue with Shareholding Ministers;
- Partners, non-governmental organisations, suppliers and other stakeholders concerns and interests;
- Media coverage;
- Industry benchmarking; and
- The Global Reporting Initiative (GRI), Electricity Sector Supplement.

The assessment was based upon three parameters that we used to define and determine materiality for the purpose of sustainability reporting:

- The level of concern to external stakeholders;
- The impact of stakeholder concern on our ability to achieve our Business Plan; and
- The degree to which Genesis Energy can control and influence the topic or issue.

We weighted the issues raised (highest weighting went to the first two criteria above) and combined this assessment with the presence of the issues in the GRI in order to prioritise their coverage in the Annual Report. The topics that had the highest score for this reporting year were considered to be the most material at this time, to be included in the Annual Report.

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### Sustainability Reporting Guidelines

The content of the Annual Report is guided by the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 3.0 (G3) and the Electricity Utility Sector Supplement (2009). The report meets the requirements of Application Level C+.

The GRI Guidelines provide a voluntary reporting framework used by organisations globally for measuring, disclosing, and being held accountable to internal and external stakeholders for organisation performance toward the goal of sustainable development.

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

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### Use of the GRI's Reporting Principles

We have reviewed the GRI G3 Reporting Principles for Defining Report Content and Quality, with emphasis on ensuring we provide a material representation of Genesis Energy's sustainability performance. We have drawn upon the outcomes of our frequent and formal stakeholder engagement to inform materiality (as discussed previously in this section).

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### Reporting period, accuracy and completeness

This report is based on the performance and information for the financial year to the end of June 2010. Some data on our performance for the financial year is not included in this report due to the prioritisation of information. This information is available in the Annual Environmental Reports published for the Tongariro and Waikaremoana Power Schemes and the Huntly Power Station and is also covered in the extended GRI index.

There is much historical information that may meet GRI indicator requirements, however, this is not included in the report as it does not meet the GRI principle of timeliness or would be repeating information found in earlier annual reports. Much of this information can be found on our website or in the GRI Index.

Our systems for data collection and accountability continue to grow more sophisticated as we strive

for continuous improvement in this area. A sample of the data collected was also subject to the assurance review undertaken by Deloitte.

We have relied on our materiality self assessment described above to meet the GRI principle of completeness however this has been limited as stakeholders have not been consulted on the Annual Report content this year.

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### Boundary of the Report

Wholly-owned subsidiaries of Genesis Energy, such as Energy Online (EOL) are included in the scope of this report. As we have control over this asset we have increased coverage of material issues this year. From 1st March 2010 customer services previously provided by SITEL were moved in-house to a Genesis Energy Contact Centre. As Genesis Energy has control over the Contact Centre from this date, its material performance is reported on in this report.

Joint ventures and investments are not included for the purposes of sustainability reporting as they are largely operated by external organisations and are outside of our control. Also outside of this report are outsourced field services contractors.

Please refer to the Financial Notes for a diagram and explanation of the Company Structure.

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### External Assurance

For the second time the Annual Report has been the subject of a Limited assurance, in accordance with the ISAE3000 assurance standard, by Deloitte. The assurance scope included application of the GRI principles and selected GRI performance indicators. The Application level of the GRI has been third party checked by Deloitte.

Our financial statements have again been audited by Deloitte on behalf of the Auditor-General.

As part of Deloitte's assurance process for our 2009 report, they considered ways in which Genesis Energy might improve its overall sustainability reporting. The key areas and Genesis Energy's responses to them were:

#### Content Materiality

*Recommendation: Genesis Energy should more clearly identify those areas to which it gives highest priority. It should also link performance measures to the materiality assessment process.*

Genesis Energy response: We have implemented a new materiality identification process linked to our business planning and performance measure setting processes. Refer to Approach to Sustainability for more information.

#### Governance

*Recommendation: Genesis Energy should ensure that the Executive Team have a consistent understanding of an approach to sustainability. Also senior management should be included in the assessment of material issues during the report development stages.*

Genesis Energy response: As part of the 2010/11 business strategy and plan development the Executive defined the areas of the business where performance was essential in order to succeed in being a sustainable business that delivers on its financial targets. Accordingly, the company has incorporated seven business objectives across its operations to drive performance. In 2010, the Executive also reviewed the company's existing targets with the express view to ensure a sound process for addressing material issues for the company.

#### Stakeholder Engagement

*Recommendation: Genesis Energy's stakeholder engagement process needs to be broadened, enhanced and more formalised to enable report content to be influenced to the extent recommended by the GRI.*

Genesis Energy response: Genesis Energy has not undertaken specific engagement on the Annual Report 2010 but as part of the Business planning round for 2010/11 as identified the following as first steps that need to be undertaken before appropriate stakeholder engagement can be determined.

1. Stakeholder Mapping Exercise - collecting information from staff and identifying gaps.
2. Stakeholder Engagement Plan - developing company-wide engagement plan including implementation options

Deloitte also recommended we report on our GHG emissions according to the requirements of the GHG protocol developed by the WBCSD instead of defining them as generation and non-generation. This year we have followed that advice in order to be more comparable with other GRI reporters and energy utilities that follow best practice.

#### Global Reporting Initiative

- 2.1 Name of Reporting organisation
- 2.3 Operational Structure of the Organisation
- 3.1 Reporting period for information provided
- 3.2 Date of most recent previous report
- 3.3 Reporting cycle
- 3.5 Process for defining report content
- 3.6 Boundary of the report
- 3.7 State any specific limitations on the scope or boundary of the report
- 3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations
- 3.13 Policy and current practice with regard to seeking external assurance for the report.



## Independent Assurance Statement

### INDEPENDENT ASSURANCE STATEMENT ON THE CORPORATE RESPONSIBILITY REPORT - 2010

#### INDEPENDENT ASSURANCE STATEMENT

##### To the Directors of Genesis Power Limited

We have been engaged by the directors to conduct a limited assurance engagement relating to the 'Sustainability Content for Genesis Power Limited's 'Annual Report' (the Content) for the financial year ending 30 June 2010 as described below:

- Global Reporting Initiative Sustainability Reporting Guidelines (GRI G3) 'application level' – reviewing whether the Content meets the requirements of the 'C+' application level as stated in the GRI G3 for Sustainability Reporting;
- GRI G3 'principles for defining report content' - reviewing Genesis Power Limited's application of the GRI 'principles for defining report content';
- GRI G3 selected 'performance indicators' – reviewing whether the information reported as part of the sustainability reporting indicators on pages 119-120 (presented in the table 'The following 10 GRI Performance indicators form part of the 'C+' GRI application level') has been correctly extracted from the underlying systems of the Company;

This report is provided solely to the directors of Genesis Power Limited in accordance with our letter of engagement dated 1 July 2010. Our work has been undertaken so that we might state to the directors of Genesis Power Limited those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume duty, responsibility or liability to anyone other than Genesis Power Limited for our work, for this independent assurance statement, or for the conclusions we have formed including, without limitation, liability for negligence.

##### Directors' Responsibility

The directors are responsible for:

- The preparation and compilation of the Content and for the information and statements contained within it in accordance with GRI G3;
- Determining the objectives in respect of sustainability performance and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived based on the GRI G3.

##### Our Responsibility

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

##### Basis of Opinion

The evaluation criteria used for our assurance on GRI G3 'C+' application level and GRI G3 'principles for defining report content' are based on the publicly available GRI G3.

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

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

Our procedures consisted primarily of the following:

- Understanding and analysing the process for preparing the content including:
- Assessing the Content against the requirements GRI G3 'C+' application level.
- Interviewing the senior executives and group level sustainability team responsible for preparing the Content;
- Analysing the process of compiling and validating information received from data owners for inclusion in the Content;
- Reviewing the Contents against the findings of our work and, as necessary, providing recommendations for improvement.

Other than in our capacity as auditors of the statutory financial statements on behalf of the Auditor-General, we have no relationship with or interests in the Company or any of its subsidiaries. Furthermore, principals and employees of our firm deal with the Company on arm's-length terms

within the ordinary course of the Company's trading activities. Other than this limited assurance engagement, the financial statutory audit and arm's-length transactions, we have no relationship with or interests in the Company, or any of its subsidiaries.

**Conclusion**

Based on the procedures performed, in all material respects:

- GRI G3 'application level' – nothing has come to our attention to suggest that the Content prepared by Genesis Power Limited has not met the requirements of the 'C+' application level as stated in the GRI G3 for Sustainability Reporting;
- GRI G3 – 'principles for defining report content' – nothing has come to our attention to suggest that Genesis Power Limited has not applied the GRI G3 'principles for defining report content' in the Content;
- GRI G3 selected performance indicators - nothing has come to our attention to suggest that the information reported under performance indicators on pages 119-120 (presented in the table 'The following 10 GRI Performance indicators form part of the 'C+' GRI application level') has not been correctly extracted from the underlying systems of the Company;

Our limited assurance engagement was completed on 8 October 2010 and our conclusion is expressed as at that date.



**Deloitte.**

Chartered Accountants

Auckland New Zealand

**Note:**

This Assurance Statement relates to the Global Reporting Initiative G3 (GRI G3) content within the Annual Report 2010 of Genesis Power Limited for the 12 months ended 30 June 2010 included on Genesis Power Limited's website. Genesis Power Limited is responsible for the maintenance and integrity of the Genesis Power Limited website. We have not been engaged to report on the integrity of the Genesis Power Limited website. We accept no responsibility for any changes that may have occurred to the Annual Report 2010 since it was initially presented on the website.

The Assurance Statement refers only to the Global Reporting Initiatives G3 (GRI G3) content within the Annual Report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this Annual Report. If readers of this report are concerned with the inherent risks arising from electronic data communications they should refer to the published hard copy of the reviewed Annual Report and related Assurance Statement dated 8 October 2010 to confirm the information included in the Annual Report presented on this website.

Legislation in New Zealand governing the preparation and dissemination of Annual Reports that report on sustainability performance may differ from legislation in other jurisdictions.

## Global Reporting Initiative

The content of the on-line version of the Annual Report was guided by the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 3.0 (G3) and the Electricity Utility Sector Supplement (2009).

The GRI Guidelines provide a voluntary reporting framework used by organisations globally for measuring, disclosing, and being held accountable to internal and external stakeholders for organisation performance toward the goal of sustainable development.

We have reviewed the GRI G3 Reporting Principles for Defining Report Content and Quality, with emphasis on ensuring we provide a material representation of Genesis Energy's sustainability performance.

The GRI also includes a suite of performance indicators relating to company profile, strategy, governance, stakeholder engagement and environmental, economic and societal performance. The indicators accompany performance information in the report and in the GRI Index.

The on-line version of the Annual Report meets the requirements of Application Level C+.

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### GRI Indicators for Application level

The following 10 GRI Performance Indicators form part of the C+ GRI Application level.

[Click this link to the GRI table for explanation](#)

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### Complete GRI Index

This year we have considered all of the GRI profile disclosures and performance indicators and included more detailed reporting against the GRI framework.

The following table outlines our level of disclosure against all of the GRI profile disclosures and performance indicators.

[Click this link to the full GRI table for explanation](#)

**GRI Application Level**

		2002	C	C+	B	B+	A	A+
		in accordance						
optional	mandatory	Self Declared			report	report	report	report
	Third Party Checked			report	report	report	report	report
	GRI Checked			report	report	report	report	report



## Physical Assets

Click on the energy type below for more information



Gas



Wind



Thermal



Hydro

*Genesis Energy's assets are currently located solely in the North Island of New Zealand.*

### Global Reporting Initiative

- EU1 Installed capacity broken down by primary energy source and regulatory regime

Click this link to the GRI table for explanation.





## Physical Assets

Click on the energy type below for more information



Gas



Wind



Thermal



Hydro

### Kupe Gas and Oil Field

Genesis Energy owns 31 per cent of the oil and gas production field of Kupe, located 30km offshore of South Taranaki. The project was commissioned in March 2010.

### Global Reporting Initiative

- EU1 Installed capacity broken down by primary energy source and regulatory regime

Click this link to the GRI table for explanation.





## Physical Assets

Click on the energy type below for more information



Gas



Wind



Thermal



Hydro

### Hau Nui Wind Farm

Harnessing the strong and consistent winds of the South Wairarapa Coast, the wind farm is aptly named Hau Nui, or 'strong wind' in Maori. 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 25GWh. Hau Nui has excellent availability, recording 48 per cent capacity factor since commissioning.

YEARS COMMISSIONED: Stage 1: 1996 Stage 2: 2004

TOTAL CAPACITY: 8.65MW

### Global Reporting Initiative

- EU1 Installed capacity broken down by primary energy source and regulatory regime

Click this link to the GRI table for explanation.





## Physical Assets

Click on the energy type below for more information



Gas



Wind



Thermal



Hydro

### Huntly Power Station

With an output of 1,448MW, 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. Annual generation output at Huntly is typically between 5,000 and 7,000GWh.

YEARS COMMISSIONED: 1981 2004 2007

GENERATION UNITS: 4x 250MW 1x 48MW 1x 400MW

TOTAL CAPACITY: 1,448MW

FUEL: Coal and gas

### Global Reporting Initiative

- EU1 Installed capacity broken down by primary energy source and regulatory regime

Click this link to the GRI table for explanation.





## Physical Assets

Click on the energy type below for more information

-  Gas
-  Wind
-  Thermal
-  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 three 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, dams, and tunnels to bring water to the stations that typically generate 1,300GWh per annum.

YEARS COMMISSIONED: 1973 1983 2008

GENERATION UNITS: Tokaanu Rangipo Mangaio

4x 60MW 2x 60MW 1x 2MW

TOTAL CAPACITY: 362MW

### 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 500GWh. The Waikaremoana storage reservoir was created by an historic landslide that closed off the valley and provided the opportunity to implement flood control while creating the characteristics for a high-head hydro scheme.

YEARS COMMISSIONED: 1929 1943 1947/1978

GENERATION UNITS: Tuai Piripaua Kaitawa

3x 20MW 2x 21MW 2x 18MW

TOTAL CAPACITY: 138MW

#### Global Reporting Initiative

- EU1 Installed capacity broken down by primary energy source and regulatory regime
- Click this link to the GRI table for explanation.



## Management + Governance



Genesis Energy has a strong focus on corporate governance.

This section details our governance practices and the people who govern and manage the Company.

## 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.

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### 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 2010 were:

**Hon. Bill English**      **Minister of Finance**  
**Hon. Simon Power**    **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 two financial years.

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### 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 oversight by the Board 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; and
- authorise the formation of any subsidiary companies and appoint directors and oversee governance of subsidiary companies.

The Board holds two annual strategic planning workshops with management each year, 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. Written procedures, policies and guidelines, organisational structures allocating responsibilities, a programme of internal audit, regular reporting and the careful selection and training of qualified personnel all form part of the control framework, overseen by the Board.

In discharging its duties the Board requires management to submit annually, for its consideration and approval, a business plan setting out the Company's operation and development objectives. The Board also requires an annual budget, embracing the objectives of 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, 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.

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### Board Membership

From the beginning of the year in review through to March 2010 the Board comprised nine non-executive, independent directors reducing to eight for the remainder of the year under review. 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.

The Constitution provides 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.

Shareholding Ministers appoint the Board Chair and Deputy Chair.

The names of the directors holding office during the year in review, including details of their qualifications, special responsibilities and standing committee memberships, are set out below:



Directors' Qualifications	Term and Special Responsibilities
<b>Rt Hon Dame Jenny Shipley</b> DNZM	Appointed 1 November 2009 Chairman of the Board from 1 November 2009 Member of Audit Committee from 1 November 2009 Member of Remuneration Committee from 1 November 2009 Member of Ministerial Review Oversight Committee
<b>Joanna Perry</b> MNZM, MA Econ (Cantab), FCA (ICAEW), FCA (NZICA)	Appointed 1 May 2007 Member of Audit Committee from May 2007 Chair of Audit Committee from September 2007 Deputy Chair of the Board from May 2009 Chair of Ministerial Review Oversight Committee
<b>Nicki Crauford</b> BSc (Hons), PhD, FIPENZ, MInstD, FAICD	Appointed 1 January 2005 Chair of Remuneration Committee from July 2008
<b>Barbara Elliston</b> B.E. Elect (Hons)	Appointed 1 May 2008 Member of Audit Committee from 1 May 2010 Member Ministerial Review Oversight Committee
<b>Denis Wood</b> MA Econ (Hons)	Appointed 1 May 2009 Member of Audit Committee from 1 May 2010 Member Ministerial Review Oversight Committee
<b>Graeme Milne</b> B.Tech (Biotech) Hons	Appointed 1 May 2009
<b>John Dell</b> BCom (Hons) CA	Appointed 1 May 2010 Member of Remuneration Committee from 1 May 2010
<b>Rukumoana Schaafhausen</b> LLB	Appointed: 1 May 2010
<b>Brian Corban</b> CNZM, QSO, MA (Hons), LLB, FInstD, FNZIM	Appointed 21 December 1998 Term Ended 31 October 2009 Establishment Board (IDG) member August 1998. Chairman of the Board from 11 May 1999 Member of Audit Committee from August 1999 Member of Remuneration Committee from February 2001
<b>Sara Lunam</b> BA, PG Dip Regional and Resource Planning	Appointed 15 August 2008 Term Ended 31 March 2010
<b>Annabel Cotton BMS</b> (Accounting & Finance), ACA, CSAP	Appointed 8 June 2004 Term Ended 30 April 2010 Member of Audit Committee from August 2004
<b>Ian Kusabs</b> MSc (Hons) Biological Sciences	Appointed 3 June 2004 Term Ended 30 April 2010 Member of Remuneration Committee from July 2008

### Appointment of Directors

The directors are appointed by shareholding Ministers through a director recruitment process managed by the Crown Ownership Monitoring Unit ("COMU"). COMU 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 which 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 receive written monthly and information monitoring reports and reports on matters requiring directors' approval from the Chief Executive and senior management. The Board calls additional meetings of directors as required. Each year the Board aims to hold a number of meetings of directors away from the corporate office, combining the Board meeting with an opportunity for directors to meet and engage with stakeholders, iwi, hapu and business partners of the Company.

### 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 or monitor proposed business. The Board uses committees where this enhances its effectiveness while retaining Board responsibility.

The current standing committees comprise the Audit Committee and the Remuneration Committee. Following each committee meeting the committee is required to report back on its proceedings to the next meeting of the full Board. In the year under review, the Board constituted a temporary non-standing committee to oversee a significant acquisition proposal.

### Audit Committee

The Audit Committee has power of recommendation to the Board and is scheduled to meet no less than four times a year, with additional meetings being convened when required.

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

- Integrity of external financial reporting;

- Financial management;
- Internal control systems;
- Accounting policy and practice;
- Risk management framework and monitoring compliance with that framework; and
- Compliance with applicable laws, regulations and standards.

The Chair of the Audit Committee is a chartered accountant and is not the Chairman of the Board.

The Board has established full terms of reference for the Audit Committee which are reviewed annually.

### 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 principal purpose of the Remuneration Committee is to assist the Board in the discharge of its responsibilities relative to the setting and review of the terms of employment and remuneration of the Company's Chief Executive, the review of the terms of employment and remuneration of direct reports to the Chief Executive and the setting and reviewing of policy in relation to directors' fees and expenses.

The Board has established full terms of reference for the Remuneration Committee which are reviewed annually.

### Additional Committee

In the year under review, directors Dame Jenny Shipley, Joanna Perry, Barbara Elliston and Denis Wood were appointed by the Board to the Ministerial Review Oversight Committee to provide oversight of the proposed acquisition of Tekapo A and B Power Stations and other transactions as contemplated in the Electricity Industry Bill which was introduced into the House of Representatives in December 2009 following the Ministerial Review into the Performance of the Electricity Industry. The Committee was established in February 2010 and is expected to remain constituted until 31 October 2010. The Committee is chaired by Joanna Perry.

### Attendance at Meetings

In the year ended 30 June 2010 there were 13 Board meetings including two teleconference meetings, seven Audit Committee meetings and six Remuneration Committee meetings. Attendance at Board and Committee meetings was as follows:

Directors	Board Attendance (scheduled and additional)	Audit Committee	Remuneration Committee	Board Oversight Committee
Rt Hon Dame Jenny Shipley (from 1 November 2009)	8	5	4	6
Joanna Perry	12	7		8
Nicki Crauford	12		6	
Barbara Elliston	13	1		8
Denis Wood	13	7		8
Graeme Milne	13			
John Dell (from May 2010)	2			
Rukumoana Schaafhausen (from May 2010)	2		2	
Brian Corban (to October 2009)	5	2		
Sara Lunam (to March 2009)	9		3	
Annabel Colton (to April 2009)	9	6		
Ian Kusabs (to April 2009)	10		3	

All directors attended two joint Board and senior management strategic planning workshops in February 2010.

### 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 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.

Management undertakes regular reporting to apprise the Audit Committee and the Board of the Company's key risks and the treatment of those risks.

### Audit

The Board has adopted a policy to prevent its 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 Controller and Auditor General is required to express an opinion on Genesis Energy's financial statements and pursuant to section 15 of the Public Audit Act 2001, has appointed Bruce Taylor of Deloitte to undertake the audit on its behalf.

The Audit Committee meets regularly with the external auditor and the Board requires regular financial reports and information from management throughout the year, which enable the Board to give a true and fair view of the financial position of the Company and the Genesis Power Limited Group.

In the year under review, Deloitte also provided certain services involving a limited assurance in relation to the sustainability content of the 2010 Annual Report and related advice. The value of these other services is detailed in the Financial Statements.

### Internal Audit

Genesis Energy has outsourced its internal audit function which monitors 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. The Audit Committee meets regularly with the internal auditor.

Both the internal auditor and the external auditor have unrestricted access to the Audit Committee and to the Board.

### Sustainability

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 believes that sound business practice necessitates an approach that looks beyond simple compliance with strict legal requirements.

Accordingly, Genesis Energy has adopted a sustainable business model requiring that business decisions are made within a wide context including the economic and environmental impacts of the decision, the views and expectations of stakeholders, and the impact of today's decisions on future generations. The incorporation of the following objectives within the Company's business operations are intended to drive the performance of Genesis Energy:

Category	Business Objectives
Financial	To be fiscally responsible whilst delivering on shareholder value and performance expectations.
Governance and Benchmarking	To follow best practice in corporate governance and benchmark the company's sustainability performance.
Production and Generation	To provide economic production and new generation solutions that demonstrate strong sustainability performance
Customers	To be recognised as a leading New Zealand energy provider with excellent customer service
Our Environment and Social Impact	To manage responsibly Genesis Energy's environmental and social impact while growing our business
Employees	To partner with our people for success.
Community, Iwi, Hapu and Stakeholders	To engage meaningfully with the communities, iwi and hapu in the areas in which we operate and with other key stakeholders.

### Stakeholder and Iwi Engagement

The Board requires management to provide regular reporting on the nature and extent of stakeholder and iwi and hapu engagement and consultation pertinent to the Company's business interests and the communities in which it operates.

The Company seeks to establish opportunities at various levels of the business which ensure ongoing and regular consultation.

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 COMU. In addition, the directors review the Chairman and the Chairman reviews each director. Evaluation templates, online questionnaires and group and one-on-one discussions are all part of the suite of tools available to the Board to facilitate the review process.

### Board Training and Development

The Board recognises the importance of continuing education for 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 COMU, the Institute of Directors and other providers. Board members may partake in specific industry conferences and workshops to keep abreast of developments particular to the business of the Company.

A Director Induction Programme, including operational site visits and meetings with management in key functions is completed at the commencement of each director's term to ensure a broad understanding 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 directors have a specific opportunity to discuss and plan 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 performance objectives, financial, environmental, health and safety and social 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 performance 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, generally, they will 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 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 reimbursements, the use of credit cards, sensitive expenditure, the giving and receipt of gifts, probity when dealing with suppliers, the treatment of fraudulent actions and protected disclosures.

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### 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 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 consider and address the Company's objectives and nature and scope of activities, to provide financial and non-financial performance indicators and an estimate of current commercial value, to state the Company's dividend policy 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. 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. Accordingly, the Board has approved practices which endeavour to ensure shareholding Ministers are 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.

COMU acts as the liaison between shareholding Ministers and the Company and facilitates quarterly meetings. COMU issues an Owner's Expectations Manual which is provided to each director to ensure directors are aware of the Crown's expectations of state owned enterprise directors.

The Board has adopted a policy that requires all communications with shareholding Ministers, whether in writing or in person, to be authorised by the Board.

The Board requires regular monthly reports from management on all communications with Ministers and officials.

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### Continuous Disclosure

With the aim of increasing transparency of state owned enterprises and to provide the public with a more continuous flow of information regarding SOE performance, shareholding Ministers have, since January 2010, required a number of the larger state owned enterprises to comply with newly developed SOE Continuous Disclosure Rules. The rules require the immediate disclosure of Material Information. Material Information includes information that would have a material effect on the Company's commercial valuation, information in relation to dividends different from that in the Company's most recent SCI and Material Transactions, being transactions the value of which is greater than five percent of the current commercial value of the Company. The Rules further require public announcement of comparative financial performance information no later than 60 days after the end of each half and full year period.

A Board approved policy has established the internal processes for identifying, reporting and timely disclosure of Material Information.

All disclosures are placed on the Company's website and The Treasury website. As at 30 June 2010 Genesis Energy had made six disclosures under the SOE Continuous Disclosure Rules.

## 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 2009 to 30 June 2010 are shown below.

### Disclosure of Interest

The general disclosures of interest made by directors of Genesis Energy and its subsidiaries, pursuant to section 140(2) of the Companies Act 1993 ("Companies Act"), are shown below. There were no declarations of interest made pursuant to section 140(1) of the Companies Act 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, particulars of the entries in the Interests Register of Genesis Energy made during the accounting period are as set out below. New or adjusted entries made during the accounting period are marked with an asterisk (\*).

Rt Hon Dame Jenny Shipley, DNZM Chairman	<ul style="list-style-type: none"> <li>• Chair Seniors Money International Ltd</li> <li>• Chair Mainzeal Property and Construction Ltd</li> <li>• Chair Venator Search Limited;*</li> <li>• Chair and Trustee of Heart Health Research Trust *</li> <li>• Managing Director of Jenny Shipley New Zealand Ltd</li> <li>• Director of Education New Zealand International Ltd</li> <li>• Director of Momentum Holdings Ltd</li> <li>• Director of Momentum Consulting Group Ltd</li> <li>• Director of Investment Savings and Insurance Association</li> <li>• Director of China Construction Bank Corporation</li> <li>• Trustee NZ Global Women *</li> </ul>
Joanna Perry, MNZM Deputy Chair	<ul style="list-style-type: none"> <li>• Chairman of Financial Reporting Standards Board</li> <li>• Director and Shareholder of JMGP Limited</li> <li>• Director of Kiwi Income Property Limited</li> <li>• Director of PSIS Limited</li> <li>• Director ofASUREQuality Limited</li> <li>• Director of Rowing New Zealand *</li> <li>• Trustee of Melanesian Mission Trust Board</li> <li>• Member of Australian Accounting Standards Board</li> <li>• Member of Policy Council and New Zealand Regional Council for Financial Services Institute of Australasia</li> <li>• Member of the Audit Committee of the Victorian Auditor General's Office</li> <li>• Member of the Speakers Assurance Committee</li> <li>• Member of the International Financial Reporting Interpretations Committee (IFRIC)</li> <li>• Member of New Zealand Regional Council for Financial Services Institute of Australia</li> </ul>
Dr Nicola Crauford	<ul style="list-style-type: none"> <li>• Director of the Centre for Advanced Engineering</li> <li>• Director and Shareholder of Crauford Robertson Consulting Limited</li> <li>• Director and Shareholder of Martin Crauford Limited</li> <li>• Chief Executive of Institute of Directors, New Zealand</li> <li>• Member of Nominations and Governance Committee of New Zealand Institute of Chartered Accountants *</li> <li>• Member of the Electoral Authority of PSIS Limited *</li> </ul>
Denis Wood	<ul style="list-style-type: none"> <li>• Chairman of Mercy Healthcare Limited and its subsidiaries</li> <li>• Chairman of Mercy Hospice Auckland Limited</li> <li>• Director of Tower Limited</li> <li>• Director and sole Shareholder of DMW Investments Limited</li> </ul>
Graeme Milne	<ul style="list-style-type: none"> <li>• Chairman of New Zealand Pharmaceuticals Limited</li> <li>• Chairman of Synlait Limited</li> <li>• Chairman of Terracare Limited</li> <li>• Chairman of Encoate Holdings Limited</li> <li>• Chairman of Waikato District Health Board</li> <li>• Shareholder of Media Profile Limited</li> <li>• Director Farmers Mutual Group</li> <li>• Director Satara Co-operative Group Limited</li> </ul>

- Director New Zealand Institute for Rare Disease Research Limited
- Board member of the Advisory Board School of Engineering and Advanced Technology, Massey University \*
- Partner of G.R. & J. A. Milne
- Trustee of Rockhaven Trust

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John Dell	<ul style="list-style-type: none"> <li>• Managing Director and Shareholder of Japad Trading Limited</li> <li>• Managing Director and Shareholder of Japad Limited</li> <li>• Managing Director of Japad Long Term Investments Limited</li> <li>• Non Executive Director of Unimarket Holdings Limited</li> <li>• Non Executive Director of Euroglass Systems Limited and its subsidiaries</li> <li>• Trustee of Japad Family Trust</li> <li>• Trustee of Japad Investment Trust</li> <li>• Trustee of The Otago Trust</li> <li>• Trustee of Cuthby Trust</li> <li>• Trustee of Newcastle Trust.</li> <li>• Rukumoana Schaafhausen</li> <li>• Director of Tainui Group Holdings Limited</li> <li>• Executive Member of Waikato-Tainui Te Kauhanganui Incorporated, the trustee of the Waikato Raupatu Lands Trust and Waikato Raupatu River Trust.</li> </ul>
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Barbara Elliston	<ul style="list-style-type: none"> <li>• Director of Solar Power and Renewables Company Limited</li> <li>• Director of SPARCO Limited *</li> <li>• Director of Investment Vehicle Limited</li> <li>• Director of King Solar Limited *</li> <li>• Director of Sun King Solar Limited *</li> <li>• Director of The Solar Hot Water Company Limited</li> <li>• Director of Elliston Power Consultants Limited</li> <li>• Director of Timeless by Design Limited</li> <li>• Director of Fireball Limited</li> <li>• Director of Azzuro Solar Limited *</li> <li>• Director of Solar Imports Limited *</li> <li>• Director of Eco Warm Solutions Limited *</li> </ul>
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Brian Corban CNZM, QSO	<ul style="list-style-type: none"> <li>• Chairman and Shareholder of Corban Consultants Limited</li> <li>• Chairman and Shareholder of Lindsay Corban Associates Limited</li> <li>• Chairman and Shareholder of Ngatarawa Wines Limited</li> <li>• Chairman and Trustee of Corban Estate Arts Centre</li> <li>• Chairman of the Melanesian Mission Trust Board</li> <li>• Chairman of Corbans Viticulture Limited</li> <li>• Chairman of West Auckland Trust Services Limited</li> <li>• Chairman of Languages International Limited</li> <li>• Chairman Frontier Global Limited</li> <li>• Director of Frontier Mapping (NZ) Limited</li> <li>• Consultant of Corban Revell Lawyers</li> <li>• Trustee of the Royal New Zealand Navy Museum</li> <li>• Trustee of the West Auckland Hospice Foundation Trust</li> <li>• Trustee of Waitakere Enterprise Board</li> <li>• Advisory Council Member of the Church of Melanesia</li> <li>• Member of the Speaker's Assurance Committee</li> </ul>
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Sara Lunam	<ul style="list-style-type: none"> <li>• Chair of WNC 2007 Limited</li> <li>• Director of NZ Post Limited</li> <li>• Director of New Zealand Merino Company Limited</li> </ul>
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Annabel Cotton	<ul style="list-style-type: none"> <li>• Director of Merlin Consulting Limited</li> <li>• Director of Barramundi Limited</li> <li>• Director of Kingfish Limited *</li> <li>• Director of Marlin Global Limited</li> <li>• Director of Anamallai Tea Estates &amp; Ropeway Company Limited</li> <li>• Director of Riverbend Dairy Farms Limited</li> <li>• Member of Securities Commission and the Commissioner for Financial Advisers *</li> </ul>
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Ian Kusabs	<ul style="list-style-type: none"> <li>• Chairman of the Lake Taupo Sustainable Management Group</li> <li>• Director and Shareholder of Ian Kusabs and Associates.</li> <li>• Member of the Lake Taupo management board.</li> <li>• Advisor of Ngati Tuwharetoa</li> </ul>
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- Fisheries associate of Wildland Consultants
- Fisheries associate of Charles Mitchell and Associates
- Member of the Lake Taupo Protection Project Joint Committee
- Member of the Lake Taupo Liaison sub-committee
- Member of the Foundation for Research 2009/10 Advisory Group \*

### Indemnity and Insurance

In accordance with section 162 of the Companies Act and the Company's constitution, Genesis Energy has indemnified and arranged insurance for all current and former 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. In authorising the insurance to be effected each director signed a certificate stating that in their opinion the cost of the insurance is fair to the Company.

### Use of Company Information

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

### Remuneration of Directors

Shareholding Ministers advise the Board the total allowance for fees available to directors of Genesis Energy and its subsidiary companies. The following table sets out the total remuneration before withholding tax and excluding GST (including remuneration for standing and temporary committee membership) and the value of other benefits received from Genesis Energy by each director of the Company during the period 1 July 2009 to 30 June 2010.

Name	Total \$
Rt Hon Dame Jenny Shipley (term commenced 1 November 2009)	65,328
Joanna Perry	67,181
Nicki Crauford	53,960
Barbara Elliston	46,714
Denis Wood	46,756
Graeme Milne	45,301
John Dell (term commenced 1 May 2010)	8,029
Rukumoana Schaafhausen (term commenced 1 May 2010)	7,505
Brian Corban (term ended 31 October 2009)	32,735
Sara Lunam (resigned 31 March 2010)	33,975
Ian Kusabs (term ended 30 April 2010)	41,169
Annabel Cotton (term ended 30 April 2010)	42,455
John Stace (term ended 30 April 2009)	352

During the year in review Brian Corban, CNZM, QSO ended his term as a director and Chairman of Genesis Energy on 31 October 2009. Sara Lunam resigned as a director on 31 March 2010. Annabel Cotton's and Ian Kusabs' respective terms as directors ended on 30 April 2010. Rt Hon Dame Jenny Shipley was appointed as a director and Chairman of the Board with effect from 1 November 2009. Joanna Perry was reappointed as a director and Deputy Chair with effect from 1 May 2010. John Dell and Rukumoana Schaafhausen were appointed as directors with effect from 1 May 2010.

### Directors of Subsidiary Companies

During the year in review Brian Corban ceased to be a director, effective 31 October 2009, of the following wholly owned subsidiaries:

- Genesis Power Investments, Kinleith Cogeneration Limited, Kupe Holdings Limited, GP No. 1 Limited, GP No.2 Limited, GP No. 4 Limited, GP No.5 Limited, Cardiff Holdings No.1 Limited, Cardiff Holdings No.2 Limited, Mangatōa No.1 Limited, Mangatōa No. 2 Limited, Mangatōa No.3 Limited, Mangatōa No.4 Limited and Mangatōa No 5. Limited.

Rt Hon Dame Jenny Shipley and Mark Anderson joined Albert Brantley as directors of those companies with effect from 1 November 2009.

With effect from 19 June 2010 Mangatōa No.1 Limited, Mangatōa No. 2 Limited, Mangatōa No.3 Limited, Mangatōa No.4 Limited and Mangatōa No 5. Limited were amalgamated into Genesis Power Investments Limited.

The directors of wholly owned subsidiary Energy Online Limited are Albert Brantley, Mark Anderson and Dean Carroll.

Albert Brantley and Mark Anderson are directors of Gasbridge Limited in connection with Genesis Energy's 50 percent ownership of Gasbridge Limited.

Genesis Energy senior executives Mark Anderson, Allan Melhuish and Richard Pearce were directors of CRL Energy Limited in connection with Genesis Energy's 50 percent ownership of CRL Energy Limited until its sale on 30 June 2010 from which date they ceased to be directors of CRL Energy Limited.

Following the unconditional agreement to purchase Slopedown Wind Farm Limited on 30 June 2010, Albert Brantley and Mark Anderson became directors of Slopedown Wind Farm Limited with effect

from 21 July 2010.

None of the directors of the subsidiary companies received any remuneration or other benefits during the period specifically in relation to their duties as directors of these companies, other than the benefit of an indemnity from Genesis Energy and the benefit of insurance cover in respect of all liabilities to persons (other than the Company or related body corporate), to the extent permitted by law, which arise out of the performance of their normal duties as directors unless the liability relates to conduct involving a lack of good faith.

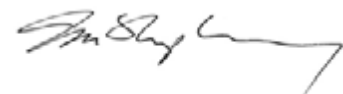
### Remuneration of Employees

In accordance with section 211(1)(g) of the Companies Act, the number of employees, or former employees of Genesis Energy who during the period received remuneration and other benefits the value of which exceeded \$100,000 is as follows:

#### Record of Employees Earning over \$100,000 in year ending 30 June 2010

\$970,000 - \$980,000	1
\$480,000 - \$490,000	1
\$440,000 - \$450,000	2
\$430,000 - \$440,000	1
\$390,000 - \$400,000	1
\$360,000 - \$370,000	1
\$350,000 - \$360,000	3
\$280,000 - \$290,000	2
\$220,000 - \$230,000	2
\$210,000 - \$220,000	1
\$200,000 - \$210,000	2
\$180,000 - \$190,000	1
\$170,000 - \$180,000	5
\$160,000 - \$170,000	7
\$150,000 - \$160,000	6
\$140,000 - \$150,000	5
\$130,000 - \$140,000	21
\$120,000 - \$130,000	35
\$110,000 - \$120,000	48
\$100,000 - \$110,000	50
<b>Total staff earning \$100k +</b>	<b>195</b>
Staff included who are no longer employed by Genesis Energy	9

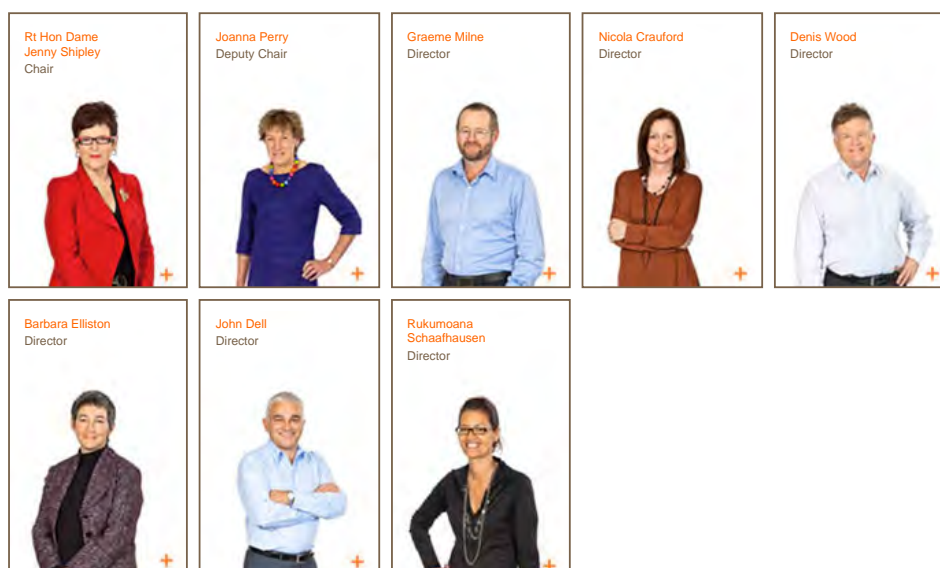
 Rt Hon Dame Jenny Shipley, DNZM  
Chairman



 Joanna Perry, MNZM  
Deputy Chairman



## Board of Directors



### *Rt Hon Dame Jenny Shipley, DNZM*

Dame Jenny took over the Chairmanship of Genesis Energy in November 2009. She is also Chairman of Senior Money International and Mainzeal Construction and is a director on China Construction Bank, one of the big four major State owned banks in China. She is also a Director of Momentum and ISI. Dame Jenny was Prime Minister of New Zealand from 1997 to 1999 and in the preceding 7 years she was a Senior Minister in the New Zealand Government and a driving force in the successful decade of economic and social reform in New Zealand. She retired from New Zealand politics in 2002.

Jenny travels extensively in her role as a director, a keynote speaker and in association with her consultancy. She has served on a number of advisory boards. She advises companies and governments on geopolitical, demographic, economic and social mega trends and speaks all around the world on these and a wide range of other topics.

She was an Initiator of the Education Forum for East Asia, is an active member of the World Women's Leadership Council and is Vice President of the Club of Madrid, a group of former leaders who promote democracy and transparent economic development, globally. She is deeply involved in a range of philanthropic projects in New Zealand and offshore.

### *Joanna Perry*

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

Joanna Perry is a professional director and chartered accountant, and her current appointments include Director of Kiwi Income Property Limited, PSIS and AssureQuality Limited, and Trustee of the Melanesian Mission Trust Board. 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.

### *Graeme Milne*

B.Tech (Biotech) (Hons)

Graeme Milne is a professional director based on a small sheep and beef farm on the outskirts of Cambridge. After graduating from Massey University in 1975 with an honours degree in Biotechnology, Graeme spent most of his working career in the dairy industry after an initial period in pharmaceuticals and brewing. During the 1980s and again in the 1990s Graeme spent several years based in Europe developing and managing the operations of the New Zealand dairy industry in Russia, Africa, the Middle East and Europe. Currently he is the Chairman of five New Zealand-based entities, including Synlait Ltd, New Zealand Pharmaceuticals, Waikato District Health Board, and holds directorships in four others.

### *Nicola Crauford*

BSc (Hons), 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.

### *Denis Wood*

MA Econ (Hons)

Denis has had a career in investment banking. From 1984 he was a partner in share-broking firm, Buttle Wilson and from 1991 an Executive Director in UBS Warburg. In 1998 he became an executive Director in Ernst & Young Corporate Finance until he retired from the investment banking industry in 2005. Denis is a Director of Tower Limited and Chairman of Mercy Healthcare Auckland Limited.

Throughout his career Denis has gained extensive experience in investment management, corporate restructuring, strategic planning and capital raisings.

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### *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 is a Director of a number of solar energy companies.

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### *John Dell*

BCom (Hons) CA

John is a professional director and is an active investor in high growth businesses. John has significant experience in executive finance and strategic management having previously held executive positions as Chief Financial Officer and Chief Executive Officer of Tenon Limited (formerly named Fletcher Challenge Forests Limited) and as Chief Financial Officer of Air New Zealand Limited. Prior to his corporate roles, John worked for international accountancy and consultancy firm KPMG. John's background is as a qualified accountant and he has a bachelor's degree in accountancy and finance. John's current Board appointments include the Euroglass/ National Glass Group of Companies and Unimarket.

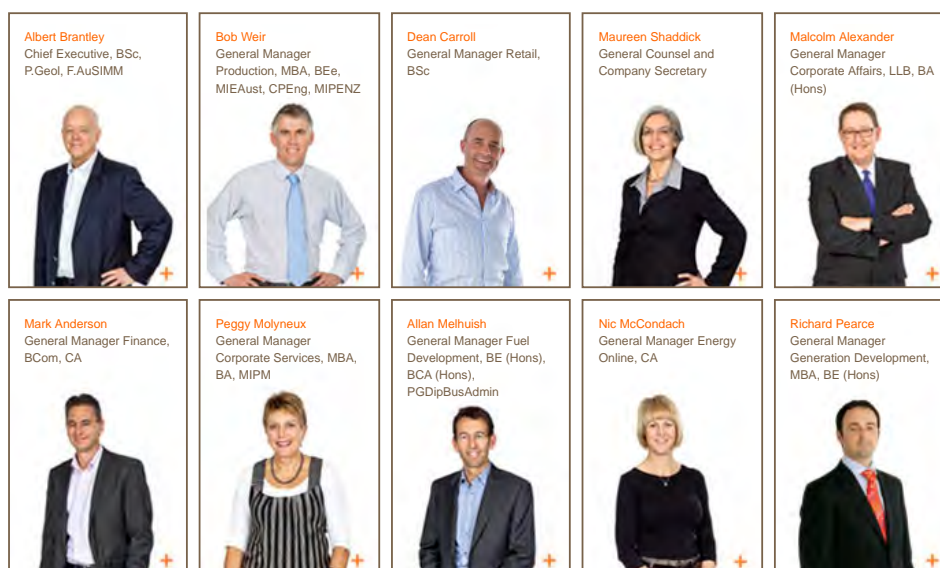
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### *Rukumoana Schaafhausen*

LLB

Rukumoana Schaafhausen has practised as a lawyer for a number of years specialising in the area of governance. She previously worked for a large scale property development company. She serves as a director/trustee on a number of Boards including Waikato Tainui Te Kauhanganui Incorporated, Tainui Group Holdings and Waikato-Tainui Fisheries Limited.

## Executive Team



### Albert Brantley

Chief Executive, BSc, P.Geol, F.AuSIMM

Albert is responsible for the overall management and strategic direction for all of Genesis Energy's business interests. He also serves as the Chairman of the Genesis Oncology Trust as well as Chairman of Energy Online. His background has largely been in heavy industry, including oil and gas infrastructure development as well as the mining and power sectors. He has had more than 35 years' experience both in New Zealand and internationally in technical, operational and senior management positions, concentrated particularly in the power industry over the past decade. He has had considerable experience leading businesses requiring political, regulatory and environmental management, both in New Zealand and overseas.

### 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.

### Maureen Shaddick

General Counsel and Company Secretary, LLB, BA

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

### 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 sustainability programmes. He is a board member of the New Zealand Council for Infrastructure Development and the Harvard Business School Association of New Zealand.

### 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.

### 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 project.

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*Allan Melhuish*

General Manager Fuel Development, BE (Hons), BCA (Hons), PGDipBusAdmin

Allan is charged with the management of fuel purchases and fuel transportation, Genesis Energy's investment in the Kupe Oil and Gas Field.

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*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.

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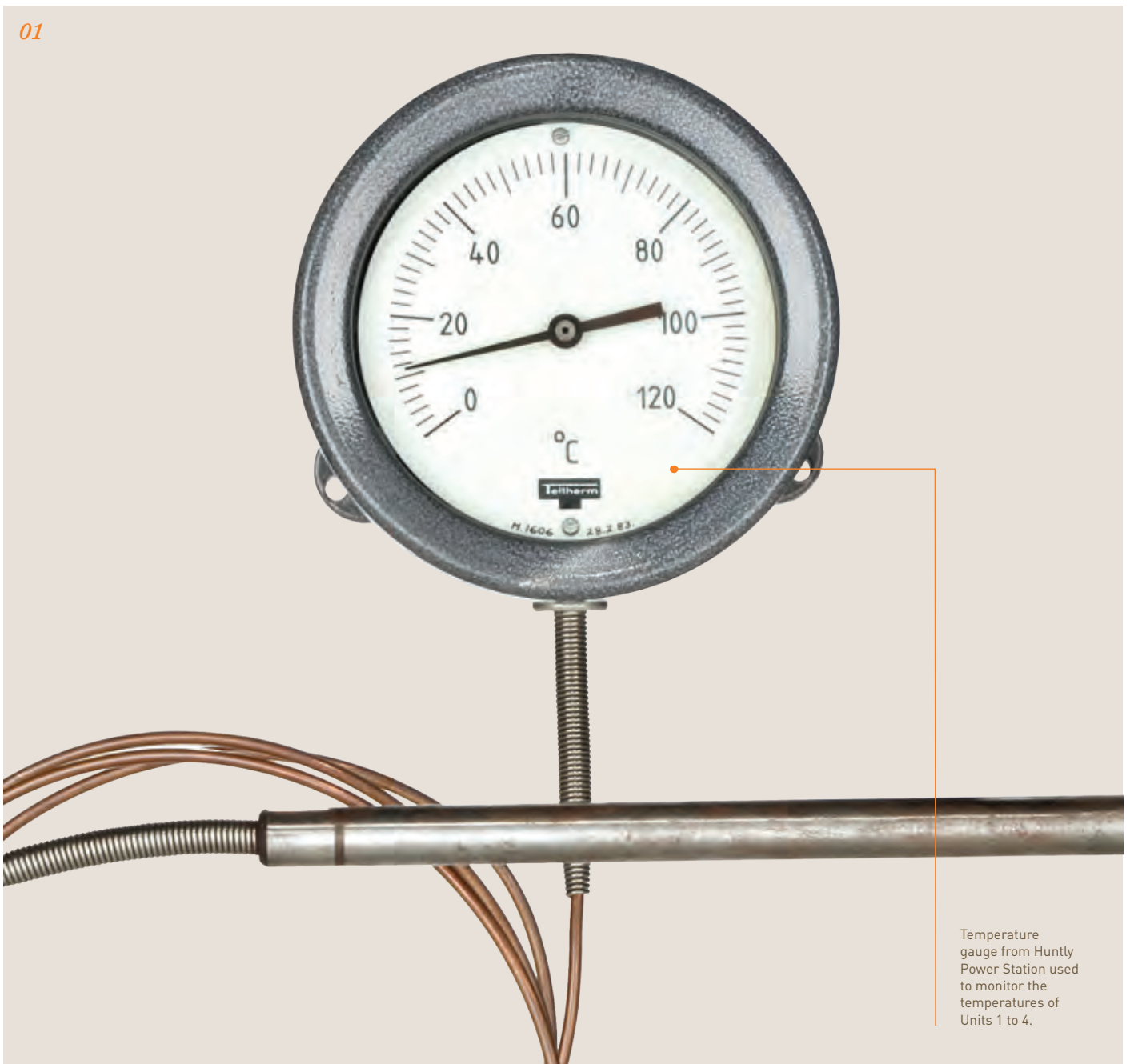
*Richard Pearce*

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.

*Focusing on a new level  
of commercial performance,  
accountability + disclosure*

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Temperature gauge from Huntly Power Station used to monitor the temperatures of Units 1 to 4.

# Statement of comprehensive income

— for the year ended 30 June 2010

	Note	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<b>Operating revenue</b>					
Electricity revenue		1,720,956	1,601,217	1,803,081	1,687,391
Gas revenue		131,648	131,586	135,645	135,645
Petroleum revenue		22,446	4,594	–	–
Other revenue	7	20,248	13,749	18,407	11,307
		1,895,298	1,751,146	1,957,133	1,834,343
<b>Operating expenses</b>					
Electricity purchases, transmission and distribution		(844,135)	(746,238)	(937,779)	(842,017)
Gas purchases and transmission		(130,663)	(130,629)	(111,190)	(111,190)
Petroleum production, marketing and distribution		(5,496)	(4,666)	–	–
Fuels consumed		(332,987)	(342,697)	(344,752)	(344,752)
Employee benefits		(64,008)	(60,357)	(62,156)	(58,514)
Other operating costs		(269,215)	(258,207)	(298,863)	(287,962)
		(1,646,504)	(1,542,794)	(1,754,740)	(1,644,435)
<b>Earnings before finance costs, income tax, depreciation, amortisation and financial instruments</b>		248,794	208,352	202,393	189,908
Depreciation, depletion and amortisation expense	9	(92,573)	(72,110)	(87,585)	(83,303)
Impairment	10	(19,193)	(18,739)	(25,824)	(25,250)
Loss on revaluation of property, plant and equipment	20	–	–	(261,389)	(261,389)
Other gains (losses)	11	(5,565)	(2,752)	(3,187)	(4,974)
Share of profit (loss) of equity-accounted investments	19	81	–	67	–
		(117,250)	(93,601)	(377,918)	(374,916)
<b>Profit (loss) before finance costs and income tax</b>		131,544	114,751	(175,525)	(185,008)
Finance income	12	2,204	39,212	4,197	32,394
Finance costs	13	(26,728)	(54,456)	(17,333)	(46,769)
<b>Profit (loss) before income tax</b>		107,020	99,507	(188,661)	(199,383)
Income tax credit (expense)	14	(37,706)	(39,599)	52,945	53,892
<b>Profit (loss) for the year</b>		69,314	59,908	(135,716)	(145,491)
<b>Other comprehensive income</b>					
Change in cash flow hedge reserve	27	16,797	16,870	(6,764)	(7,430)
Change in asset revaluation reserve	27	(1,000)	(1,000)	232,740	232,740
<b>Other comprehensive income before tax</b>		15,797	15,870	225,976	225,310
Income tax credit (expense) relating to components of other comprehensive income	27	6,714	6,692	(67,793)	(67,593)
<b>Other comprehensive income after tax</b>		22,511	22,562	158,183	157,717
<b>Total comprehensive income for the year</b>		91,825	82,470	22,467	12,226
<b>Profit (loss) for the year is attributable to:</b>					
<b>Equity holders of the Company</b>		69,314	59,908	(135,716)	(145,491)
<b>Total comprehensive income for the year is attributable to:</b>					
<b>Equity holders of the Company</b>		91,825	82,470	22,467	12,226

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

# Statement of financial position

— as at 30 June 2010

<i>Assets</i>		Group	Company	Group	Company
		30 June 2010	30 June 2010	30 June 2009	30 June 2009
		\$'000	\$'000	\$'000	\$'000
<i>Current assets</i>					
	Note				
Cash and cash equivalents	15	25,464	15,325	28,017	6,659
Trade and other receivables	16	207,908	553,851	241,187	587,394
Inventories	17	126,730	125,797	104,301	104,301
Derivative financial instruments	18	3,051	3,072	6,525	6,525
Current tax receivable		–	–	21,068	–
<b>Total current assets</b>		<b>363,153</b>	<b>698,045</b>	<b>401,098</b>	<b>704,879</b>
<i>Non-current assets</i>					
Trade and other receivables	16	18,554	252	31,643	2,698
Derivative financial instruments	18	3,166	3,166	4,155	4,155
Other financial assets	19	–	29,842	791	30,253
Property, plant and equipment	20	1,495,595	1,493,361	1,912,182	1,542,842
Intangible assets	21	128,906	125,723	133,002	129,833
Oil and gas assets	22	522,950	–	102,555	–
<b>Total non current assets</b>		<b>2,169,171</b>	<b>1,652,344</b>	<b>2,184,328</b>	<b>1,709,781</b>
<b>Total assets</b>		<b>2,532,324</b>	<b>2,350,389</b>	<b>2,585,426</b>	<b>2,414,660</b>
<i>Liabilities</i>					
<i>Current liabilities</i>					
Trade and other payables	23	203,928	187,584	243,494	219,075
Borrowings	24	11,289	11,289	131,453	131,453
Derivative financial instruments	18	2,119	2,641	20,028	20,926
Current tax payable		6,535	17,305	–	2,915
Provisions	25	8,149	7,057	4,534	3,442
<b>Total current liabilities</b>		<b>232,020</b>	<b>225,876</b>	<b>399,509</b>	<b>377,811</b>
<i>Non-current liabilities</i>					
Borrowings	24	541,091	541,091	492,871	492,871
Derivative financial instruments	18	18,486	20,786	14,141	17,864
Provisions	25	54,762	27,174	49,100	30,120
Deferred tax liabilities	26	240,400	174,783	236,965	178,685
<b>Total non current liabilities</b>		<b>854,739</b>	<b>763,834</b>	<b>793,077</b>	<b>719,540</b>
<b>Total liabilities</b>		<b>1,086,759</b>	<b>989,710</b>	<b>1,192,586</b>	<b>1,097,351</b>
<b>Net assets</b>		<b>1,445,565</b>	<b>1,360,679</b>	<b>1,392,840</b>	<b>1,317,309</b>
<b>Shareholders' equity</b>	27	<b>1,445,565</b>	<b>1,360,679</b>	<b>1,392,840</b>	<b>1,317,309</b>

The Directors of Genesis Power Limited authorise these financial statements for issue.

On behalf of the Board:



**Rt Hon Dame Jenny Shipley** DNZM  
Chairman of the Board  
27 August 2010



**Joanna Perry** MNZM  
Chairman of the Audit Committee  
27 August 2010

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

## Statement of changes in equity

— for the year ended 30 June 2010

	Note	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Profit (loss) for the year		69,314	59,908	(135,716)	(145,491)
Change in cash flow hedge reserve	27	11,764	11,815	(4,735)	(5,201)
Change in asset revaluation reserve	27	10,747	10,747	162,918	162,918
<b>Total comprehensive income for the year</b>		<b>91,825</b>	<b>82,470</b>	<b>22,467</b>	<b>12,226</b>
Dividends provided for or paid	28	(39,100)	(39,100)	(36,400)	(36,400)
<b>Changes in equity for the year</b>		<b>52,725</b>	<b>43,370</b>	<b>[13,933]</b>	<b>[24,174]</b>
Equity at the beginning of the year		1,392,840	1,317,309	1,406,773	1,341,483
<b>Equity at the end of the year</b>		<b>1,445,565</b>	<b>1,360,679</b>	<b>1,392,840</b>	<b>1,317,309</b>

## Cash flow statement

— for the year ended 30 June 2010

	Note	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<i>Cash flows from operating activities</i>					
Cash was provided from:					
Receipts from customers		1,929,774	1,795,178	2,167,152	2,046,148
Interest received		2,204	233	4,197	3,479
Dividend received		30	30	–	–
Taxation credits (debits)		46	3,274	[58]	3,560
		1,932,054	1,798,715	2,171,291	2,053,187
Cash was applied to:					
Payments to suppliers		1,626,438	1,536,719	1,846,846	1,707,322
Payments to employees		62,971	59,323	61,577	57,962
		1,689,409	1,596,042	1,908,423	1,765,284
<b>Net cash inflow from operating activities</b>	35	<b>242,645</b>	<b>202,673</b>	<b>262,868</b>	<b>287,903</b>
<i>Cash flows from investing activities</i>					
Cash was provided from:					
Proceeds from disposal of property, plant and equipment		2,805	2,805	2,386	2,386
Proceeds from disposal of intangibles		11,328	11,328	–	–
Receipts of principal from finance lease receivable		6,160	–	5,348	–
Net advances and loans from subsidiaries		–	4,099	–	–
		20,293	18,232	7,734	2,386
Cash was applied to:					
Purchase of property, plant and equipment		43,313	33,331	189,873	106,731
Purchase of intangibles		16,754	16,533	20,278	20,074
Purchase of oil and gas assets		42,133	364	36,519	7,880
Purchase of investments		782	–	–	–
Net advances and loans to subsidiaries		–	–	–	145,598
		102,982	50,228	246,670	280,283
<b>Net cash (outflow) to investing activities</b>		<b>(82,689)</b>	<b>(31,996)</b>	<b>(238,936)</b>	<b>(277,897)</b>
<i>Cash flows from financing activities</i>					
Cash was provided from:					
Proceeds from new borrowings		120,000	120,000	225,000	225,000
		120,000	120,000	225,000	225,000
Cash was applied to:					
Repayment of borrowings		187,300	187,300	150,500	150,500
Interest paid and other finance charges		52,650	52,152	44,032	43,803
Repayment of principal on finance lease liabilities		3,459	3,459	3,199	3,199
Ordinary dividend paid		39,100	39,100	36,400	36,400
		282,509	282,011	234,131	233,902
<b>Net cash (outflow) to financing activities</b>		<b>(162,509)</b>	<b>(162,011)</b>	<b>(9,131)</b>	<b>(8,902)</b>
Net increase (decrease) in cash and cash equivalents		(2,553)	8,666	14,801	1,104
Cash and cash equivalents at beginning of year		28,017	6,659	13,216	5,555
<b>Cash and cash equivalents at end of year</b>		<b>25,464</b>	<b>15,325</b>	<b>28,017</b>	<b>6,659</b>
<i>Cash and cash equivalents comprises:</i>					
Cash at bank and on hand		17,064	6,925	28,017	6,659
Short term deposits		8,400	8,400	–	–
	15	25,464	15,325	28,017	6,659

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

# Notes to the financial statements

— for the year ended 30 June 2010

## 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 Group's secondary business involves petroleum mining and production.

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 1546.

## 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.

#### (i) Compliance with IFRS

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

#### (ii) 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.

#### (iii) 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.

#### (iv) 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.

#### (v) 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 its judgement in the process of applying the Groups' 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 5 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.

#### (vi) Goods and Services Tax (GST)

The statement of comprehensive income 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 Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are recorded at cost in the Parent Company's financial statements.

#### (ii) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method.

The cost of the acquisition is measured at the aggregate of the fair values, at the date of

exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant NZ IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the profit or loss.

#### (iii) Joint ventures

Jointly controlled assets and entities are joint arrangements with other parties in which the Group jointly controls or owns one or more assets or entities and is consequently entitled to a share of the future economic benefits through its share of the jointly controlled asset or entity.

The Group's share of the assets, liabilities, revenues and expenses of jointly controlled assets or entities is incorporated into the Group financial statements on a proportionate line-by-line basis.

#### (iv) Associates

Associates are all entities over which the Group has significant influence but not control, generally evidenced by a holding of between 20.0 per cent and 50.0 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 profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. 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 profit or loss 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 rounded to the nearest thousand; the New Zealand dollar 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 transactions or from their translation at balance sheet date using balance date exchange rates, are recognised in the profit or loss, except for differences arising on the retranslation of non-monetary items. Gains and losses from the retranslation of non-monetary items are recognised directly in other comprehensive income.

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 the statement of comprehensive income.

### *(d) Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable net of returns, trade allowances and duties and taxes paid. Revenue recognised in the profit or loss includes amounts received and receivable for electricity, gas, oil, LPG and energy-related services, supplied to customers in the ordinary course of business. Management has exercised judgement in determining estimated retail sales for unread electricity and gas meters at balance date. 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 in each period.

#### **(iv) Rental income**

Rental income is recognised in the profit or loss 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 differences 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 other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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 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 are 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 profit or loss 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. Assets that are subject to amortisation are reviewed for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an asset's carrying value exceeds its recoverable amount, the difference is recognised as an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell, and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at a rate that reflects

current market assessments of the time value of money. This discount rate is adjusted for the risks specific to the asset where the estimated cash flows have not been adjusted.

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

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

**(h) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held on 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 not subject to significant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

**(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.

Appropriate allowances for estimated unrecoverable amounts are recognised in profit or loss when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

**(j) Inventories**

**(i) Fuel stocks**

Coal and other fuel stocks used in electricity production are stated at the lower of cost and net realisable value. Cost is based on the weighted average basis and includes expenditure incurred in bringing the fuel stocks to their present location and condition, including shipping and handling.

**(ii) Consumables and spare parts**

Consumables and spare parts are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the weighted average basis.

**(iii) Petroleum production stock**

Petroleum production stocks are stated at the lower of production cost and net realisable value. Cost of production includes attributable mining and manufacturing overheads.

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, if the assets are available for immediate sale and the sale is highly probable.

An impairment loss is recognised for any initial or subsequent write-down of an 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 de-recognition.

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 less impairment 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.

**(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 sub-categories: 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 the possibility exists that 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 are 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 16).

**(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 de-recognised 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 profit or loss 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 other comprehensive income and accumulated as a separate component

of equity. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are reclassified from equity to profit and loss 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 statement of comprehensive income. In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in other comprehensive income.

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 charged to profit or loss. Changes in the carrying amount of the allowance account are usually recognised in profit or loss.

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 profit or loss 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 hedges); 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 foreign exchange contracts and interest-rate swaps. The Group enters into these contracts to hedge its foreign currency and interest-rate exposures. The Group has also entered into forward and option contracts to manage its exposure to price fluctuations in the wholesale electricity market, and for sales of oil products.

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 18. Movements in the hedging reserve in shareholders' equity are shown in note 27.

#### **(i) Fair value hedges**

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

#### **(ii) Cash flow hedges**

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

Amounts accumulated in equity are recycled in profit or loss 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 profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

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 profit or loss.

#### **(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 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 analysis, 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 electricity derivatives is calculated as the present value of the estimated future cash flows taking into account a market price path where available or an internally generated electricity price path. The nominal values 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 electricity derivatives, the instrument is fair valued at inception and the difference arising between the estimated fair value and its cost (nil) is a valuation adjustment. Other than for some energy option contracts, the valuation adjustment is eliminated by adjusting the future price path used to determine the fair value of electricity derivatives by a constant dollar amount to return the initial fair value to nil. For the energy option contracts, the valuation adjustment is effectively amortised based on expected call volumes over the term of the contract.

**(o) Property, plant and equipment**

**(i) Generation assets**

Generation 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 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 recognised in other comprehensive income and accumulated as a separate component of equity in 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 the statement of comprehensive income 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 asset 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 asset revaluation reserve is transferred directly to retained earnings.

Property and plant constructed for production or administrative purposes, is 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. Where applicable, cost also includes the estimated cost of dismantling and removing the asset and restoring the site on which it is located.

**(ii) Other property, plant and equipment**

All remaining property, plant and equipment, except for land and capital work in progress (which is not depreciated), is stated at cost less accumulated depreciation, and any accumulated impairment losses.

**(iii) Depreciation**

With the exception of land and property and plant under construction, depreciation 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.

The estimated useful lives of different classes of property plant and equipment are as follows:

	Estimated useful life
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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. When revalued assets are disposed of, it is Group policy to transfer the attributable surplus remaining in the asset revaluation reserve in respect of those assets to retained earnings.

**(p) Oil and gas assets**

**(i) Exploration and evaluation expenditure**

Exploration and evaluation expenditure is accounted for in accordance with the area of interest method. An area of interest is defined as being a permit area, where the Group has a current right of tenure. The application of the area of interest method is based on a partial capitalisation model aligned to the 'successive efforts' approach. All exploration and evaluation costs, including directly attributable overheads, general permit activity, geological and geophysical costs, are expensed as incurred except the costs of drilling exploration wells and the costs of acquiring new interests. The costs of drilling exploration wells are initially capitalised pending the determination of the success of the well. Costs are expensed where the well does not result in a successful discovery. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in profit or loss.

Exploration and evaluation expenditure is partially or fully capitalised where either: (i) the expenditure is expected to be recouped through successful development and exploitation of the area of interest (or alternatively, by its sale); or (ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing, or where both conditions are met.

Upon approval for the commercial development of a project, the accumulated expenditure is transferred to oil and gas development assets.

**(ii) Oil and gas-development assets**

The costs of oil and gas assets in the development phase are separately accounted for and include costs transferred from exploration and evaluation, and all development drilling and other subsurface expenditure.

Oil and gas-development assets are assessed annually for indicators of impairment.

Any impairment is recognised in profit or loss. No amortisation is provided, in respect of oil and gas-development assets, until they are reclassified as oil and gas-producing assets. When production commences, the accumulated expenditure is transferred to oil and gas-producing assets.

**(iii) Mining licences**

The costs of acquiring mining licences are capitalised as intangible assets. The licence costs of unsuccessful efforts are deemed impaired and charged to profit or loss when the decision to abandon an area of interest or licence is made. No amortisation is provided in respect of the licence costs of successful efforts, until the licence area is reclassified as an oil and gas-producing asset.

Licence costs of successful efforts are reclassified to oil and gas-producing assets when the wells contained within the licence area enter commercial production.

**(iv) Oil and gas-producing and other oil and gas assets**

The costs of oil and gas assets in production are separately accounted for and include costs transferred from exploration and evaluation expenditure, transferred development expenditure and the ongoing costs of continuing to develop reserves for production. These costs are subject to depreciation, depletion and amortisation in accordance with the policy outlined below.

Land and buildings and surface plant and equipment associated with oil and gas-producing assets are recorded in the other land and buildings and other plant and equipment categories respectively.

With the exception of oil and gas-producing assets (including land), depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. The carrying values of oil and gas producing assets are amortised on a units-of-production basis using the proven reserves (P90) to which they relate.

The units of production basis is an accounting method where the provision for depreciation, depletion and amortisation is computed at a fixed rate per unit of product, based on an estimate of the total number of units the oil and gas property will produce during its service life.

Proven reserves (P90) are the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs, under existing economic

and operating conditions. Proven and probable (P50) reserves are defined as those which have a 50 per cent chance or better of being technically and economically producible.

	<b>Estimated useful life</b>
Buildings	50 years
Storage facilities	25 years
Sales pipelines	25 years
Motor vehicles	5 years
Freehold land is not depreciated	

**(q) Intangible assets**

Intangible assets include goodwill, research and development, computer software, naming rights and emissions units.

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 completed for each intangible asset, not for a class of asset.

Realised gains and losses arising from disposal of intangible assets are recognised in profit or loss 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 profit or loss, the gain is credited to profit or loss. 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 profit or loss.

**(i) Goodwill**

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortised but is reviewed for impairment at least.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The recoverable amount of the cash-generating unit is less than the carrying amount of the unit; the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then of the other assets of the unit pro rata on the basis of the

carrying amount of each asset in the unit. Any impairment loss is recognised immediately in the profit or loss and is not reversed in a subsequent period.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described at 2(b) and impairment testing of the carrying amount of an associate is described at 2(g) above.

**(ii) Research and development**

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in profit or loss 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 that can be reliably measured.

Other development expenditure is recognised in profit or loss 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 profit or loss 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 expenses 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 profit or loss on a straight-line basis over their estimated useful lives (not exceeding four years).

**(iv) Emissions**

Emissions units are purchased (or granted by the Crown) to offset the Group's emissions obligation.

Emissions units held are treated as intangible assets and initially recorded at fair value.

Fair value is cost in the case of purchased units or their initial market value in the case of government-granted units. Emissions units are not revalued subsequent to initial recognition.

The difference between cost and fair value of government granted units is treated as revenue. Emissions obligations are recognised as a current liability. An emissions liability is recognised when the Group incurs the emissions obligation. Up to the level of units held, the liability is recorded at the average cost of emissions units held on hand. When emissions obligations exceed the level of units held, the net liability is measured at the market price of units, or the contract price where forward contracts exist.

Forward contracts for the purchase of emissions units are recognised when the contracts are settled and the units are received (on an accruals basis) as they are contracts for the delivery of non-financial items to meet the Group's expected emissions obligations.

Financial instruments including contracts for differences and future price options in relation to emissions units are accounted for in line with the Group's accounting policy for derivatives.

Emissions units receivable from, or payable to, third parties pursuant to commercial agreements are accounted for in the period in which they are earned or the obligation has been incurred.

**(r) Trade and other payables**

Trade and other accounts payable are recognised when the Group becomes obligated to make future payments resulting from the purchase of goods and services, and are subsequently carried at amortised cost.

**(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 profit or loss over the period of the borrowings using the effective interest method.

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

**(t) Finance costs**

Finance costs include origination, commitment and transaction fees and are amortised to profit or loss 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 18.

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 for 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 is 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 profit or loss. The provisions are reduced by expenditure incurred relating to the provision.

**3. Adoption of new and revised Accounting Standards and Interpretations**

The following are the new and revised Accounting Standards and interpretations adopted during the year.

**(a) Those with measurement impact**

No Standards and Amendments adopted have impacted on the measurement of items provided in these financial statements.

**(b) Those with disclosure impact**

The impact of the adoption of the following Standards and Amendments has been to expand the disclosures provided in these financial statements:

Name	Impact
NZ IAS 1 Presentation of Financial Statements (revised 2007)	This has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
NZ IFRS 8 Operating Segments	This is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 6).
Amendments to NZ IFRS 7 Financial Instruments: Disclosures	The amendments to NZ IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year despite the transitional provisions offered in these amendments allowing it not to.
Amendments to NZ IAS 24 Related Party Disclosures	This Standard is effective for annual reporting periods beginning on or after 1 January 2011. The Group early adopted the revised Standard. The revised Standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by the Crown (Crown-related entities) and clarifies the definition of a related party. This resulted in less disclosure on transactions between the entity and the Crown (see note 31).

**(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**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and employee incentives when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits are measured using the remuneration rate expected to apply at the time of settlement.

**(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 that are classified as 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 profit or loss.

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 profit or loss 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 assets and liabilities 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.

*(c) Those with no impact*

Adoption of the following Standards, Interpretations and Amendments has not led to any changes in the Group's accounting policies with measurement or recognition impact on the periods presented in these financial statements:

Name	Impact
NZ IFRS 2 Share-based Payment Vesting Conditions and Cancellations	The amendments clarify the definition of vesting conditions for the purposes of NZ IFRS 2, introduce the concept of non-vesting conditions and clarify the accounting treatment for cancellations.
NZ IFRS 3 (revised 2008) and NZ IAS 27 (revised 2008)	The revised NZ IFRS 3 and NZ IAS 27 together change the accounting for business combinations. The revised NZ IFRS 3 and revised NZ IAS 27 are to be applied prospectively to business combinations and changes in control in reporting periods beginning on or after 1 July 2009. Accordingly, no restatements will be required in respect of transactions prior to the date of adoption.
NZ IFRS 3 Business Combinations (revised 2008)	Key changes to NZ IFRS 3 affect the recognition and measurement rules for pre-existing contracts, costs incurred in a business combination and the recalculation of goodwill for business combinations achieved in stages. The revised NZ IFRS 3 also provides two options for measurement of minority interest, requires the reassessment and designation of existing contractual arrangements, and requires subsequent changes to the initial measurement of contingent consideration to be recognised in profit or loss.
Amendments to NZ IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Key changes to the revised NZ IAS 27 include the requirement to record changes in a parent's ownership interest in a subsidiary that do not result in a loss of control within shareholders' equity and the requirement upon loss of control of a subsidiary to remeasure to fair value the remaining investment in the former subsidiary. By consequential amendment to NZ IAS 28 and NZ IAS 31, the treatment required for loss of control is extended to investments in associates and joint ventures. The revised NZ IAS 27 also requires a parent to attribute the minority interest's share of total comprehensive income to the minority interest even when this would result in the minority interest having a deficit balance.
NZ IFRS 4 Insurance Contracts – The Scope of Insurance Activities and Differential Reporting Concessions	The amendments have revised the scope to include entities which 'issue insurance contracts', rather than those which 'undertake insurance or reinsurance activities'. This change has had no impact on the Group as it does not issue insurance contracts or undertake insurance or reinsurance activities.
NZ IFRS 23 Borrowing Costs (revised 2007)	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has led to no impact on these financial statements because it has always been the Group's accounting policy to capitalise borrowing costs on qualifying assets.
NZ IAS 32 and NZ IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation	The amendments to NZ IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
Improvements to NZ IFRS 2008 (excluding the amendment relating to loss of control of a subsidiary, which is not yet effective)	These improvements have led to a number of changes in the details of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.
NZ Specific Omnibus Amendments 2008-01	These amendments are minor in nature and have no impact on the Group.
NZ Specific Omnibus Amendments 2009-01	These amendments are minor in nature and have no impact on the Group.
NZ IFRIC 15 Agreements for the Construction of Real Estate	The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of NZ IAS 11 Construction Contracts or NZ IAS 18 Revenue and when revenue from the construction of real estate should be recognised. The requirements have not affected the Group as it does not undertake construction of real estate.
NZ IFRIC 16 Hedges of a Net Investment in a Foreign Operation	The Interpretation provides guidance on the detailed requirements for net investment hedge accounting designations. The Group does not have investments in foreign operations.
NZ IFRIC 17 Distribution of Non-cash Assets to Owners	The Interpretation clarifies when the dividend payable should be recognised and that it should be measured at fair value of the assets to be distributed. The Group undertakes no such distributions.
NZ IFRIC 18 Transfers of Assets from Customers	The Interpretation provides guidance on situations where an entity receives an item of property, plant and equipment from customer and the entity uses the asset is used to provide ongoing services to the customer. The Group does not receive assets transferred from customers.

#### 4. 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 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 IFRS 9 Financial Instruments	1 January 2013	30 June 2014
NZ IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	30 June 2011
Amendments to NZ IFRIC 14 Prepayments of a Minimum Funding Requirement	1 January 2011	30 June 2012
Amendments to NZ IFRS 2 Share-Based Payment – Group Cash-Settled Share-Based Payment Transactions	1 January 2010	30 June 2011
Revised Amendments to NZ IAS 32 Financial Instruments: Presentation – Classification of Rights Issues	1 February 2010	30 June 2011
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2009	Various*	30 June 2011
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2010		
– Improvements to NZ IFRS 3 and NZ IAS 27	1 July 2010	30 June 2011
– Improvements to other standards	1 January 2011	30 June 2012

\* The effective date and transitional provisions vary by Standard. Most of the improvements are effective for annual periods beginning on or after 1 January 2010, with earlier adoption permitted.

#### 5. Critical accounting estimates and judgements

The Group's critical accounting 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 to which it relates. Any impairment losses are recognised in the statement of comprehensive income.

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 20.

##### (ii) Oil and gas assets

The carrying value of oil and gas assets 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 oil and gas 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 2.0 and 6.0 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 proven (P50) reserves, future commodity prices and costs of extraction and production.

The carrying value of oil and gas assets is disclosed in note 22.

##### (iii) 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, future electricity price paths, 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 20.

##### (iv) 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 16(c).

##### (v) 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 25.

##### (vi) Financial instruments

Note 18 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 18.

##### (vii) Trade receivables

Note 16 contains information about the estimates of recoverable trade receivables and the estimates of provisions for doubtful receivables.

## 6. Segment reporting

The Group adopted NZ IFRS 8 Operating Segments on 1 July 2009 and has applied it retrospectively for the comparative periods presented.

This segment information is consistent with the management accounts that are reviewed monthly by the Group's Chief Executive to make decisions about resources to be allocated to the segments and to assess performance. The same segments are reported monthly to the Chief Executive and the Board. Segment liabilities are not presented as they are not reported in the management accounts by segment. The segment information presented complies with the Group's accounting policies.

The segments reported here have individual managers responsible for them. The segments are:

- (i) Retail – Activities that are associated with the supply of energy (electricity, gas and LPG) to end-user customers as well as related services.
- (ii) Production – Activities that are associated with the generation and trading of electricity and related products. The segment includes electricity sales to the wholesale electricity market, derivatives entered into to fix the price of electricity, and wholesale gas and coal sales.
- (iii) Oil and Gas – Exploration, development, production and sale of gas, LPG and light oil.
- (iv) Corporate – Head office functions including new generation investigation and development, fuel management, information systems, human resources, finance, corporate relations, property management, legal, corporate governance and the finance lease receivable relating to the Kinleith cogeneration plant. Corporate revenue is made up of finance lease income, property rental and miscellaneous income.

### (a) Segment revenue

	Retail \$'000	Production \$'000	Oil and Gas \$'000	Corporate \$'000	Total \$'000
<b>Year ended 30 June 2010</b>					
Electricity revenue	1,150,077	570,878	-	-	1,720,955
Gas revenue	99,758	31,890	-	-	131,648
Petroleum revenue	-	-	22,446	-	22,446
Other revenue	6,356	6,798	130	6,964	20,248
Revenue from external customers	1,256,191	609,566	22,576	6,964	1,895,297
Inter-segment revenue	-	541,399	9,779	-	551,178
<b>Total segment operating revenue</b>	<b>1,256,191</b>	<b>1,150,965</b>	<b>32,355</b>	<b>6,964</b>	<b>2,446,475</b>
<b>Year ended 30 June 2009</b>					
Electricity revenue	1,189,260	613,821	-	-	1,803,081
Gas revenue	134,661	984	-	-	135,645
Petroleum revenue	-	-	-	-	-
Other revenue	6,403	4,178	43	7,783	18,407
Revenue from external customers	1,330,324	618,983	43	7,783	1,957,133
Inter-segment revenue	-	594,021	-	-	594,021
<b>Total segment operating revenue</b>	<b>1,330,324</b>	<b>1,213,004</b>	<b>43</b>	<b>7,783</b>	<b>2,551,154</b>

<i>Reconciliation to reported operating revenue</i>	30 June 2010 \$'000	30 June 2009 \$'000
Total segment operating revenue	2,446,475	2,551,154
Inter-segment revenue	(551,178)	(594,021)
<b>Reported operating revenue</b>	<b>1,895,297</b>	<b>1,957,133</b>

Sales between segments are based on transfer prices developed in the context of a long-term contract.

*(b) Segment result*

Year ended 30 June 2010	Retail \$'000	Production \$'000	Oil and Gas \$'000	Corporate \$'000	Inter-segment items \$'000	Total \$'000
<b>Profit (loss) before income tax</b>	<b>30,618</b>	<b>153,914</b>	<b>(7,600)</b>	<b>(69,913)</b>	<b>-</b>	<b>107,020</b>
<i>Items included in segment result</i>						
Electricity purchase, transmission and distribution	(971,944)	(413,590)	-	-	541,399	(844,135)
Gas purchase and transmission	(93,924)	(36,807)	-	-	69	(130,663)
Petroleum production, marketing and distribution	-	-	(5,496)	-	-	(5,496)
Fuel consumed	-	(342,697)	-	-	9,710	(332,987)
Depreciation, depletion and amortisation	(6,902)	(58,297)	(16,368)	(11,007)	-	(92,573)
Impairment	-	(11,446)	277	(8,023)	-	(19,193)
Other gains and losses	640	(3,171)	(2,445)	(589)	-	(5,565)
Loss on revaluation of property, plant and equipment	-	-	-	-	-	-
Finance income	601	-	230	43,827	(42,454)	2,204
Finance expense	(388)	(2,274)	(14,606)	(51,914)	42,454	(26,728)
Equity-accounted gain (loss) of associate	-	-	-	81	-	81

Year ended 30 June 2009	Retail \$'000	Production \$'000	Oil and Gas \$'000	Corporate \$'000	Inter-segment items \$'000	Total \$'000
<b>Profit (loss) before income tax</b>	<b>42,643</b>	<b>(122,024)</b>	<b>(11,293)</b>	<b>(97,987)</b>	<b>-</b>	<b>(188,661)</b>

*Items included in segment result*

Electricity purchase, transmission and distribution	(1,019,354)	(512,446)	-	-	594,021	(937,779)
Gas purchase and transmission	(110,269)	(921)	-	-	-	(111,190)
Petroleum production, marketing and distribution	-	-	-	-	-	-
Fuel consumed	-	(344,752)	-	-	-	(344,752)
Depreciation, depletion and amortisation	(7,934)	(69,800)	-	(9,852)	-	(87,585)
Impairment	(153)	-	(8,283)	(17,387)	-	(25,824)
Other gains and losses	(654)	(5,570)	1,786	1,250	-	(3,187)
Loss on revaluation of property, plant and equipment	-	(261,389)	-	-	-	(261,389)
Finance income	1,779	-	611	35,973	(34,166)	4,197
Finance expense	(1,625)	(2,804)	(4,692)	(42,378)	34,166	(17,333)
Equity-accounted gain (loss) of associate	-	-	-	67	-	67

*(c) Segment assets*

Year ended 30 June 2010	Retail \$'000	Production \$'000	Oil and Gas \$'000	Corporate \$'000	Total \$'000
Assets	254,309	1,644,649	555,473	77,893	2,532,324
Equity-accounted investments	-	-	-	-	-
Capital expenditure	4,407	23,779	69,675	15,919	113,780
<i>Year ended 30 June 2009</i>					
Assets	291,693	1,695,378	496,523	101,832	2,585,426
Equity-accounted investments	-	-	-	791	791
Capital expenditure	3,960	46,452	149,132	27,283	226,827

Segment assets are disclosed net of inter-segment liabilities.

*(d) Geographic information*

All business segments operate within New Zealand.

*(e) Major customer information*

The Group has no individual customers that account for 10.0 per cent or more of the Group's external revenue.

## 7. Other revenue

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Other operating revenue	9,310	9,310	8,857	8,857
Finance and operating lease income	7,324	795	7,879	779
Government grants	185	185	197	197
Dividends received	–	30	–	–
Miscellaneous income	3,429	3,429	1,474	1,474
	<b>20,248</b>	<b>13,749</b>	<b>18,407</b>	<b>11,307</b>

## 8. Other operating costs

	Note	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<i>Other operating costs include:</i>					
Auditor's remuneration					
– Audit services		297	297	281	275
– Other assurance services*		41	41	48	48
Bad debts		9,415	8,994	9,253	8,712
Damages		11,300	11,300	10,000	10,000
Directors' fees		491	491	514	514
Doubtful debts	16(a)	612	557	2,257	1,652
Donations		272	272	210	209
Employee benefits expense – defined contributions		1,692	1,692	1,440	1,440
Inventory write-downs		349	349	6,498	6,498
Rental expenses on operating leases		7,964	7,600	8,711	6,984

\*During the year, the Auditor provided third-party assurance services in relation to the Company's Annual Report.

## 9. Depreciation, depletion and amortisation expense

	Note	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<i>Depreciation, depletion and amortisation expense includes:</i>					
Depreciation of property, plant and equipment	20	61,222	61,075	70,891	70,746
Depreciation, depletion and amortisation of oil and gas assets	22	16,368	–	–	–
Amortisation of intangibles	21	11,242	11,035	12,735	12,557
Amortisation of finance lease receivable reset		3,741	–	3,959	–
		<b>92,573</b>	<b>72,110</b>	<b>87,585</b>	<b>83,303</b>

Refer to note 16 for details regarding the finance lease receivable reset adjustment.

## 10. Impairment expense

	Note	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<i>Impairment expense includes:</i>					
Impairment of property, plant and equipment	20	15,498	15,495	9,342	6,512
Impairment of goodwill	21	1,354	–	–	–
Impairment and reversal of impairment of oil and gas assets	22	(280)	364	16,482	11,028
Impairment of other receivables		2,621	2,621	–	–
Impairment of intercompany loans and investments	31	–	259	–	7,710
		<b>19,193</b>	<b>18,739</b>	<b>25,824</b>	<b>25,250</b>

**11. Other gains (losses)**

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Net ineffective gains (losses) on cash flow hedges:				
– Electricity contracts for difference	7	7	1	1
Net fair value gains (losses) on hedges at fair value through profit or loss:				
– Electricity contracts for difference	(1,988)	(1,988)	(7,019)	(7,019)
– Oil options	(1,747)	–	3,496	–
– Bunker fuel price swaps	(659)	(659)	659	659
Fair value changes of financial instruments	(4,387)	(2,640)	(2,863)	(6,359)
Net gain (loss) on disposal of property, plant and equipment	65	79	851	851
Net gains (losses) on financial liabilities measured at amortised cost:				
– Net realised foreign exchange gains (losses)	(616)	(827)	848	841
– Net unrealised foreign exchange gains (losses)	(647)	266	(633)	(307)
Net gain (loss) on acquisition of associate	20	370	(1,390)	–
	<b>(5,565)</b>	<b>(2,752)</b>	<b>(3,187)</b>	<b>(4,974)</b>

**12. Finance income****Interest revenue**

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

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Bank deposits	2,193	233	4,176	3,479
Other loans and receivables (including advances to subsidiaries)	11	38,979	21	28,915
<b>Interest revenue</b>	<b>2,204</b>	<b>39,212</b>	<b>4,197</b>	<b>32,394</b>

**13. Finance costs**

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Interest paid (a)	47,880	50,763	43,838	44,588
Other finance charges	3,586	3,093	2,527	2,298
Time value of money adjustments on provisions	1,410	884	1,200	1,200
	52,876	54,740	47,565	48,086
Interest paid and other finance charges capitalised to assets	(26,148)	(284)	(30,232)	(1,317)
	<b>26,728</b>	<b>54,456</b>	<b>17,333</b>	<b>46,769</b>
Weighted average capitalisation rate on borrowings	4.6%	0.0%	5.3%	0.2%

**(a) Interest paid**

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

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Interest on borrowings	46,411	46,411	41,026	41,026
Interest on finance lease liabilities	1,417	1,417	1,639	1,639
Interest on other loans and payables (including advances from subsidiaries)	52	2,935	1,173	1,923
<b>Interest paid</b>	<b>47,880</b>	<b>50,763</b>	<b>43,838</b>	<b>44,588</b>

## 14. Income tax expense

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<b>(a) Income tax expense (income)</b>				
Current tax expense (income)	22,442	33,217	3,159	27,142
Deferred tax expense (income) – temporary differences	23,024	9,576	(56,183)	(81,117)
Deferred tax expense (income) – change in corporate tax rate	(5,162)	(557)	–	–
Current tax expense (income) – under (over)-provided in prior years	5,115	3,592	79	83
Deferred tax expense (income) – under (over)-provided in prior years	(7,713)	(6,229)	–	–
<b>Income tax expense (income)</b>	<b>37,706</b>	<b>39,599</b>	<b>(52,945)</b>	<b>(53,892)</b>
<b>(b) Reconciliation of prima facie income tax expense on pre-tax accounting profit (loss) to income tax expense</b>				
Profit (loss) before income tax	107,020	99,507	(188,661)	(199,383)
Income tax at 30.0 per cent	32,106	29,852	(56,598)	(59,815)
Tax effect of adjustments:				
– Non-taxable impairment of intercompany loans	–	78	–	2,313
– Non-taxable impairment of goodwill	406	–	–	–
– Non-taxable gains (losses) on joint venture participation	24	–	(417)	–
– Non-deductible expenditure	300	300	3,000	3,000
– Non-deductible building depreciation	11,100	11,100	–	–
– Other adjustments	1,530	1,463	991	527
Change in corporate tax rate	(5,162)	(557)	–	–
Under (over)-provided in prior years	(2,598)	(2,637)	79	83
<b>Income tax expense (income)</b>	<b>37,706</b>	<b>39,599</b>	<b>(52,945)</b>	<b>(53,892)</b>
Weighted average tax rate	35.2%	39.8%	28.1%	27.0%

The Budget 2010 contained two provisions which have had an impact on the Group and Company's 2010 tax expense, namely:

- A decrease in the corporate income tax rate from 30.0 per cent to 28.0 per cent, effective from 1 July 2011. As a result of this change, deferred tax which is not expected to crystallise in the next 12 months has been restated to 28.0 per cent, as deferred tax is required to be recorded at the tax rate that will apply when the future tax liability/asset is expected to crystallise.
- The removal of tax depreciation on buildings with estimated useful lives of 50 years or more. The Group will no longer be able to claim tax depreciation on buildings from 1 July 2011. This has resulted in an increase in deferred tax liability in respect of buildings completed before May 2010.

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<b>(c) Imputation credits</b>				
<b>Imputation credit account</b>				
Balance at beginning of year	244,166	226,613	261,422	243,869
Tax payments, net of refunds	3	3	7	7
Credits attached to dividend received	13	13	–	–
Credits attached to dividend distributions	(16,757)	(16,757)	(17,263)	(17,263)
<b>Balance at end of year</b>	<b>227,425</b>	<b>209,872</b>	<b>244,166</b>	<b>226,613</b>

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

	Group 30 June 2010 \$'000	Group 30 June 2009 \$'000
Company	209,872	226,613
Subsidiaries	17,553	17,553
	<b>227,425</b>	<b>244,166</b>

### 15. Cash and cash equivalents

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Cash at bank and on hand	17,064	6,925	28,017	6,659
Short-term deposits	8,400	8,400	-	-
	<b>25,464</b>	<b>15,325</b>	<b>28,017</b>	<b>6,659</b>

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

The interest rate for cash at bank ranges from 0.0 per cent to 2.23 per cent per annum (2009: 0.0 per cent to 2.23 per cent).

#### (b) Fair value

Refer to note 18 below for the fair value analysis of the Group's financial assets.

### 16. Trade and other receivables

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<i>Current assets</i>				
Trade receivables	193,828	172,238	231,592	216,664
Allowance for doubtful receivables (a)	(10,628)	(10,273)	(10,092)	(9,713)
	<b>183,200</b>	<b>161,965</b>	<b>221,500</b>	<b>206,951</b>
Advances to subsidiaries	-	377,214	-	370,713
Finance lease receivable (b)	10,643	-	9,901	-
Other receivables	7,590	6,945	4,991	4,987
Prepaid fuel	2,144	3,446	-	-
Prepaid insurance	2,141	2,141	2,091	2,091
Other prepayments	2,190	2,140	2,704	2,652
	<b>207,908</b>	<b>553,851</b>	<b>241,187</b>	<b>587,394</b>
<i>Term assets</i>				
Finance lease receivable (b)	18,302	-	28,945	-
Other prepayments	252	252	2,698	2,698
	<b>18,554</b>	<b>252</b>	<b>31,643</b>	<b>2,698</b>

All trade and other receivables, with the exception of prepayments, are classified as 'loans and receivables' under NZ IFRS 7.8 Financial Instruments: Disclosures.

Refer to note 31 for details regarding the nature, terms and conditions attached to the advances to subsidiaries and other related parties.

#### (a) Allowance for doubtful receivables

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

	Note	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<i>Movement in the allowance for doubtful receivables</i>					
Opening balance		(10,092)	(9,713)	(9,079)	(8,763)
Amounts written off (recovered) during the year		98	19	451	(91)
(Increase) decrease in allowance recognised in expenditure	8	(612)	(557)	(2,257)	(1,652)
(Increase) decrease in allowance recognised against income		(22)	(22)	793	793
<b>Closing balance</b>		<b>(10,628)</b>	<b>(10,273)</b>	<b>(10,092)</b>	<b>(9,713)</b>

Below is an analysis of the age of individually impaired receivables:

<i>Age category</i>	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Current	2,137	2,024	1,121	1,066
0-30 days	780	678	1,006	831
30-60 days	756	673	1,025	936
60-90 days	556	521	775	745
>90 days	6,399	6,377	6,165	6,135
<b>Total impaired receivables provided for</b>	<b>10,628</b>	<b>10,273</b>	<b>10,092</b>	<b>9,713</b>

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

<i>Age category</i>	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
30-60 days	2,782	2,385	2,586	2,586
60-90 days	623	617	1,118	1,118
>90 days	2,344	2,324	2,024	2,024
<b>Total receivables past due date not impaired or provided for</b>	<b>5,749</b>	<b>5,326</b>	<b>5,728</b>	<b>5,728</b>

*(b) Finance lease receivable*

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

<i>Finance lease receivable</i>	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Gross investment in finance lease:				
Not later than one year	12,514	-	12,995	-
Later than one year and not later than two years	12,639	-	13,076	-
Later than two years and not later than five years	7,433	-	20,861	-
	32,586	-	46,932	-
Unearned finance income	(11,279)	-	(19,465)	-
Present value of future minimum lease receipts	21,307	-	27,467	-
Unamortised finance lease receivable reset adjustment*	7,638	-	11,379	-
<b>Net investment in finance lease</b>	<b>28,945</b>	<b>-</b>	<b>38,846</b>	<b>-</b>

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

Not later than one year	7,225	-	6,160	-
Later than one year and not later than two years	8,475	-	7,225	-
Later than two years and not later than five years	5,607	-	14,082	-
	21,307	-	27,467	-

The net investment in finance lease may be analysed as follows:

Not later than one year	10,643	-	9,901	-
Later than one year and not later than two years	11,441	-	10,643	-
Later than two years and not later than five years	6,861	-	18,302	-
	28,945	-	38,846	-

\* On 1 April 1999, Kinleith Cogeneration Limited (a subsidiary company) purchased the finance lease receivable from the Electricity Corporation of 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 profit or loss over the remaining term of the lease, at a rate that results in the net investment in the finance lease approximating fair value.

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

Management has 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:

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Estimates for unread gas and electricity meters	70,843	62,600	90,044	77,082

*(d) Fair values*

Refer to note 18 below for the fair value analysis of the Group's financial assets.

*(e) Interest-rate risk exposures*

Refer to note 18 below for the Group's exposure to interest rates on financial assets.

**17. Inventories**

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Fuel stock	107,419	107,419	86,645	86,645
Petroleum production stock	949	16	-	-
Consumables and spare parts	18,362	18,362	17,656	17,656
	<b>126,730</b>	<b>125,797</b>	<b>104,301</b>	<b>104,301</b>

During the year the Group wrote down consumables and spares inventory by \$0.3 million (2009: \$6.5 million).

**18. 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:

		Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<b>Current assets</b>					
Interest-rate swap contracts	Cash flow hedge	861	861	-	-
Foreign exchange contracts	Cash flow hedge	234	255	1,347	1,347
Electricity contracts for difference	Cash flow hedge	17	17	2,765	2,765
Electricity contracts for difference and swaptions	Fair value hedge	1,417	1,417	908	908
Oil options	Fair value hedge	522	522	846	846
Bunker fuel price swaps	Fair value hedge	-	-	659	659
Total current derivative financial instrument assets		3,051	3,072	6,525	6,525
<b>Non current assets</b>					
Interest-rate swap contracts	Cash flow hedge	692	692	-	-
Foreign exchange contracts	Cash flow hedge	89	89	-	-
Electricity contracts for difference	Cash flow hedge	-	-	90	90
Electricity contracts for difference and swaptions	Fair value hedge	85	85	342	342
Oil options	Fair value hedge	2,300	2,300	3,723	3,723
Total non current derivative financial instrument assets		3,166	3,166	4,155	4,155
<b>Total derivative financial instrument assets</b>		<b>6,217</b>	<b>6,238</b>	<b>10,680</b>	<b>10,680</b>
<b>Current liabilities</b>					
Interest-rate swap contracts	Cash flow hedge	-	-	(13,205)	(13,205)
Foreign exchange contracts	Cash flow hedge	(658)	(658)	(2,716)	(2,768)
Electricity contracts for difference	Cash flow hedge	(391)	(391)	(2,515)	(2,515)
Electricity contracts for difference and swaptions	Fair value hedge	(1,070)	(1,070)	(1,592)	(1,592)
Oil options	Fair value hedge	-	(522)	-	(846)
Total current derivative financial instrument liabilities		(2,119)	(2,641)	(20,028)	(20,926)

		Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<i>Non current liabilities</i>					
Interest-rate swap contracts	Cash flow hedge	-	-	(1,148)	(1,148)
Foreign exchange contracts	Cash flow hedge	(772)	(772)	(545)	(545)
Electricity contracts for difference	Cash flow hedge	-	-	(12,146)	(12,146)
Electricity contracts for difference and swaptions	Fair value hedge	(17,714)	(17,714)	(302)	(302)
Oil options	Fair value hedge	-	(2,300)	-	(3,723)
Total non current derivative financial instrument liabilities		(18,486)	(20,786)	(14,141)	(17,864)
<b>Total derivative financial instrument liabilities</b>		<b>(20,605)</b>	<b>(23,427)</b>	<b>(34,169)</b>	<b>(38,790)</b>
<b>Total net financial instruments</b>		<b>(14,388)</b>	<b>(17,189)</b>	<b>(23,489)</b>	<b>(28,110)</b>

*(b) Fair values*

The carrying amount of derivative financial assets and liabilities recorded in the financial statements approximates their fair values. The fair values of all other non-derivative financial assets and financial liabilities are disclosed in note 18(k) 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:
  - (i) Future price curve (for the relevant underlying interest rates, foreign exchange rates or commodity prices)
  - (ii) 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.

**Electricity derivatives**

Electricity derivatives are valued against forward electricity price paths. Other than for certain short-term electricity derivatives that are valued against a specific forward price curve that relates to those derivatives all other derivatives are valued against an internally generated electricity price path. The internally generated price paths incorporate assumptions relating to electricity demand, 77 years of historical hydrological inflow observations, existing and future generation plant and offer strategies for the respective plant. The electricity swaptions are valued by taking into account the internally generated price paths and assumptions on when the swaptions will be called based on the terms of the respective contracts. The terms of the contracts include minimum and maximum call volumes, the call duration, annual minimum call volumes, the treatment of emissions costs, escalation factors and the respective premiums and strike prices. Generally, the swaptions are deemed to be called when the internally generated price path is higher than are the strike prices after taking into account rules relating to the specific terms of each contract.

**Deferred 'day 1' gains (losses)**

A day 1 adjustment arises when an electricity derivative is entered into at a price that is different from its fair value. The day 1 adjustment is amortised by adjusting the future price path used to determine the fair value of electricity derivatives by a constant amount to return the initial fair value to nil. In the case of electricity swaption contracts, the valuation adjustment is amortised based on expected call volumes over the term of the contract. The carrying value of derivatives is disclosed net of the day 1 adjustments.

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 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<i>Electricity derivatives</i>				
Opening deferred day 1 gains (losses)	(4,620)	(4,620)	1,311	1,311
Deferred day 1 gains (losses) on new hedges	38,735	38,735	2,011	2,011
Deferred day 1 gains (losses) realised during the year	384	384	(7,942)	(7,942)
<b>Closing deferred 'day 1' gains (losses)</b>	<b>34,499</b>	<b>34,499</b>	<b>(4,620)</b>	<b>(4,620)</b>

**(c) Realised gain (losses) on derivative financial instruments**

The net realised gains (losses) for the year on derivative financial instruments held at fair value through profit or loss are summarised below:

		Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<i>Derivative financial instruments</i>					
Interest-rate swap contracts	Cash flow hedge	(9,329)	(9,329)	7,756	7,810
Foreign exchange contracts	Cash flow hedge	(616)	(827)	-	-
Electricity contracts for difference	Cash flow hedge	13,752	13,752	22,054	22,054
Electricity contracts for difference and swaptions	Fair value hedge	36,242	36,242	24	24
Oil options	Fair value hedge	-	-	-	-
Bunker fuel price swaps	Fair value hedge	725	725	215	215

**(d) 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 Company's internal auditor.

**(e) 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 going concerns 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 24, cash and cash equivalents as disclosed in note 15 and equity attributable to the shareholders of Genesis Power Limited, comprising issued capital, reserves and retained earnings as disclosed in note 27. 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.

**(f) 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.

**(g) Market risk**

**(i) Currency risk**

The Group is exposed to foreign currency risk as a result of transactions denominated in currencies other than the Group's functional currency, the New Zealand dollar (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 the sale of petroleum production) 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 2010 '000	Foreign amount 30 June 2009 '000	Face value 30 June 2010 '000	Face value 30 June 2009 '000	Fair value 30 June 2010 '000	Fair value 30 June 2009 '000
<i>Outstanding contracts</i>						
<i>Group</i>						
- United States dollar	2,222	13,833	3,296	21,882	2	(593)
- Australian dollar	619	2,381	767	2,867	(9)	87
- Euro	784	2,356	1,610	5,287	(217)	(177)
- Japanese yen	1,221,736	931,993	21,283	16,429	(883)	(1,231)
<b>Total forward foreign exchange contracts</b>			<b>26,956</b>	<b>46,465</b>	<b>(1,107)</b>	<b>(1,914)</b>

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

Current assets	234	1,347
Non current assets	89	-
Current liabilities	(658)	(2,716)
Non current liabilities	(772)	(545)
	<b>(1,107)</b>	<b>(1,914)</b>

	Foreign amount 30 June 2010 '000	Foreign amount 30 June 2009 '000	Face value 30 June 2010 '000	Face value 30 June 2009 '000	Fair value 30 June 2010 '000	Fair value 30 June 2009 '000
<i>Outstanding contracts</i>						
<i>Company</i>						
- United States dollar	5,772	13,833	8,389	21,882	23	(593)
- Australian dollar	619	1,683	767	2,052	(9)	35
- Euro	784	2,356	1,610	5,287	(217)	(177)
- Japanese yen	1,221,736	931,993	21,283	16,429	(883)	(1,231)
<b>Total forward foreign exchange contracts</b>			<b>32,049</b>	<b>45,650</b>	<b>(1,086)</b>	<b>(1,966)</b>

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

Current assets	255	1,347
Non current assets	89	-
Current liabilities	(658)	(2,768)
Non current liabilities	(772)	(545)
	<b>(1,086)</b>	<b>(1,966)</b>

The hedged transactions denominated in foreign currency are expected to occur at various dates through to August 2011. 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 profit or loss 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 10.0 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 2010 +/-10% \$'000	Company 30 June 2010 +/-10% \$'000	Group 30 June 2010 +10% \$'000	Group 30 June 2010 -10% \$'000	Company 30 June 2010 +10% \$'000	Company 30 June 2010 -10% \$'000
- United States dollar	-	-	(214)	263	(549)	672
- Australian dollar	-	-	(49)	60	(49)	60
- Euro	-	-	(91)	111	(91)	111
- Japanese yen	-	-	(1,332)	1,637	(1,332)	1,637
<b>Total foreign exchange contracts</b>	<b>-</b>	<b>-</b>	<b>(1,686)</b>	<b>2,071</b>	<b>(2,021)</b>	<b>2,480</b>

	Post-tax impact on profit		Post-tax impact on cash flow hedge reserve (equity)			
	Group 30 June 2009 +/-10% \$'000	Company 30 June 2009 +/-10% \$'000	Group 30 June 2009 +10% \$'000	Group 30 June 2009 -10% \$'000	Company 30 June 2009 +10% \$'000	Company 30 June 2009 -10% \$'000
- United States dollar	-	-	(1,350)	1,653	(1,350)	1,653
- Australian dollar	-	-	(187)	228	(132)	161
- Euro	-	-	(324)	397	(324)	397
- Japanese yen	-	-	(963)	1,180	(963)	1,180
<b>Total foreign exchange contracts</b>	<b>-</b>	<b>-</b>	<b>(2,824)</b>	<b>3,458</b>	<b>(2,769)</b>	<b>3,391</b>

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

**(ii) 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 contracts for difference and swaptions to hedge against electricity spot price exposure. These instruments are either traded on the energy hedge market or negotiated bilaterally with counterparties. Electricity derivatives are valued against market and internally generated price curves. To manage the commodity price risk in respect of oil sales, the Group utilises oil price options which provides a minimum price for future oil sales.

– **Electricity derivatives**

The aggregate notional face value of the outstanding electricity derivatives at balance date was \$236.6 million (2009: \$321.0 million).

The hedged electricity sale and purchase transactions are expected to occur continuously for each half-hour period. The effective portion of fair value gains and losses on qualifying electricity derivatives as of balance date, recognised in the cash flow hedge reserve in equity, will be continuously released to the statement of comprehensive income in each period in which the underlying sale transactions are recognised.

During 2010, the Company entered into a five-year electricity derivative contract giving the right to a counterparty to exercise a call option. The exercise period during each of the five years is from April to October. The baseload quantity for the first year is 50MW and for the next four years is 200MW.

During 2008, the Company entered into a five-year derivative contract giving the right to a counterparty 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.

– **Oil options**

The aggregate notional value of the outstanding oil options at balance date was USD42,000,000 (2009: USD55,999,800).

The hedged anticipated oil sale transactions are expected to occur continuously over the term of the contracts to June 2014. Fair value gains and losses on oil options are recognised in profit or loss in each period in which the fair value gains and losses occur.

– **Bunker fuel price swaps**

The aggregate notional value of the outstanding bunker fuel price swaps at balance date was USDNil (2009: USD767,250).

The transactions to which the bunker fuel price swaps related occurred continuously for the period of July 2009 to December 2009. Fair value gains and losses on bunker fuel price swaps were recognised in profit or loss in each period in which the fair value gains and losses occurred.

– **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, oil and bunker fuel price paths) had increased/decreased by 10.0 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	Group	Company	Company
	30 June 2010 +10% \$'000	30 June 2010 -10% \$'000	30 June 2010 +10% \$'000	30 June 2010 -10% \$'000
Electricity contracts for difference and swaptions	(32,454)	31,040	(32,454)	31,040
Oil options	(483)	684	-	-
	Post-tax impact on cash flow hedge reserve (equity)			
	Group	Group	Company	Company
	30 June 2010 +10% \$'000	30 June 2010 -10% \$'000	30 June 2010 +10% \$'000	30 June 2010 -10% \$'000
Electricity contracts for difference	(1,889)	92	(1,889)	92
	Post-tax impact on profit			
	Group	Group	Company	Company
	30 June 2009 +10% \$'000	30 June 2009 -10% \$'000	30 June 2009 +10% \$'000	30 June 2009 -10% \$'000
Electricity contracts for difference and swaptions	(18,075)	17,127	(18,075)	17,127
Oil options	(735)	1,031	-	-
Bunker fuel price swaps	128	(128)	128	(128)
	Post-tax impact on cash flow hedge reserve (equity)			
	Group	Group	Company	Company
	30 June 2009 +10% \$'000	30 June 2009 -10% \$'000	30 June 2009 +10% \$'000	30 June 2009 -10% \$'000
Electricity contracts for difference	(2,737)	2,735	(2,737)	2,735

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

- the Group's risk-management policy requiring hedging of less than 100.0 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:

Floating to fixed contracts	Average contracted fixed interest rates		Notional principal amount		Fair Value		Fair value	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Group</i>								
Not later than one year	-	7.78	-	100,000	-	-	-	(2,718)
Later than one year and not later than two years	-	8.30	-	70,000	-	-	-	(5,022)
Later than two years and not later than five years	-	8.16	-	70,000	-	-	-	(6,613)
Later than five years	8.10	-	25,000	-	1,553	-	-	-
	8.10	8.04	25,000	240,000	1,553	-	-	(14,353)

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

	Fair Value	Fair value
	30 June 2010	30 June 2009
	\$'000	\$'000
Current assets	861	-
Non current assets	692	-
Current liabilities	-	(13,205)
Non current liabilities	-	(1,148)
	1,553	(14,353)

Floating to fixed contracts	Average contracted fixed interest rates		Notional principal amount		Fair Value		Fair value	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Company</i>								
Not later than one year	-	7.78	-	100,000	-	-	-	(2,718)
Later than one year and not later than two years	-	8.30	-	70,000	-	-	-	(5,022)
Later than two years and not later than five years	-	8.16	-	70,000	-	-	-	(6,613)
Later than five years	8.10	-	25,000	-	1,553	-	-	-
	8.10	8.04	25,000	240,000	1,553	-	-	(14,353)

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

	Fair Value	Fair value
	30 June 2010	30 June 2009
	\$'000	\$'000
Current assets	861	-
Non current assets	692	-
Current liabilities	-	(13,205)
Non current liabilities	-	(1,148)
	1,553	(14,353)

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 six years from balance date. Cash flows relating to the borrowings and the interest-rate swaps are settled quarterly. The effective portion of fair value gains and losses on qualifying interest-rate swap contracts, recognised in the cash flow hedge reserve in equity as of balance date, will be continuously realised in profit or loss in each period in which interest payments are recognised until maturity 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	Company	Group	Group	Company	Company
	30 June 2010	30 June 2010	30 June 2010	30 June 2010	30 June 2010	30 June 2010
	+/-1% \$'000	+/-1% \$'000	+1% \$'000	-1% \$'000	+1% \$'000	-1% \$'000
Interest-rate swap contracts	-	-	1,018	(949)	1,018	(949)

	Post-tax impact on profit		Post-tax impact on cash flow hedge reserve (equity)			
	Group	Company	Group	Group	Company	Company
	30 June 2009	30 June 2009	30 June 2009	30 June 2009	30 June 2009	30 June 2009
	+/-1% \$'000	+/-1% \$'000	+1% \$'000	-1% \$'000	+1% \$'000	-1% \$'000
Interest-rate swap contracts	-	-	2,242	(2,316)	2,242	(2,316)

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

**(b) 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 is also exposed to credit risk arising from electricity derivative counterparties defaulting on their contractual obligations.

The Group has adopted a policy of dealing only with credit-worthy 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 reduced significantly to the net position on settlement. Market security requirements in place ensure that there is no significant credit risk for any one participant.

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 \$3.7 million (2009: \$4.2 million).

**(i) 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. The 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 18(a) is due to discounting of future cash flows.

Group	Less than	One to	Two to	More than	Total
	one year	two years	five years	five years	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2010</b>					
Interest-rate swap contracts	2,663	1,427	4,273	1,571	9,934
Foreign exchange contracts	(429)	(710)	-	-	(1,139)
Electricity contracts for difference and swaptions	14,104	(10,668)	(19,856)	-	(16,420)
	16,338	(9,951)	(15,583)	1,571	(7,625)
<b>Year ended 30 June 2009</b>					
Interest-rate swap contracts	(13,685)	(8,853)	(6,245)	-	(28,783)
Foreign exchange contracts	(1,395)	(565)	-	-	(1,960)
Electricity contracts for difference and swaptions	1,958	(4,097)	(11,938)	-	(14,077)
Bunker fuel price swaps	664	-	-	-	664
	(13,122)	(13,515)	(18,183)	-	(44,820)

<i>Company</i>	Less than one year \$'000	One to two years \$'000	Two to five years \$'000	More than five years \$'000	Total \$'000
<b>Year ended 30 June 2010</b>					
Interest-rate swap contracts	2,663	1,427	4,273	1,571	9,934
Foreign exchange contracts	(407)	(710)	-	-	(1,117)
Electricity contracts for difference and swaptions	14,104	(10,668)	(19,856)	-	(16,420)
	<b>16,360</b>	<b>(9,951)</b>	<b>(15,583)</b>	<b>1,571</b>	<b>(7,603)</b>

<i>Company</i>	Less than one year \$'000	One to two years \$'000	Two to five years \$'000	More than five years \$'000	Total \$'000
<b>Year ended 30 June 2009</b>					
Interest-rate swap contracts	(13,685)	(8,853)	(6,245)	-	(28,783)
Foreign exchange contracts	(1,447)	(565)	-	-	(2,012)
Electricity contracts for difference and swaptions	1,958	(4,097)	(11,938)	-	(14,077)
Bunker fuel price swaps	664	-	-	-	664
	<b>(13,174)</b>	<b>(13,515)</b>	<b>(18,183)</b>	<b>-</b>	<b>(44,872)</b>

*(j) 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 and 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.

<i>Group</i>	Weighted average effective interest rate %	Less than one year \$'000	One to two years \$'000	Two to five years \$'000	More than five years \$'000	Total \$'000
<b>Year ended 30 June 2010</b>						
<b>Financial assets</b>						
Cash and cash equivalents	Varying	25,464	-	-	-	25,464
Trade and other receivables	Non-bearing	190,790	-	-	-	190,790
Finance lease receivable	19.2	12,514	12,639	7,433	-	32,586
Other financial assets	Non-bearing	-	-	-	-	-
<b>Total financial assets</b>		<b>228,768</b>	<b>12,639</b>	<b>7,433</b>	<b>-</b>	<b>248,840</b>

<b>Financial liabilities</b>						
Trade and other payables	Non-bearing	203,928	-	-	-	203,928
Revolving credit borrowings	3.8	113,821	-	-	-	113,821
Wholesale term notes	7.1	15,420	12,584	37,650	232,680	298,334
Retail term notes	7.8	22,463	17,610	160,809	110,935	311,817
Finance lease payable	7.1	3,310	3,424	9,280	334	16,348
<b>Total financial liabilities</b>		<b>358,942</b>	<b>33,618</b>	<b>207,739</b>	<b>343,949</b>	<b>944,248</b>

<i>Group</i>	Weighted average effective interest rate %	Less than one year \$'000	One to two years \$'000	Two to five years \$'000	More than five years \$'000	Total \$'000
<b>Year ended 30 June 2009</b>						
<b>Financial assets</b>						
Cash and cash equivalents	Varying	28,017	-	-	-	28,017
Trade and other receivables	Non-bearing	226,491	-	-	-	226,491
Finance lease receivable	19.2	12,995	13,076	20,861	-	46,932
Other financial assets	Non-bearing	-	-	-	791	791
<b>Total financial assets</b>		<b>267,503</b>	<b>13,076</b>	<b>20,861</b>	<b>791</b>	<b>302,231</b>

<b>Financial liabilities</b>						
Trade and other payables	Non-bearing	243,494	-	-	-	243,494
Money market borrowings	4.1	4,300	-	-	-	4,300
Revolving credit borrowings	7.1	179,955	78,608	195,794	105,000	559,357
Wholesale term notes	7.2	6,990	5,407	16,237	86,955	115,589
Finance lease payable	7.1	3,348	3,595	11,063	1,801	19,807
<b>Total financial liabilities</b>		<b>460,708</b>	<b>105,172</b>	<b>393,116</b>	<b>313,089</b>	<b>1,272,085</b>

<i>Company</i>	Weighted average effective interest rate %	Less than one year \$'000	One to two years \$'000	Two to five years \$'000	More than five years \$'000	Total \$'000
<b>Year ended 30 June 2010</b>						
<b>Financial assets</b>						
Cash and cash equivalents	Varying	15,325	-	-	-	15,325
Trade and other receivables	Non-bearing	168,910	-	-	-	168,910
Advances to subsidiaries	8.2	377,214	-	-	-	377,214
Other financial assets	Non-bearing	-	-	-	29,842	29,842
<b>Total financial assets</b>		<b>561,449</b>	<b>-</b>	<b>-</b>	<b>29,842</b>	<b>591,291</b>
<b>Financial liabilities</b>						
Trade and other payables	Non-bearing	187,584	-	-	-	187,584
Revolving credit borrowings	3.8	113,821	-	-	-	113,821
Wholesale term notes	7.1	15,420	12,584	37,650	232,680	298,334
Retail term notes	7.8	22,463	17,610	160,809	110,935	311,817
Finance lease payables	7.1	3,310	3,424	9,280	334	16,348
<b>Total financial liabilities</b>		<b>342,598</b>	<b>33,618</b>	<b>207,739</b>	<b>343,949</b>	<b>927,904</b>
<b>Year ended 30 June 2009</b>						
<b>Financial assets</b>						
Cash and cash equivalents	Varying	6,659	-	-	-	6,659
Trade and other receivables	Non-bearing	211,938	-	-	-	211,938
Advances to subsidiaries	7.9	370,713	-	-	-	370,713
Other financial assets	Non-bearing	-	-	-	30,253	30,253
<b>Total financial assets</b>		<b>589,310</b>	<b>-</b>	<b>-</b>	<b>30,253</b>	<b>619,563</b>
<b>Financial liabilities</b>						
Trade and other payables	Non-bearing	219,075	-	-	-	219,075
Money market borrowings	4.1	4,300	-	-	-	4,300
Revolving credit borrowings	7.1	179,955	78,608	195,794	105,000	559,357
Wholesale term notes	7.2	6,990	5,407	16,237	86,955	115,589
Retail term notes	7.8	22,621	17,562	170,022	119,333	329,538
Finance lease payable	7.1	3,348	3,595	11,063	1,801	19,807
<b>Total financial liabilities</b>		<b>436,289</b>	<b>105,172</b>	<b>393,116</b>	<b>313,089</b>	<b>1,247,666</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.

*(k) Financial asset and liability fair values*

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

<i>Group</i>	Group 30 June 2010 Total carrying value \$'000	Group 30 June 2010 Fair value \$'000	Group 30 June 2009 Total carrying value \$'000	Group 30 June 2009 Fair value \$'000
<b>Financial assets</b>				
Cash and cash equivalents	25,464	25,464	28,017	28,017
Trade and other receivables	190,790	190,790	226,491	226,491
Finance lease receivable	28,945	29,886	38,846	41,957
Other financial assets	–	–	791	791
<b>Total financial assets</b>	<b>245,199</b>	<b>246,140</b>	<b>294,145</b>	<b>297,256</b>
<b>Financial liabilities</b>				
Trade and other payables	203,928	203,928	243,494	243,494
Money market borrowings	–	–	4,300	4,300
Revolving credit borrowings	112,000	112,000	297,608	297,608
Wholesale term notes	197,338	197,870	76,433	76,581
Retail term notes	226,694	229,901	226,176	227,608
Finance lease payables	16,348	16,348	19,807	19,807
<b>Total financial liabilities</b>	<b>756,308</b>	<b>760,047</b>	<b>867,818</b>	<b>869,398</b>
<i>Company</i>	Company 30 June 2010 Total carrying value \$'000	Company 30 June 2010 Fair value \$'000	Company 30 June 2009 Total carrying value \$'000	Company 30 June 2009 Fair value \$'000
<b>Financial assets</b>				
Cash and cash equivalents	15,325	15,325	6,659	6,659
Trade and other receivables	168,910	168,910	211,938	211,938
Advances to subsidiaries	377,214	377,214	370,713	370,713
Other financial assets	29,842	29,842	30,253	30,253
<b>Total financial assets</b>	<b>591,291</b>	<b>591,291</b>	<b>619,563</b>	<b>619,563</b>
<b>Financial liabilities</b>				
Trade and other payables	187,584	187,584	219,075	219,075
Money market borrowings	–	–	4,300	4,300
Revolving credit borrowings	112,000	112,000	297,608	297,608
Wholesale term notes	197,338	197,870	76,433	76,581
Retail term notes	226,694	229,901	226,176	227,608
Finance lease payables	16,348	16,348	19,807	19,807
<b>Total financial liabilities</b>	<b>739,964</b>	<b>743,703</b>	<b>843,399</b>	<b>844,979</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.

*(1) Financial asset and liability fair value hierarchy*

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels one to three based on the degree to which the fair value is observable:

Level one – the fair value is determined using quoted prices (unadjusted) from an active market for identical assets and liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Level two – the fair value is derived from inputs other than quoted prices included within Level one that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Financial instruments in Level two include forward foreign exchange derivatives, interest-rate derivatives and certain short-term electricity derivatives.

Level three – the fair value is derived from inputs that are not based on observable market data. Financial instruments included in Level three include electricity derivatives which are valued using internally generated electricity price paths.

<i>Group</i>	Level one \$'000	Level two \$'000	Level three \$'000	Total \$'000
<b>As at 30 June 2010</b>				
<b>Financial assets</b>				
Derivative financial instruments				
– Interest-rate swap contracts	–	1,553	–	1,553
– Foreign exchange contracts	–	323	–	323
– Electricity contracts for difference	–	–	17	17
– Electricity contracts for difference and swaptions	–	–	1,502	1,502
– Oil options	–	2,822	–	2,822
<b>Total derivative financial instrument assets</b>	<b>–</b>	<b>4,698</b>	<b>1,519</b>	<b>6,217</b>
<b>Financial liabilities</b>				
Derivative financial instruments				
– Foreign exchange contracts	–	(1,430)	–	(1,430)
– Electricity contracts for difference	–	–	(391)	(391)
– Electricity contracts for difference and swaptions	–	–	(18,784)	(18,784)
<b>Total derivative financial instrument liabilities</b>	<b>–</b>	<b>(1,430)</b>	<b>(19,175)</b>	<b>(20,605)</b>
<b>As at 30 June 2009</b>				
<b>Financial assets</b>				
Derivative financial instruments				
– Foreign exchange contracts	–	1,347	–	1,347
– Electricity contracts for difference	–	–	2,855	2,855
– Electricity contracts for difference and swaptions	–	–	1,250	1,250
– Oil options	–	4,569	–	4,569
– Bunker fuel price swaps	–	659	–	659
<b>Total derivative financial instrument assets</b>	<b>–</b>	<b>6,575</b>	<b>4,105</b>	<b>10,680</b>
<b>Financial liabilities</b>				
Derivative financial instruments				
– Interest-rate swap contracts	–	(14,353)	–	(14,353)
– Foreign exchange contracts	–	(3,261)	–	(3,261)
– Electricity contracts for difference	–	–	(14,661)	(14,661)
– Electricity contracts for difference and swaptions	–	–	(1,894)	(1,894)
<b>Total derivative financial instrument liabilities</b>	<b>–</b>	<b>(17,614)</b>	<b>(16,555)</b>	<b>(34,169)</b>

<i>Parent</i>	Level one \$'000	Level two \$'000	Level three \$'000	Total \$'000
<b>As at 30 June 2010</b>				
<b>Financial assets</b>				
Derivative financial instruments				
- Interest-rate swap contracts	-	1,553	-	1,553
- Foreign exchange contracts	-	344	-	344
- Electricity contracts for difference	-	-	17	17
- Electricity contracts for difference and swaptions	-	-	1,502	1,502
- Oil options	-	2,822	-	2,822
<b>Total derivative financial instrument assets</b>	<b>-</b>	<b>4,719</b>	<b>1,519</b>	<b>6,238</b>
<b>Financial liabilities</b>				
Derivative financial instruments				
- Foreign exchange contracts	-	(1,430)	-	(1,430)
- Electricity contracts for difference	-	-	(391)	(391)
- Electricity contracts for difference and swaptions	-	-	(18,784)	(18,784)
- Oil options	-	(2,822)	-	(2,822)
<b>Total derivative financial instrument liabilities</b>	<b>-</b>	<b>(4,252)</b>	<b>(19,175)</b>	<b>(23,427)</b>

<i>Parent</i>	Level one \$'000	Level two \$'000	Level three \$'000	Total \$'000
<b>As at 30 June 2009</b>				
<b>Financial assets</b>				
Derivative financial instruments				
- Foreign exchange contracts	-	1,347	-	1,347
- Electricity contracts for difference	-	-	2,855	2,855
- Electricity contracts for difference and swaptions	-	-	1,250	1,250
- Oil options	-	4,569	-	4,569
- Bunker fuel price swaps	-	659	-	659
<b>Total derivative financial instrument assets</b>	<b>-</b>	<b>6,575</b>	<b>4,105</b>	<b>10,680</b>
<b>Financial liabilities</b>				
Derivative financial instruments				
- Interest-rate swap contracts	-	(14,353)	-	(14,353)
- Foreign exchange contracts	-	(3,313)	-	(3,313)
- Electricity contracts for difference	-	-	(14,661)	(14,661)
- Electricity contracts for difference and swaptions	-	-	(1,894)	(1,894)
- Oil options	-	(4,569)	-	(4,569)
<b>Total derivative financial instrument liabilities</b>	<b>-</b>	<b>(22,235)</b>	<b>(16,555)</b>	<b>(38,790)</b>

There were no transfers between Levels one and two in the period.

The assumptions used to value electricity derivatives are disclosed in section (b) of this note. A sensitivity analysis showing the effect on the value of the electricity derivatives, of an increase/decrease by 10.0 per cent of the internally generated future electricity price path, is shown in section (g) of this note. The following tables provide a reconciliation of level three fair value measurements:

<i>Electricity derivatives</i>	Note	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Opening net book value		(12,450)	(12,450)	(5,602)	(5,602)
Settlements received in advance recognised in payables		(2,671)	(2,671)	-	-
Gain (loss) recognised in other gains and losses	11	(1,981)	(1,981)	(7,018)	(7,018)
Gain (loss) recognised in other comprehensive income		(554)	(554)	170	170
<b>Closing net book value</b>		<b>(17,656)</b>	<b>(17,656)</b>	<b>12,450</b>	<b>12,450</b>
<b>Net settlements</b>		<b>49,994</b>	<b>49,994</b>	<b>22,078</b>	<b>22,078</b>

19. Other financial assets

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Investments accounted for at historical cost:				
Shares in unlisted subsidiaries (a)	-	29,842	-	29,753
Shares in unlisted associates (b)	-	-	-	500
Investments accounted for using the equity method:				
Investments in unlisted associates (b)	-	-	791	-
	-	29,842	791	30,253

(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
	2010 %	2009 %		
Genesis Power Investments Limited	100	100	Holding company	New Zealand
Energy Online Limited	100	100	Energy retailer	New Zealand
Kinleith Cogeneration Limited	100	100	Special purpose finance company	New Zealand
Kupe Holdings Limited	100	100	Joint venture holding company	New Zealand
GP No. 1 Limited	100	100	Joint venture holding company	New Zealand
GP No. 2 Limited	100	100	Joint venture holding company	New Zealand
GP No. 4 Limited	100	100	Joint venture holding company	New Zealand
GP No. 5 Limited	100	100	Joint venture holding company	New Zealand
Cardiff Holdings No. 1 Limited	100	100	Joint venture holding company	New Zealand
Cardiff Holdings No. 2 Limited	100	100	Joint venture holding company	New Zealand
Slopedown Wind Farm Limited	100	-	Wind farm development company	New Zealand
Mangatoa No. 1 Limited	-	100	Non-trader	New Zealand
Mangatoa No. 2 Limited	-	100	Non-trader	New Zealand
Mangatoa No. 3 Limited	-	100	Non-trader	New Zealand
Mangatoa No. 4 Limited	-	100	Non-trader	New Zealand
Mangatoa No. 5 Limited	-	100	Non-trader	New Zealand

All subsidiaries have 30 June balance dates.

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

	Company 30 June 2010 \$'000	Company 30 June 2009 \$'000
Opening net book value	29,753	29,753
Acquisition of shares in new subsidiaries	1,442	-
Acquisition of shares in existing subsidiaries	22,019	-
Impairment of subsidiary investments	(23,372)	-
<b>Closing net book value</b>	<b>29,842</b>	<b>29,753</b>

During the year, the Company acquired 100.0 per cent of the share capital of Slopedown Wind Farm Limited. The investment was subsequently impaired in the Parent Company. The acquisition resulted in goodwill arising on consolidation of \$1.4 million which was also impaired. Refer note 19.

During the year, Cardiff No. 1 Limited, Cardiff No. 2 Limited and GP No. 4 Limited subsidiaries issued additional share capital of \$22.0 million to the Parent Company. The additional share investments were subsequently impaired. Refer note 31.

During the year, the Group amalgamated the Mangatoa subsidiaries into Genesis Power Investments Limited. The amalgamation had no impact on the financial results presented as the subsidiaries were previously non-trading.

*(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(b).

Name of entity	Interest held by Company		Principal activity	Country of incorporation
	2010 %	2009 %		
Gasbridge Limited	50	50	Agency for joint venture	New Zealand
CRL Energy Limited	-	50	Research company	New Zealand
Energyhedge Limited	20	-	Electricity futures market developer	New Zealand

The associates have 30 June balance dates.

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

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Opening net book value	791	500	724	500
Acquisitions – at cost	8	8	-	-
Share of associates net profit (loss) after tax	81	-	67	-
Sale of associate	(880)	(500)	-	-
Impairment of investment	-	(8)	-	-
<b>Closing net book value</b>	<b>-</b>	<b>-</b>	<b>791</b>	<b>500</b>

Investments in associates include no amount for goodwill (2009: Nil).

The Group's share of capital expenditure commitments relating to the associates are included in capital commitments disclosed in note 30.

Summarised financial information in respect of the Group's share of associates is set out below:

	2010 \$'000	2009 \$'000
Current assets	30	640
Non current assets	-	608
<b>Total assets</b>	<b>30</b>	<b>1,248</b>
Current liabilities	(43)	(457)
Non current liabilities	-	-
<b>Total liabilities</b>	<b>(43)</b>	<b>(457)</b>
<b>Group's share of net assets of associates</b>	<b>(13)</b>	<b>791</b>
Revenue	2,195	2,236
Expenses	(2,079)	(2,128)
Profit before income tax	116	108
Income tax expense	(35)	(41)
<b>Group's share of associate profit for the year</b>	<b>81</b>	<b>67</b>

The unrecognised share of net losses of the associates amounts to \$13,000 (2009: Nil).

During the year, the Company disposed of its 50.0 per cent share in CRL Energy Limited resulting in a loss on sale of \$320,000.

During the year, the Company acquired a 20.0 per cent share in Energyhedge Limited for \$8,000.

## 20. Property, plant and equipment

<i>Group</i>	Capital work in progress \$'000	Freehold land \$'000	Buildings and improvements \$'000	Generation assets \$'000	Leased plant and equipment \$'000	Other property, plant and equipment \$'000	Total \$'000
<b>Year ended 30 June 2010</b>							
Opening net book value	410,241	7,371	1,393	1,475,984	2,127	15,066	1,912,182
Additions	32,311	-	-	-	-	-	32,311
Interest and other finance costs capitalised	284	-	-	-	-	-	284
Transfer to (from) capital work in progress	(21,028)	-	-	4,462	-	16,566	-
Transfer to oil and gas assets	(361,115)	(7,371)	-	-	-	-	(368,486)
Disposals	-	-	-	(1,199)	-	(2,777)	(3,976)
Impairment losses charged to profit or loss	(15,498)	-	-	-	-	-	(15,498)
Depreciation charge	-	-	(41)	(54,539)	(64)	(6,578)	(61,222)
<b>Closing net book value</b>	<b>45,195</b>	<b>-</b>	<b>1,352</b>	<b>1,424,708</b>	<b>2,063</b>	<b>22,277</b>	<b>1,495,595</b>
<b>As at 30 June 2010</b>							
Cost	45,195	-	1,691	-	-	67,597	114,483
Fair value	-	-	-	1,479,247	2,127	-	1,481,374
Accumulated depreciation	-	-	(339)	(54,539)	(64)	(45,320)	(100,262)
<b>Net book value</b>	<b>45,195</b>	<b>-</b>	<b>1,352</b>	<b>1,424,708</b>	<b>2,063</b>	<b>22,277</b>	<b>1,495,595</b>
<b>Year ended 30 June 2009</b>							
Opening net book value	327,882	17,721	1,359	1,463,837	25,067	15,349	1,851,215
Additions	143,222	-	77	-	-	3,319	146,618
Revaluation gains (losses)	(27,254)	-	-	19,554	(20,922)	-	(28,622)
Interest and other finance costs capitalised	24,766	-	-	-	-	-	24,766
Transfer to (from) capital work in progress	(49,232)	(10,350)	-	59,582	-	-	-
Transfer to oil and gas assets	-	-	-	-	-	-	-
Disposals	-	-	-	(908)	-	(654)	(1,562)
Impairment losses charged to profit or loss	(9,143)	-	-	-	-	(199)	(9,342)
Depreciation charge	-	-	(43)	(66,081)	(2,018)	(2,749)	(70,891)
<b>Closing net book value</b>	<b>410,241</b>	<b>7,371</b>	<b>1,393</b>	<b>1,475,984</b>	<b>2,127</b>	<b>15,066</b>	<b>1,912,182</b>
<b>As at 30 June 2009</b>							
Cost	397,352	7,371	1,691	-	-	55,419	461,833
Fair value	12,889	-	-	1,475,984	2,127	-	1,491,000
Accumulated depreciation	-	-	(298)	-	-	(40,353)	(40,651)
<b>Net book value</b>	<b>410,241</b>	<b>7,371</b>	<b>1,393</b>	<b>1,475,984</b>	<b>2,127</b>	<b>15,066</b>	<b>1,912,182</b>
<b>As at 01 July 2008</b>							
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)
<b>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>

<i>Company</i>	Capital work in progress \$'000	Freehold land \$'000	Buildings and improvements \$'000	Generation assets \$'000	Leased plant and equipment \$'000	Other property, plant and equipment \$'000	Total \$'000
<b>Year ended 30 June 2010</b>							
Opening net book value	49,126	-	1,393	1,475,984	2,127	14,212	1,542,842
Additions	30,766	-	-	-	-	-	30,766
Interest and other finance costs capitalised	284	-	-	-	-	-	284
Transfer to (from) capital work in progress	(19,486)	-	-	4,462	-	15,024	-
Disposals	-	-	-	(1,199)	-	(2,762)	(3,961)
Impairment losses charged to profit or loss	(15,495)	-	-	-	-	-	(15,495)
Depreciation charge	-	-	(41)	(54,539)	(64)	(6,431)	(61,075)
<b>Closing net book value</b>	<b>45,195</b>	<b>-</b>	<b>1,352</b>	<b>1,424,708</b>	<b>2,063</b>	<b>20,043</b>	<b>1,493,361</b>
<b>As at 30 June 2010</b>							
Cost	45,195	-	1,691	-	-	64,913	111,799
Fair value	-	-	-	1,479,247	2,127	-	1,481,374
Accumulated depreciation	-	-	(339)	(54,539)	(64)	(44,870)	(99,812)
<b>Net book value</b>	<b>45,195</b>	<b>-</b>	<b>1,352</b>	<b>1,424,708</b>	<b>2,063</b>	<b>20,043</b>	<b>1,493,361</b>
<b>Year ended 30 June 2009</b>							
Opening net book value	70,478	10,350	1,359	1,463,771	25,067	14,465	1,585,490
Additions	60,130	-	77	-	-	3,270	63,477
Revaluation gains (losses)	(27,254)	-	-	19,554	(20,922)	-	(28,622)
Interest and other finance costs capitalised	1,317	-	-	-	-	-	1,317
Transfer to (from) capital work in progress	(49,232)	(10,350)	-	59,582	-	-	-
Disposals	-	-	-	(908)	-	(654)	(1,562)
Impairment losses charged to profit or loss	(6,313)	-	-	-	-	(199)	(6,512)
Depreciation charge	-	-	(43)	(66,015)	(2,018)	(2,670)	(70,746)
<b>Closing net book value</b>	<b>49,126</b>	<b>-</b>	<b>1,393</b>	<b>1,475,984</b>	<b>2,127</b>	<b>14,212</b>	<b>1,542,842</b>
<b>As at 30 June 2009</b>							
Cost	36,237	-	1,691	-	-	53,919	91,847
Fair value	12,889	-	-	1,475,984	2,127	-	1,491,000
Accumulated depreciation	-	-	(298)	-	-	(39,707)	(40,005)
<b>Net book value</b>	<b>49,126</b>	<b>-</b>	<b>1,393</b>	<b>1,475,984</b>	<b>2,127</b>	<b>14,212</b>	<b>1,542,842</b>
<b>As at 01 July 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)
<b>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>

*(a) Generation assets carried at fair value*

The Directors valued the Company's generation assets and certain capital work in progress at 30 June 2009. The valuation was independently determined by First NZ Capital.

The valuation of generation assets for accounting purposes was \$1,491.0 million which included capital work in progress amounting to \$12.9 million and leased plant amounting to \$2.1 million. The net revaluation change was a \$28.6 million decrease in the book value of generation assets.

Generation assets and capital work in progress were revalued to fair value. The economic valuation of the generation assets was \$1,197.0 million which was \$294.0 million lower than was the accounting valuation as certain generation assets were determined to have a negative value whereas, for accounting purposes, they were revalued to zero.

The key assumptions in the valuation model include: the wholesale electricity price path; projected generation output; fuel costs; projected operational and capital expenditure profiles; capacity and life assumptions for each generation plant; the commencement date for the Emissions Trading Scheme; the price of emission units; and the discount rate.

The valuation was calculated on each generating site. The revaluation for those sites that had a negative revaluation went to profit or loss except to the extent that there was a previous upward revaluation. Any previous upward revaluation was reversed from the asset revaluation reserve. The movement for those generating sites that had a positive revaluation adjustment went to the asset revaluation reserve.

As a consequence of the revaluation, accumulated depreciation on revalued assets was reset to nil at 30 June 2009, a revaluation surplus of \$232.8 million (\$162.9 million net of deferred tax) transferred to equity (refer note 27), and a revaluation loss of \$261.4 million transferred to profit or loss. There were no revaluation adjustments in 2010.

An independent review of the 2009 valuation of the Company was performed as at 30 June 2010. The independent valuer confirmed that, based on their review, nothing came to their attention that would materially impact the assessed valuation.

The current year's additional depreciation charge due to past revaluations amounted to \$11.5 million (2009: \$10.2 million).

*(b) Generation assets carried at historical cost*

If generation assets were stated on the historical cost basis, the carrying value of such assets would be as follows:

<i>Generation assets</i>	<b>Group 30 June 2010 \$'000</b>	<b>Company 30 June 2010 \$'000</b>	<b>Group 30 June 2009 \$'000</b>	<b>Company 30 June 2009 \$'000</b>
Cost	<b>1,481,183</b>	<b>1,481,183</b>	1,481,032	1,481,032
Accumulated depreciation	<b>(347,855)</b>	<b>(347,855)</b>	(293,477)	(293,477)
<b>Net book value</b>	<b>1,133,328</b>	<b>1,133,328</b>	<b>1,187,555</b>	<b>1,187,555</b>

*(c) Impairment of property, plant and equipment*

Expenditure of a capital nature on Huntly Units 1 to 4 and 6 is immediately impaired when incurred as these units have a zero book value. During the year, \$8.8 million of expenditure was impaired. In addition, a further \$6.7 million of business development expenditure was impaired.

*(d) Reclassification of property, plant and equipment*

The Kupe production facilities commenced commercial operations on 22 March 2010. In line with the Group's accounting policy, the capital work in progress has been reclassified to 'oil and gas-producing assets' within the oil and gas assets note. Refer note 22.

*(e) Property, plant and equipment pledged as security*

The Group is not permitted to pledge assets as security unless it is an exception permitted within the negative pledge deed under which the Group borrows funds.

## 21. Intangible assets

<i>Group</i>	Note	Goodwill \$'000	Naming rights \$'000	Computer software \$'000	Emissions units \$'000	Total \$'000
<b>Year ended 30 June 2010</b>						
Opening net book value		102,599	5,067	14,336	11,000	133,002
Additions		-	343	13,066	3,530	16,939
Acquired through business combinations		1,354	-	-	-	1,354
Disposals		-	-	-	(9,793)	(9,793)
Impairment losses charged to profit or loss		(1,354)	-	-	-	(1,354)
Amortisation charge	9	-	(1,441)	(9,801)	-	(11,242)
<b>Closing net book value</b>		<b>102,599</b>	<b>3,969</b>	<b>17,601</b>	<b>4,737</b>	<b>128,906</b>
<b>As at 30 June 2010</b>						
Cost		103,953	5,410	77,087	4,737	191,187
Accumulated amortisation and impairment		(1,354)	(1,441)	(59,486)	-	(62,281)
<b>Net book value</b>		<b>102,599</b>	<b>3,969</b>	<b>17,601</b>	<b>4,737</b>	<b>128,906</b>
<b>Year ended 30 June 2009</b>						
Opening net book value		102,599	5,062	17,798	-	125,459
Additions		-	1,437	7,841	11,000	20,278
Amortisation charge	9	-	(1,432)	(11,303)	-	(12,735)
<b>Closing net book value</b>		<b>102,599</b>	<b>5,067</b>	<b>14,336</b>	<b>11,000</b>	<b>133,002</b>
<b>As at 30 June 2009</b>						
Cost		102,599	8,679	63,936	11,000	186,214
Accumulated amortisation		-	(3,612)	(49,600)	-	(53,212)
<b>Net book value</b>		<b>102,599</b>	<b>5,067</b>	<b>14,336</b>	<b>11,000</b>	<b>133,002</b>
<b>As at 30 June 2008</b>						
Cost		102,599	10,259	56,090	-	168,948
Accumulated amortisation		-	(5,197)	(38,292)	-	(43,489)
<b>Net book value</b>		<b>102,599</b>	<b>5,062</b>	<b>17,798</b>	<b>-</b>	<b>125,459</b>

<i>Company</i>	Note	Goodwill \$'000	Naming rights \$'000	Computer software \$'000	Emissions units \$'000	Total \$'000
<b>Year ended 30 June 2010</b>						
Opening net book value		99,866	5,067	13,900	11,000	129,833
Additions		-	343	12,845	3,530	16,718
Disposals		-	-	-	(9,793)	(9,793)
Amortisation charge	9	-	(1,441)	(9,594)	-	(11,035)
<b>Closing net book value</b>		<b>99,866</b>	<b>3,969</b>	<b>17,151</b>	<b>4,737</b>	<b>125,723</b>
<b>As at 30 June 2010</b>						
Cost		99,866	5,410	75,634	4,737	185,647
Accumulated amortisation		-	(1,441)	(58,483)	-	(59,924)
<b>Net book value</b>		<b>99,866</b>	<b>3,969</b>	<b>17,151</b>	<b>4,737</b>	<b>125,723</b>
<b>Year ended 30 June 2009</b>						
Opening net book value		99,866	5,062	17,388	-	122,316
Additions		-	1,437	7,637	11,000	20,074
Amortisation charge	9	-	(1,432)	(11,125)	-	(12,557)
<b>Closing net book value</b>		<b>99,866</b>	<b>5,067</b>	<b>13,900</b>	<b>11,000</b>	<b>129,833</b>
<b>As at 30 June 2009</b>						
Cost		99,866	8,679	62,789	11,000	182,334
Accumulated amortisation		-	(3,612)	(48,889)	-	(52,501)
<b>Net book value</b>		<b>99,866</b>	<b>5,067</b>	<b>13,900</b>	<b>11,000</b>	<b>129,833</b>
<b>As at 30 June 2008</b>						
Cost		99,866	10,259	55,153	-	165,278
Accumulated amortisation		-	(5,197)	(37,765)	-	(42,962)
<b>Net book value</b>		<b>99,866</b>	<b>5,062</b>	<b>17,388</b>	<b>-</b>	<b>122,316</b>

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 impairment testing annually 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, goodwill is allocated to the cash-generating unit (CGU) of Retail in respect of goodwill relating to customers acquired, and the CGU of Corporate for goodwill arising on businesses acquired. The impairment tests are 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 and Corporate business units and are extrapolated on a consistent basis (2009: growth rate of 2.0 per cent). The estimated future cash flow projections are discounted using pre-tax equivalent discount rate scenarios ranging between 12.0 per cent and 13.5 per cent (2009: 10.5 per cent and 12.0 per cent).

Key assumptions in the value-in-use calculation for the Retail cash-generating unit and the approach to determining the 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	Review of actual gross margins and consideration of expected market movements and impacts.
- Cost to serve	Review of actual costs to serve and consideration of expected market movements and impacts.

Goodwill of \$1.4 million arising on the acquisition of Slopedown Wind Farm Limited has been impaired. No impairments were required for goodwill related to customers or to the other listed intangible assets as at 30 June 2010 (2009: Nil).

## 22. Oil and gas assets

<i>Group</i>	Mining licences \$'000	Exploration and evaluation expenditure \$'000	Oil and gas- development assets \$'000	Oil and gas- producing assets \$'000	Other oil and gas assets \$'000	Total \$'000
<b>Year ended 30 June 2010</b>						
Opening net book value	16,518	-	86,037	-	-	102,555
Additions	-	(280)	19,464	-	22,949	42,133
Transfer from capital work in progress	-	-	-	368,486	-	368,486
Transfer to producing assets	(16,518)	-	(131,365)	147,883	-	-
Interest and other finance costs capitalised	-	-	25,864	-	-	25,864
Impairment losses charged to profit or loss	-	(364)	-	-	-	(364)
Impairment losses reversed	-	644	-	-	-	644
Depreciation, depletion and amortisation expense	-	-	-	(16,085)	(283)	(16,368)
<b>Closing net book value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500,284</b>	<b>22,666</b>	<b>522,950</b>
<b>As at 30 June 2010</b>						
Cost	-	54,547	-	516,369	22,949	593,865
Accumulated depreciation, depletion, amortisation and impairment	-	(54,547)	-	(16,085)	(283)	(70,915)
<b>Net book value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500,284</b>	<b>22,666</b>	<b>522,950</b>
<i>Group</i>	Mining licences \$'000	Exploration and evaluation expenditure \$'000	Oil and gas- development assets \$'000	Oil and gas- producing assets \$'000	Other oil and gas assets \$'000	Total \$'000
<b>Year ended 30 June 2009</b>						
Opening net book value	16,518	3,148	58,776	-	-	78,442
Additions	-	13,334	21,795	-	-	35,129
Interest and other finance costs capitalised	-	-	5,466	-	-	5,466
Impairment losses charged to profit or loss	-	(16,482)	-	-	-	(16,482)
Depreciation, depletion and amortisation expense	-	-	-	-	-	-
<b>Closing net book value</b>	<b>16,518</b>	<b>-</b>	<b>86,037</b>	<b>-</b>	<b>-</b>	<b>102,555</b>
<b>As at 30 June 2009</b>						
Cost	16,518	54,847	86,037	-	-	157,402
Accumulated depreciation, depletion, amortisation and impairment	-	(54,847)	-	-	-	(54,847)
<b>Net book value</b>	<b>16,518</b>	<b>-</b>	<b>86,037</b>	<b>-</b>	<b>-</b>	<b>102,555</b>
<b>As at 1 July 2008</b>						
Cost	16,518	41,513	58,776	-	-	116,807
Accumulated depreciation, depletion, amortisation and impairment	-	(38,365)	-	-	-	(38,365)
<b>Net book value</b>	<b>16,518</b>	<b>3,148</b>	<b>58,776</b>	<b>-</b>	<b>-</b>	<b>78,442</b>

The Group has a 31.0 per cent interest in the Kupe production facility and Petroleum Mining Permit 38146 held by the Kupe Joint Venture. Commissioning of the Kupe production facilities commenced on 4 December 2009 with the opening of the first offshore well (KS-6). Following the successful testing and commissioning of the production systems, commercial operations began on 22 March 2010. In line with the Group's accounting policy, the assets have been reclassified as oil and gas-producing assets.

Capitalised exploration and evaluation expenditure relates primarily to the Kupe (Momoho), Mangatōa and Cardiff gas and condensate fields in which the Group has interests. Refer note 32.

The exploration and evaluation assets relating to the Kupe (Momoho), Mangatōa and Cardiff gas and condensate fields were considered to be impaired 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.

<i>Company</i>	Mining licences \$'000	Exploration and evaluation expenditure \$'000	Oil and gas- development assets \$'000	Oil and gas- producing assets \$'000	Other oil and gas assets \$'000	Total \$'000
<b>Year ended 30 June 2010</b>						
Opening net book value	-	-	-	-	-	-
Additions	-	364	-	-	-	364
Impairment losses charged to profit or loss	-	(364)	-	-	-	(364)
Depreciation, depletion and amortisation expense	-	-	-	-	-	-
<b>Closing net book value</b>	-	-	-	-	-	-
<b>As at 30 June 2010</b>						
Cost	-	11,392	-	-	-	11,392
Accumulated depreciation, depletion, amortisation and impairment	-	(11,392)	-	-	-	(11,392)
<b>Net book value</b>	-	-	-	-	-	-
<b>Year ended 30 June 2009</b>						
Opening net book value	-	3,148	-	-	-	3,148
Additions	-	7,880	-	-	-	7,880
Impairment losses charged to profit or loss	-	(11,028)	-	-	-	(11,028)
Depreciation, depletion and amortisation expense	-	-	-	-	-	-
<b>Closing net book value</b>	-	-	-	-	-	-
<b>As at 30 June 2009</b>						
Cost	-	11,028	-	-	-	11,028
Accumulated depreciation, depletion, amortisation and impairment	-	(11,028)	-	-	-	(11,028)
<b>Net book value</b>	-	-	-	-	-	-
<b>As at 1 July 2008</b>						
Cost	-	3,148	-	-	-	3,148
Accumulated depreciation, depletion, amortisation and impairment	-	-	-	-	-	-
<b>Net book value</b>	-	3,148	-	-	-	3,148

Capitalised exploration and evaluation expenditure relates to the Mangatōa gas and condensate field in which the Company has an interest.

The exploration and evaluation assets relating to the Mangatōa gas and condensate field were considered to be impaired as the test results indicated it was not economic to develop this field further. The amount written off represents capitalised exploration expenditure.

**(a) Oil and gas reserves**

The table below presents the proven (P90) and proven and probable (P50) oil and gas reserves relating to the Kupe permit. The Group has a 31.0 per cent interest in the reserves shown;

	Sales gas Petajoules	LPG Kilotonnes	Light oil Kilobarrels	Total Petajoules equivalent
Kupe – Proven (P90)	192.7	788.8	11,288	294.4
Kupe – Proven and probable (P50)	289.9	1,181.2	19,866	458.7

**23. Trade and other payables**

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Trade payables and accruals	199,008	182,788	239,611	215,313
Employee benefits	4,920	4,796	3,883	3,762
	<b>203,928</b>	<b>187,584</b>	<b>243,494</b>	<b>219,075</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.

**(a) ACC Partnership Programme**

The Company belongs to the ACC Partnership Programme whereby the Company accepts the management and financial responsibility for employee work-related illnesses and accidents. Under the programme, the Company is liable for all its claims costs for a period of one year up to a specified maximum.

At the end of the one-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 as 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;
- conducting induction training on health and safety;
- actively managing workplace injuries to ensure employees return to work as soon as practical;
- recording and monitoring workplace injuries and near misses to identify risk areas and implementing mitigating actions; and
- identifying workplace hazards and implementing appropriate safety procedures.

The Company has chosen a stop loss limit of 250.0 per cent of the industry premium. The stop loss limit means the Company will carry the total cost of claims of up to \$0.3 million only.

The Company is not exposed to any significant concentrations of insurance risk as work-related injuries are generally the result of isolated events for individual employees.

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 2010. 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 to be between 2.6 per cent and 4.2 per cent. A discount rate of 6.0 per cent (2009: 6.8 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.

## 24. Borrowings

	Currency	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<b>Current borrowings and current portion of term borrowings</b>					
Uncommitted money market borrowings (b)	NZD	–	–	4,300	4,300
Revolving credit borrowings (b)	NZD	–	–	117,608	117,608
Wholesale term notes (b)	NZD	2,837	2,837	1,581	1,581
Retail term notes (b)	NZD	5,142	5,142	4,616	4,616
Finance lease liabilities (d)	NZD	3,310	3,310	3,348	3,348
<b>Total current interest-bearing borrowings</b>		<b>11,289</b>	<b>11,289</b>	<b>131,453</b>	<b>131,453</b>
<b>Term borrowings</b>					
Revolving credit borrowings (b)	NZD	112,000	112,000	180,000	180,000
Wholesale term notes (b)	NZD	194,501	194,501	74,852	74,852
Retail term notes (b)	NZD	221,552	221,552	221,560	221,560
Finance lease liabilities (d)	NZD	13,038	13,038	16,459	16,459
<b>Total non current interest-bearing liabilities</b>		<b>541,091</b>	<b>541,091</b>	<b>492,871</b>	<b>492,871</b>
<b>Total borrowings</b>					
Uncommitted money market borrowings (b)	NZD	–	–	4,300	4,300
Revolving credit borrowings (b)	NZD	112,000	112,000	297,608	297,608
Wholesale term notes (b)	NZD	197,338	197,338	76,433	76,433
Retail term notes (b)	NZD	226,694	226,694	226,176	226,176
Finance lease liabilities (d)	NZD	16,348	16,348	19,807	19,807
<b>Total interest-bearing liabilities</b>		<b>552,380</b>	<b>552,380</b>	<b>624,324</b>	<b>624,324</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 31.

### (a) Security

Except for finance leases, all of Genesis Power Limited's (the Company's) 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 20) 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 incurs interest at rates varying between 3.5 per cent and 4.5 per cent (2009: 3.1 per cent and 4.25 per cent) per annum and is repayable on demand.

The Company has the following committed revolving cash advance facilities provided by a number of major New Zealand trading banks:

- \$400.0 million (2009: \$675.0 million) facility expiring on 5 October 2011;
- \$50.0 million (2009: Nil) facility expiring on 29 September 2012; and
- \$50.0 million (2009: Nil) facility expiring on 29 September 2013; and

At 30 June 2010, the Company had drawn down \$112.0 million (2009: \$295.0 million) and had available undrawn funding of \$388.0 million (2009: \$380.0 million).

The Company has issued fixed and floating rate bonds (ranging from 7.5 years to 10 years) totalling \$195.0 million (2009: \$75.0 million). These bonds attract interest rates ranging between 5.4 per cent and 8.3 per cent (2009: 7.2 per cent) per annum and are repayable between 15 September 2016 and 23 June 2020.

On 20 August 2009, the Company issued fixed rate bonds totalling \$25.0 million and floating rate bonds totalling \$25.0 million, each maturing on 20 February 2017. The bonds were issued by a private placement with an institutional investor.

On 23 June 2010, the Company issued fixed rate bonds totalling \$70.0 million, maturing on 23 June 2020. The bonds were issued by a private placement with an institutional investor.

On 23 December 2008, the Company issued fixed rate bonds totalling \$225.0 million. The bonds comprise two series: a five-year series (Series A Bonds) of \$120.0 million maturing 15 March 2014; and a seven-year series (Series B Bonds) of \$105.0 million maturing 15 March 2016. The bonds attract interest at a coupon rate of 7.25 per cent and 7.65 per cent respectively.

		Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<b>Wholesale term notes</b>					
Issue costs included in Wholesale term notes	Current	(47)	(47)	(14)	(14)
	Term	(437)	(437)	(114)	(114)
<b>Retail term notes</b>					
Issue costs included in Retail term notes	Current	(604)	(604)	(559)	(559)
	Term	(2,560)	(2,560)	(3,440)	(3,440)

**(c) Financial liability contractual maturities and interest-rate risk exposures**

Refer to note 18 for the Group's contractual maturities and interest-rate exposures on financial liabilities.

**(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 a substation extension at the Huntly Power Station, under finance lease arrangements.

		Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<b>Finance lease liabilities</b>					
Future minimum lease payments are as follows:					
Not later than one year		4,698	4,698	4,825	4,825
Later than one year but not later than two years		4,277	4,277	4,698	4,698
Later than two years but not later than five years		10,336	10,336	12,831	12,831
Later than five years		-	-	1,782	1,782
Minimum lease payments		19,311	19,311	24,136	24,136
Future finance charges on finance leases		(2,963)	(2,963)	(4,329)	(4,329)
<b>Present value of future minimum lease payments</b>		<b>16,348</b>	<b>16,348</b>	<b>19,807</b>	<b>19,807</b>
The present value of future minimum lease payments are as follows:					
Not later than one year		3,310	3,310	3,348	3,348
Later than one year but not later than two years		3,424	3,424	3,595	3,595
Later than two years but not later than five years		9,280	9,280	11,063	11,063
Later than five years		334	334	1,801	1,801
<b>Present value of future minimum lease payments</b>		<b>16,348</b>	<b>16,348</b>	<b>19,807</b>	<b>19,807</b>

The weighted average effective interest rate implicit in the leases is 7.05 per cent (2009: 7.05 per cent).

The Port of Tauranga lease has a term of 15 years with a renewal option for three further terms of five years each. 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 assets at the end of the lease. The balance sheet presentation of these leases differs from 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.

## 25. Provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

<i>Group</i>	Rehabilitation and restoration \$'000	Customer rewards \$'000	Other provisions \$'000	Total \$'000
<b>Year ended 30 June 2010</b>				
Balance at beginning of year	30,813	2,542	20,279	53,634
Provisions made during the year	8,608	4,237	8,369	21,214
Provisions reversed during the year	–	(833)	–	(833)
Provisions used during the year	(74)	(172)	(12,268)	(12,514)
Unwinding of discount	612	–	798	1,410
<b>Balance at end of year</b>	<b>39,959</b>	<b>5,774</b>	<b>17,178</b>	<b>62,911</b>
Current	1,092	3,299	3,758	8,149
Non current	38,867	2,475	13,420	54,762
	<b>39,959</b>	<b>5,774</b>	<b>17,178</b>	<b>62,911</b>
<b>Year ended 30 June 2009</b>				
Balance at beginning of year	13,901	–	11,880	25,781
Provisions made during the year	19,279	2,557	11,437	33,273
Provisions reversed during the year	(2,268)	–	–	(2,268)
Provisions used during the year	(1,013)	(15)	(3,324)	(4,352)
Unwinding of discount	914	–	286	1,200
<b>Balance at end of year</b>	<b>30,813</b>	<b>2,542</b>	<b>20,279</b>	<b>53,634</b>
Current	1,306	–	3,228	4,534
Non current	29,507	2,542	17,051	49,100
	<b>30,813</b>	<b>2,542</b>	<b>20,279</b>	<b>53,634</b>
<b>Year ended 30 June 2010</b>				
Balance at beginning of year	10,741	2,542	20,279	33,562
Provisions made during the year	–	4,237	8,369	12,606
Provisions reversed during the year	–	(833)	–	(833)
Provisions used during the year	(74)	(172)	(11,742)	(11,988)
Unwinding of discount	612	–	272	884
<b>Balance at end of year</b>	<b>11,279</b>	<b>5,774</b>	<b>17,178</b>	<b>34,231</b>
Current	–	3,299	3,758	7,057
Non current	11,279	2,475	13,420	27,174
	<b>11,279</b>	<b>5,774</b>	<b>17,178</b>	<b>34,231</b>
<b>Year ended 30 June 2009</b>				
Balance at beginning of year	9,882	–	11,880	21,762
Provisions made during the year	–	2,557	11,437	13,994
Provisions used during the year	(55)	(15)	(3,324)	(3,394)
Unwinding of discount	914	–	286	1,200
<b>Balance at end of year</b>	<b>10,741</b>	<b>2,542</b>	<b>20,279</b>	<b>33,562</b>
Current	214	–	3,228	3,442
Non current	10,527	2,542	17,051	30,120
	<b>10,741</b>	<b>2,542</b>	<b>20,279</b>	<b>33,562</b>

The rehabilitation and restoration provisions represent the present value of the best estimate of future costs to be incurred for the rehabilitation and restoration of the Meremere generation site, the Huntly ash ponds, and the Kupe and Cardiff gas fields. These sites require remediation of conditions resulting from past and present operations. These costs are expected to be incurred at varying stages of up to 15 years.

During the previous year, the Company introduced its own customer loyalty programme 'Brownie Points' which awards points to customers for different behaviours. Accordingly, a provision was recognised for the full liability owing as there was no basis at that time for estimating redemption rates on behaviour-based programmes. During the current year, the provision has been reduced to 87.5 per cent of the full liability as this reflects the estimated redemption rate. The timing of the outflows is dependent on customers redeeming their points after achieving a minimum rewards points balance. Unredeemed rewards points expire after a period of three years.

Other provisions represent the present value of contracted costs and compensation claims covering a range of commercial matters including mitigation agreements, which are the subject of legal privilege and/or confidentiality arrangements. The timing of these outflows varies up to 14 years. The decrease in the current year provision is a result of the settlement of the proceedings arising from the claim by Carter Holt Harvey in relation to the Kinleith Cogeneration plant.

## 26. 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

<i>Group</i>	Opening balance \$'000	Recognised in income \$'000	Recognised in other comprehensive income \$'000	Adjusted to current tax \$'000	Closing balance \$'000
<b>Year ended 30 June 2010</b>					
Property, plant and equipment	308,466	7,344	(11,747)	–	304,063
Oil and gas assets	(45,958)	11,456	–	–	(34,502)
Intangibles	5,821	413	–	–	6,234
Trade and other receivables	(729)	(4,964)	–	–	(5,693)
Inventories	–	(2,795)	–	–	(2,795)
Employee entitlements	(1,254)	(555)	–	–	(1,809)
Provisions	(11,187)	(3,555)	–	–	(14,742)
Finance lease liabilities	(7,534)	932	–	–	(6,602)
Derivative financial instruments	(8,965)	(769)	5,033	–	(4,701)
Other	(1,695)	2,642	–	–	947
<b>Total liability</b>	<b>236,965</b>	<b>10,149</b>	<b>(6,714)</b>	<b>–</b>	<b>240,400</b>

<i>Group</i>	Opening balance \$'000	Recognised in income \$'000	Recognised in other comprehensive income \$'000	Adjusted to current tax \$'000	Closing balance \$'000
<b>Year ended 30 June 2009</b>					
Property, plant and equipment	285,800	(47,191)	69,822	35	308,466
Oil and gas assets	(44,194)	(1,764)	–	–	(45,958)
Intangibles	6,858	(1,037)	–	–	5,821
Trade and other receivables	1,606	(2,335)	–	–	(729)
Inventories	(927)	927	–	–	–
Employee entitlements	(990)	(264)	–	–	(1,254)
Provisions	(6,671)	(4,516)	–	–	(11,187)
Finance lease liabilities	(7,933)	399	–	–	(7,534)
Derivative financial instruments	(6,424)	(512)	(2,029)	–	(8,965)
Other	(1,805)	110	–	–	(1,695)
<b>Total liability</b>	<b>225,320</b>	<b>(56,183)</b>	<b>67,793</b>	<b>35</b>	<b>236,965</b>

<i>Company</i>	Opening balance \$'000	Recognised in income \$'000	Recognised in other comprehensive income \$'000	Adjusted to current tax \$'000	Closing balance \$'000
<b>Year ended 30 June 2010</b>					
Property, plant and equipment	201,033	7,560	(11,747)	–	196,846
Oil and gas assets	–	–	–	–	–
Intangibles	5,690	414	–	–	6,104
Trade and other receivables	(4,238)	(1,479)	–	–	(5,717)
Inventories	–	(2,795)	–	–	(2,795)
Employee entitlements	(1,214)	(550)	–	–	(1,764)
Provisions	(5,165)	(1,523)	–	–	(6,688)
Finance lease liabilities	(7,534)	932	–	–	(6,602)
Derivative financial instruments	(8,208)	(702)	5,055	–	(3,855)
Other	(1,679)	933	–	–	(746)
<b>Total liability</b>	<b>178,685</b>	<b>2,790</b>	<b>(6,692)</b>	<b>–</b>	<b>174,783</b>
<i>Company</i>	Opening balance \$'000	Recognised in income \$'000	Recognised in other comprehensive income \$'000	Adjusted to current tax \$'000	Closing balance \$'000
<b>Year ended 30 June 2009</b>					
Property, plant and equipment	209,376	(78,107)	69,822	(58)	201,033
Oil and gas assets	942	(942)	–	–	–
Intangibles	6,735	(1,045)	–	–	5,690
Trade and other receivables	(3,280)	(958)	–	–	(4,238)
Inventories	(927)	927	–	–	–
Employee entitlements	(958)	(256)	–	–	(1,214)
Provisions	(5,465)	300	–	–	(5,165)
Finance lease liabilities	(7,933)	399	–	–	(7,534)
Derivative financial instruments	(4,419)	(1,560)	(2,229)	–	(8,208)
Other	(1,804)	125	–	–	(1,679)
<b>Total liability</b>	<b>192,267</b>	<b>(81,117)</b>	<b>67,593</b>	<b>(58)</b>	<b>178,685</b>

The amounts showing as recognised in income and other comprehensive income are net of the effects of the change in corporate tax rate and the change in tax depreciation rules on buildings.

*(c) Unrecognised deferred tax assets and liabilities*

There are no unrecognised deferred tax assets or liabilities.

## 27. Shareholders' equity

<i>Group</i>	Share capital \$'000	Asset revaluation reserve \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance as at 1 July 2009</b>	540,565	401,340	(11,552)	462,487	1,392,840
Profit (loss) for the year	-	-	-	69,314	69,314
Asset revaluation:					
- Revaluation increments	-	-	-	-	-
- Transferred to retained earnings on disposal	-	(1,000)	-	-	(1,000)
Cash flow hedges:					
- Gains (losses) taken to other comprehensive income	-	-	14,264	-	14,264
- Gains (losses) transferred to profit or loss	-	-	4,510	-	4,510
- Gains (losses) transferred to initial carrying value of hedged item	-	-	(1,977)	-	(1,977)
Movement in deferred tax attributable to equity:					
- Deferred tax	-	300	(5,039)	-	(4,739)
- Change in corporate tax rate	-	11,447	6	-	11,453
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>10,747</b>	<b>11,764</b>	<b>69,314</b>	<b>91,825</b>
Dividends paid	-	-	-	(39,100)	(39,100)
<b>Balance as at 30 June 2010</b>	<b>540,565</b>	<b>412,087</b>	<b>212</b>	<b>492,701</b>	<b>1,445,565</b>
<i>Group</i>	Share capital \$'000	Asset revaluation reserve \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance as at 1 July 2008</b>	540,565	238,422	(6,817)	634,603	1,406,773
Profit (loss) for the year	-	-	-	(135,716)	(135,716)
Asset revaluation:					
- Revaluation increments	-	232,767	-	-	232,767
- Transferred to retained earnings on disposal	-	(27)	-	-	(27)
Cash flow hedges:					
- Gains (losses) taken to other comprehensive income	-	-	(7,517)	-	(7,517)
- Gains (losses) transferred to profit or loss	-	-	(2,604)	-	(2,604)
- Gains (losses) transferred to initial carrying value of hedged item	-	-	3,357	-	3,357
Movement in deferred tax attributable to equity:					
- Deferred tax	-	(69,822)	2,029	-	(67,793)
- Change in corporate tax rate	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>162,918</b>	<b>(4,735)</b>	<b>(135,716)</b>	<b>22,467</b>
Dividends paid	-	-	-	(36,400)	(36,400)
<b>Balance as at 30 June 2009</b>	<b>540,565</b>	<b>401,340</b>	<b>(11,552)</b>	<b>462,487</b>	<b>1,392,840</b>

<i>Company</i>	Share capital \$'000	Asset revaluation reserve \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance as at 1 July 2009</b>	540,565	401,340	(11,588)	386,992	1,317,309
Profit (loss) for the year	-	-	-	59,908	59,908
Asset revaluation:					
- Revaluation increments	-	-	-	-	-
- Transferred to retained earnings on disposal	-	(1,000)	-	-	(1,000)
Cash flow hedges:					
- Gains (losses) taken to other comprehensive income	-	-	12,563	-	12,563
- Gains (losses) transferred to profit or loss	-	-	4,539	-	4,539
- Gains (losses) transferred to initial carrying value of hedged item	-	-	(232)	-	(232)
Movement in deferred tax attributable to equity:					
- Deferred tax	-	300	(5,061)	-	(4,761)
- Change in corporate tax rate	-	11,447	6	-	11,453
<b>Total comprehensive income for the year</b>	-	<b>10,747</b>	<b>11,815</b>	<b>59,908</b>	<b>82,470</b>
Dividends paid	-	-	-	(39,100)	(39,100)
<b>Balance as at 30 June 2010</b>	<b>540,565</b>	<b>412,087</b>	<b>227</b>	<b>407,800</b>	<b>1,360,679</b>

<i>Company</i>	Share capital \$'000	Asset revaluation reserve \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance as at 1 July 2008</b>	540,565	238,422	(6,387)	568,883	1,341,483
Profit (loss) for the year	-	-	-	(145,491)	(145,491)
Asset revaluation:					
- Revaluation increments	-	232,767	-	-	232,767
- Transferred to retained earnings on disposal	-	(27)	-	-	(27)
Cash flow hedges:					
- Gains (losses) taken to other comprehensive income	-	-	(7,290)	-	(7,290)
- Gains (losses) transferred to profit or loss	-	-	(2,604)	-	(2,604)
- Gains (losses) transferred to initial carrying value of hedged item	-	-	2,464	-	2,464
Movement in deferred tax attributable to equity:					
- Deferred tax	-	(69,822)	2,229	-	(67,593)
- Change in corporate tax rate	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	<b>162,918</b>	<b>(5,201)</b>	<b>(145,491)</b>	<b>12,226</b>
Dividends paid	-	-	-	(36,400)	(36,400)
<b>Balance as at 30 June 2009</b>	<b>540,565</b>	<b>401,340</b>	<b>(11,588)</b>	<b>386,992</b>	<b>1,317,309</b>

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<i>(a) Share capital</i>				
<b>Ordinary shares</b>				
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).

*(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 profit or loss, 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 profit or loss for the respective non-financial hedged item:

	Interest-rate swap contracts \$'000	Foreign exchange contracts \$'000	Electricity contracts for difference \$'000	Total \$'000
<i>Group</i>				
Not later than one year	620	(146)	(269)	205
Later than one year but not later than two years	153	(492)	-	(339)
Later than two years but not later than five years	110	-	-	110
Later than five years	236	-	-	236
<b>Balance as at 30 June 2010</b>	<b>1,119</b>	<b>(638)</b>	<b>(269)</b>	<b>212</b>
<i>Group</i>				
Not later than one year	(9,244)	(1,248)	753	(9,739)
Later than one year but not later than two years	(553)	(382)	(627)	(1,562)
Later than two years but not later than five years	(251)	-	-	(251)
<b>Balance as at 30 June 2009</b>	<b>(10,048)</b>	<b>(1,630)</b>	<b>126</b>	<b>(11,552)</b>
<i>Company</i>				
Not later than one year	620	(131)	(269)	220
Later than one year but not later than two years	153	(492)	-	(339)
Later than two years but not later than five years	110	-	-	110
Later than five years	236	-	-	236
<b>Balance as at 30 June 2010</b>	<b>1,119</b>	<b>(623)</b>	<b>(269)</b>	<b>227</b>
<i>Company</i>				
Not later than one year	(9,244)	(1,284)	753	(9,775)
Later than one year but not later than two years	(553)	(382)	(627)	(1,562)
Later than two years but not later than five years	(251)	-	-	(251)
<b>Balance as at 30 June 2009</b>	<b>(10,048)</b>	<b>(1,666)</b>	<b>126</b>	<b>(11,588)</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 in profit or loss:

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Operating revenue	16,919	16,919	24	24
Other operating costs	(3,080)	(3,051)	5,182	5,182
Finance costs	(9,329)	(9,329)	(7,810)	(7,810)
<b>Gains (losses) transferred to profit or loss</b>	<b>4,510</b>	<b>4,539</b>	<b>(2,604)</b>	<b>(2,604)</b>

There are no forecast transactions for which hedge accounting had previously been applied but which are no longer expected to occur.

## 28. Ordinary dividends

The Company paid the following fully imputed dividends during the year:

	Dividend payment date	Company 30 June 2010 \$'000	Company 30 June 2009 \$'000	Company 30 June 2010 cents per share	Company 30 June 2009 cents per share
Dividends paid during the year:					
2008 year final dividend	30 Sep 2008		26,000		4.81
2009 year interim dividend	31 Mar 2009		10,400		1.92
2009 year final dividend	30 Sep 2009	10,400		1.92	
2010 year interim dividend	31 Mar 2010	28,700		5.31	
<b>Total Ordinary dividends paid</b>		<b>39,100</b>	<b>36,400</b>		

## 29. Contingent assets and liabilities

The Company and Group had contingent assets and liabilities at 30 June 2010 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.

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) Electricity market review changes

The Government's Electricity Industry Bill (EIB) is currently in the legislative process. Amongst other things, the EIB provides for Meridian Energy to sell the Tekapo A and B Power Stations to Genesis Energy, and for Ministers to issue a direction to the companies on the sale terms and ancillary arrangements, if necessary. Negotiations on the terms of the sale are continuing. In the event the parties cannot reach agreement and Ministers determine the sale terms, there could be an adverse financial impact on the Group.

### (c) 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 may give rise to liabilities in the Company if the subsidiaries do not meet their obligations under the terms of the respective arrangements.

### (d) Letters of credit and performance bonds

The Company, as a participant in the electricity market, issued letters of credit to the Energy Clearing House Limited 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. These are not material to the financial statements.

There are no other known material contingent assets or liabilities (2009: Nil).

### 30. 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 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Within one year	12,614	12,585	13,007	13,007
Later than one year but not later than five years	828	828	2,331	2,331
<b>Total capital and investment commitments</b>	<b>13,442</b>	<b>13,413</b>	<b>15,338</b>	<b>15,338</b>

#### (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 of up to 20 years. In some cases, renewal rights exist with market review clauses. The Group does not have any options to purchase the leased assets at the expiry of the lease 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 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Within one year	8,865	7,132	6,135	5,803
Later than one year but not later than five years	25,555	21,151	21,324	20,245
Later than five years	34,653	32,936	35,942	35,942
<b>Commitments not recognised in the financial statements</b>	<b>69,073</b>	<b>61,219</b>	<b>63,401</b>	<b>61,990</b>

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

The operating leases are of a rental nature. The majority of the lessor commitments relate to surplus farmland 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 of 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 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
Within one year	427	323	477	373
Later than one year but not later than five years	957	869	871	679
Later than five years	623	623	786	786
<b>Commitments not recognised in the financial statements</b>	<b>2,007</b>	<b>1,815</b>	<b>2,134</b>	<b>1,838</b>

Lease commitments are stated exclusive of GST.

#### (c) Other commitments

##### (i) Maintenance commitments

The Company has entered into a long-term maintenance contract with a third party to provide spare parts, technical assistance and availability guarantees for certain plant. The contract expires on 30 June 2019, and has a fixed and variable charge component.

##### (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 101.3PJ (2009: 120.7PJ) of coal with one major contract extending out to 30 June 2014. In addition, at 30 June 2010 the coal stockpile contained approximately 23.1PJ of coal (2009: 19.6PJ). The firm gas contracts amount to approximately 336.7PJ (2009: 317.3PJ) with two contracts extending out 14 years from 2010.

##### (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 per annum, plus a per-tonne freight cost for coal transported. The contract term extends out to 26 December 2019, with a right of renewal for three further 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 plus a variable charge for throughput tonnage. The contract extends out four years to 30 June 2014.

**(v) Advance metering services commitment**

The Company has contracted with a third party for the provision of data and services from Advanced Meters. The third party owns the Advanced Meters. The contract runs until 2023.

**(vi) Joint venture commitments**

As a joint venture participant, the Group is committed to certain operational commitments in respect of the Kupe Joint Venture. Under the arrangement, operational costs are shared in proportion to the respective interest held (2009: \$16.1 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 (2009: Nil).

The Group has no ongoing commitments to the Gasbridge Joint Venture (2009: Nil).

**(vii) Associates commitments**

The Group has no ongoing commitments in respect of its shares in associates (2009: Nil).

**31. 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 Bill English, Minister of Finance, and Hon Simon Power, Minister for State-Owned Enterprises.

The following represents individual and collectively significant transactions with the Crown and other Crown-related entities:

In August 2004, the Crown facilitated the development of the Huntly Unit 5 plant by agreeing to share a limited amount of risk with Genesis Energy around the long-term supply of gas. Both the Crown and Genesis Energy have already taken action to reduce this uncertainty: the Crown through the introduction of gas exploration incentives and Genesis Energy by entering into long-term gas contracts. The risk-sharing agreement runs for up to 10 years.

The Group also transacts with certain other Crown-related entities for the supply of coal and coal-handling facilities, emissions activities including emission unit purchases and sales, scientific consultancy services, electricity transmission and energy-related products (including electricity and gas supply contracts and hedges). These transactions are all conducted in the ordinary course of business and are contracted at arm's length, at normal market prices and on normal commercial terms.

**(b) Key management and personnel compensation**

The key management personnel of the Company consists of the Directors and the executive management team.

Key management personnel compensation is as follows:

	Group 30 June 2010 \$'000	Group 30 June 2009 \$'000
Short-term benefits	4,696	5,701
Post-employment benefits (including defined contribution plan contributions)	104	76
Termination benefits	-	560
<b>Total key management personnel</b>	<b>4,800</b>	<b>6,337</b>

**(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.

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 (2009: \$Nil).

At 30 June 2010, the net balance payable to Directors was \$23,242 (2009: \$1,482).

**(d) Subsidiaries and joint ventures**

Notes 19 and 32 identify Group entities and joint ventures in which Genesis Power Limited has interests. All of these entities are related parties of the Company. Note 16 details the outstanding balances relating to these entities at balance date.

During the year, the subsidiaries advanced the Company \$4.1 million (2009: Company advanced its subsidiaries \$145.6 million) in order to meet operating and capital commitments. Offsetting these advances were subsidiary tax credits of \$25.7 million (2009: \$27.5 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 average borrowing cost. Net interest charged by the Company during the year was \$36.1 million (2009: \$28.3 million).

During the year, Cardiff No. 1 Limited, Cardiff No. 2 Limited and GP No. 4 Limited subsidiaries issued additional share capital of \$22.0 million to the Parent Company. The additional share investments were subsequently impaired together with certain subsidiary loans totalling \$0.3 million on the grounds that the recoverability of those loans and investments was not supported by assets in the subsidiary (2009: \$7.7 million).

**(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 (2009: \$0.2 million). In 2010, the Group made additional donations of \$0.3 million (2009: \$0.2 million). The total amount outstanding at year-end was \$0.1 million (2009: \$0.2 million).

The Group provides the Trust with accounting and administrative support free of charge.

Albert Brantley (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 10.0 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 April 2008 Policy Statement on Gas Governance.

During the year, the Group made payments to the Gas Industry Company in the form of levies and cost reimbursements totalling \$2.1 million (2009: \$2.5 million).

**(iii) CRL Energy Limited**

On 30 June 2010, the Group sold its 50 per cent shareholding in CRL Energy Limited. CRL Energy is an energy solutions research company.

During the year, the Group made no payments (2009: Nil) to CRL Energy.

**(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 \$0.8 million (2009: \$1.0 million) to these trusts.

**32. Interests in joint ventures**

*(a) Joint venture operations*

Name of entity	Interest held by Company		Principal activity
	2010 %	2009 %	
Kupe Joint Venture	31.0	31.0	Petroleum production
Cardiff Joint Venture	55.1	55.1	Petroleum exploration and development
Gasbridge Joint Venture	50.0	50.0	Liquefied natural gas importation development

The Group has a 31.0 per cent interest in the Kupe production facility and Petroleum Mining Permit 38146 held by the Kupe Joint Venture. Commissioning of the Kupe production facilities commenced on 4 December 2009 with the opening of the first offshore well (KS-6). Following the successful testing and commissioning of the production systems, commercial operations began on 22 March 2010.

The Group holds a 55.1 per cent interest in the Deep petroleum rights in Petroleum Exploration Permit 38738 and Petroleum Mining Permit 38156 held by the Cardiff Joint Venture. The Joint Venture has delayed further exploration and evaluation and the Group is looking to sell down its interests in the permit.

The Group has a 50.0 per cent interest in the Gasbridge Joint Venture. The Gasbridge Joint Venture was established to investigate the feasibility of developing facilities to import Liquefied Natural Gas at the Port of Taranaki. The Joint Venture has delayed this investigation until further notice.

*(b) Share of joint venture assets, liabilities, revenue and expenses*

The table below reflects the Group's share of the joint venture trial balances. The table excludes items that are accounted for outside of the joint ventures such as income, petroleum inventory, royalties, receivables and taxation.

	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<i>Current assets</i>				
Cash and cash equivalents	9,492	-	21,029	-
Accounts receivable	1,342	-	664	-
Prepayments	-	-	-	-
Inventories	-	-	66	-
<b>Total current assets</b>	<b>10,834</b>	<b>-</b>	<b>21,759</b>	<b>-</b>
<i>Non current assets</i>				
Property, plant and equipment (including oil and gas assets)	459,051	-	385,114	-
Exploration and evaluation assets	20,159	-	44,964	-
<b>Total non current assets</b>	<b>479,210</b>	<b>-</b>	<b>430,078</b>	<b>-</b>
<b>Total share of assets employed in joint venture</b>	<b>490,044</b>	<b>-</b>	<b>451,837</b>	<b>-</b>
<i>Current liabilities</i>				
Trade payables	(9,957)	-	(15,805)	-
<b>Total share of liabilities employed in joint venture</b>	<b>(9,957)</b>	<b>-</b>	<b>(15,805)</b>	<b>-</b>
Income	219	-	648	-
Expenses	(6,551)	-	(1,499)	-
<b>Share of profit</b>	<b>(6,332)</b>	<b>-</b>	<b>(851)</b>	<b>-</b>

For capital expenditure commitments relating to the joint ventures, refer to note 30(c).

Refer to note 10 for details of impairment of assets.

### 33. 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 earliest of which relates to the Huntly Power Station which is due for renewal in 2013. 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.

The term of the resource consents for part of the Tongariro Power Scheme was reduced from 35 years to 10 years by the Environment Court in 2004. The Company contested the legal basis for the reduced terms in the High Court which found in favour of the Company by reinstating the 35-year terms as well as sending the proceeding back to the Environment Court for reconsideration. This decision was again upheld in the Court of Appeal. A further application for leave to appeal to the Supreme Court has been adjourned. In the absence of any agreement, the proceeding will ultimately return to the Environment Court for reconsideration of the term decision.

### 34. Events occurring after the balance sheet date

During July 2010, the Company entered into a conditional sale agreement for the Kourarau Power Scheme. The parties have 12 months to satisfy or waive the conditions relating to the sale agreement.

During July 2010, the Company entered into a sale agreement for the Mangatoa Petroleum Exploration Permit (PEP) 381204.

During July 2010, the Company entered into a sale agreement for the Deep petroleum rights in Petroleum Exploration Permit 38738 and Petroleum Mining Permit 38156 held by the Cardiff Joint Venture. The sale is contingent on Ministerial approval.

During July 2010, the Company entered into agreements with a number of New Zealand banks for a total of \$575.0 million of revolving cash advance facilities. (2009: On 28 July 2009, the Group agreed to sell certain retail business assets relating to its public internet service offering. On 31 July 2009, the Company purchased 25.0 per cent of the shares in Energyhedge Limited. On 20 August 2009, the Company issued \$50.0 million of medium-term notes. The notes are repayable on 20 February 2017.)

### 35. Reconciliation of profit or loss to net cash inflow from operating activities

Note	Group 30 June 2010 \$'000	Company 30 June 2010 \$'000	Group 30 June 2009 \$'000	Company 30 June 2009 \$'000
<b>Profit (loss) for the year</b>	<b>69,314</b>	<b>59,908</b>	<b>(135,716)</b>	<b>(145,491)</b>
<b>Items classified as investing/financing activities:</b>				
Net (gain) (loss) on disposal of property, plant and equipment	11	(65)	(851)	(851)
Net gain (loss) on consolidation of associate/joint venture		-	1,390	-
Net (gain) loss on acquisition or sale of investments		300	-	-
Net (gain) loss on acquisition or sale of intangibles		(1,535)	-	-
Interest paid and other finance charges		25,318	16,133	16,654
		<b>24,018</b>	<b>16,672</b>	<b>15,803</b>
<b>Non cash items:</b>				
Depreciation, depletion and amortisation expense	9	92,573	87,585	83,303
Revaluation loss	20	-	261,389	261,389
Impairment	10	16,572	25,824	25,250
Change in fair value of derivative financial instruments	11	4,387	4,484	8,178
Change in deferred tax liabilities	26	10,149	(58,177)	(83,404)
Change in capital expenditure accruals		11,874	43,254	43,254
Other non cash items		2,405	(67)	-
		<b>137,960</b>	<b>364,292</b>	<b>337,970</b>
<b>Movements in working capital:</b>				
Change in trade and other receivables		35,700	210,947	212,352
Change in prepayments		766	19,868	273
Change in inventories		(22,429)	(17,022)	(17,022)
Change in creditors and employee entitlements		(39,564)	(227,171)	(158,625)
Change in current taxation receivable/payable		27,603	3,145	30,843
Change in provisions	23	9,277	27,853	11,800
		<b>11,353</b>	<b>17,620</b>	<b>79,621</b>
<b>Net cash inflow from operating activities</b>		<b>242,645</b>	<b>262,868</b>	<b>287,903</b>

# Audit Report

— for the year ended 30 June 2010

## To the readers of Genesis Power Limited and Group's Financial Statements

The Auditor-General is the auditor of Genesis Power Limited (the Company) and its subsidiaries (the 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 her behalf, for the year ended 30 June 2010.

### Unqualified opinion

In our opinion, the financial statements of the Company and Group on pages 63 to 117:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of:
  - the Company's and Group's financial position as at 30 June 2010;
  - 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 2010, 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.

### 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 2010 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 New Zealand Institute of Chartered Accountants.

In addition to the audit we have carried out assignments in the area of other assurance services which are compatible with those independence requirements. In addition to these assignments, principals and employees of our firm deal with the Company and Group on arm's length terms within the ordinary course of trading activities of the Company and Group. Other than the audit and these assignments and arm's length transactions, 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 2010 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 dated 27 August 2010 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.

## Global Reporting Initiative

The content of the on-line version of the Annual Report (of which this is an abbreviated version) was guided by the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 3.0 (G3) and the Electricity Utility Sector Supplement (2009).

The GRI Guidelines provide a voluntary reporting framework used by organisations globally for measuring, disclosing, and being held accountable to internal and external

stakeholders for organisation performance toward the goal of sustainable development.

We have reviewed the GRI G3 Reporting Principles for Defining Report Content and Quality, with emphasis on ensuring we provide a material representation of Genesis Energy's sustainability performance.

The GRI also includes a suite of performance indicators relating to company profile, strategy, governance, stakeholder engagement and

environmental, economic and societal performance. The indicators accompany performance information in the report and in the GRI index.

The on-line version of the Annual Report meets the requirements of Application Level C+.

### GRI Indicators for Application level

The following 10 GRI Performance Indicators form part of the C+ GRI Application level.

Indicator	Description	Level of disclosure	Location of disclosure (section/article)*	Explanation														
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.	Full	Financial Highlights Financial Statements GRI Index	Genesis Power Ltd's financial statements have been prepared in accordance with NZ equivalents to International Financial Reporting Standards. NZIFRS is not specifically structured the same as the GRI, but we have included the GRI requirements within the parameters of our summary financial reporting.  Genesis Energy's 2009 community investments included in the London Benchmarking Group had a value of \$2.26 million up from \$1.76 million in 2008. While the business contributes to society in other ways, not all of these are included in the LBG criteria as community contributions.														
EN3	Direct energy consumption by primary energy source.	Full	Company Report/Production and New Generation/Performance Summary Company Report/Internal Environmental Footprint/Travel	Our total direct energy consumption of (53 PJ) captures our generation fuel use (coal and gas) as well as our fleet use (diesel and gasoline 3654.7 GJs).														
EN4	Indirect energy consumption by primary source.	Full	Company Report/Our Environmental & Social Impact/ Internal Environmental Footprint	It is not possible to identify the primary energy source of our purchased electricity due to the nature of electricity distribution in New Zealand. We have estimated primary energy consumption using the "New Zealand Energy Data File 2009 Calendar Year Edition" from the Ministry for Economic Development as:  <table border="0"> <tr> <td>Hydro</td> <td>8,074 GJ</td> </tr> <tr> <td>Gas</td> <td>4,990 GJ</td> </tr> <tr> <td>Coal</td> <td>2,550 GJ</td> </tr> <tr> <td>Geothermal</td> <td>10,362 GJ</td> </tr> <tr> <td>Wind</td> <td>496 GJ</td> </tr> <tr> <td>Total indirect energy consumed in terms of primary energy</td> <td>26,474 GJ</td> </tr> <tr> <td>Total indirect energy consumed in terms of indirect energy</td> <td>12,959 GJ</td> </tr> </table>	Hydro	8,074 GJ	Gas	4,990 GJ	Coal	2,550 GJ	Geothermal	10,362 GJ	Wind	496 GJ	Total indirect energy consumed in terms of primary energy	26,474 GJ	Total indirect energy consumed in terms of indirect energy	12,959 GJ
Hydro	8,074 GJ																	
Gas	4,990 GJ																	
Coal	2,550 GJ																	
Geothermal	10,362 GJ																	
Wind	496 GJ																	
Total indirect energy consumed in terms of primary energy	26,474 GJ																	
Total indirect energy consumed in terms of indirect energy	12,959 GJ																	

\*These references refer to the online version of the 2009/2010 Annual Report at [genesisenergy.co.nz](http://genesisenergy.co.nz)

Table continues over page

Indicator	Description	Level of disclosure	Location of disclosure (section/article)*	Explanation																
EN16	Total direct and indirect greenhouse gas emissions by weight (i.e Scope 1 and 2 emissions as defined by the GHG protocol) EUSS: Report emissions intensity by generation type: <ul style="list-style-type: none"> <li>• CO<sub>2</sub>e per MWh for net generation;</li> <li>• CO<sub>2</sub>e from fossil fuel generation per MWh net fossil fuel generation; and</li> <li>• estimated net delivery to end users which includes emissions from own generation as well as purchased power including line losses</li> </ul>	Full	Company Report/ Production + New Generation/Greenhouse Gas Emissions	Our total direct and indirect emissions for the 2010 financial year were 3,530,497 tonnes of CO <sub>2</sub> e. We have not reported on the EUSS requirements of gross purchased power including line losses as the responsibility for line losses lies with transmission companies to report.																
EN23	Total number and volume of significant spills	Full	Company Report/ Our Environmental & Social Impact/Resource Consent Compliance	There have been no significant spills.																
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Full	GRI Index	There have been no significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations.																
LA2	Total number and rate of employee turnover by age group, gender, and region for the North Island EUSS: For the employees leaving employment during the reporting period, provide the average length of tenure of employees leaving broken down by gender and age group	Full  No Disclosure	Company Report/ Employees/Our changing workforce	Our annual turnover rate was 8.64%. In the reporting period we only had staff in one region – the North Island. The turnover rate by age and gender was: <table border="1"> <tr><td>Under 24</td><td>5.61</td></tr> <tr><td>25-34</td><td>12.50</td></tr> <tr><td>35-44</td><td>8.93</td></tr> <tr><td>45-54</td><td>6.06</td></tr> <tr><td>55-64</td><td>3.03</td></tr> <tr><td>65+</td><td>15.38</td></tr> <tr><td>Male</td><td>8.11</td></tr> <tr><td>Female</td><td>9.17</td></tr> </table> We have not reported on the EUSS requirement of average length of tenure as this is not material this year.	Under 24	5.61	25-34	12.50	35-44	8.93	45-54	6.06	55-64	3.03	65+	15.38	Male	8.11	Female	9.17
Under 24	5.61																			
25-34	12.50																			
35-44	8.93																			
45-54	6.06																			
55-64	3.03																			
65+	15.38																			
Male	8.11																			
Female	9.17																			
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. EUSS: Report on health and safety performance of contractors and subcontractors working onsite or on behalf of the reporting organisation off-site	Full  Partial	Company Report/ Employees/Health and Safety performance report	Genesis Energy (including Contact Centre) <table border="1"> <tr><td>Injuries/100 employees</td><td>20.6</td></tr> <tr><td>Occupational diseases/100 employees</td><td>0</td></tr> <tr><td>Per cent lost days</td><td>0.02</td></tr> <tr><td>Per cent absentee days</td><td>3.62</td></tr> <tr><td>Contractors Injuries/100 employees</td><td>23.72</td></tr> </table> We report on key contractors working for Genesis Energy (150 contractors). Whilst we have many more contractors working for us, it is not possible to easily identify the boundaries of our contractor workforce, as it is difficult to differentiate between contractors and service providers in some instances.	Injuries/100 employees	20.6	Occupational diseases/100 employees	0	Per cent lost days	0.02	Per cent absentee days	3.62	Contractors Injuries/100 employees	23.72						
Injuries/100 employees	20.6																			
Occupational diseases/100 employees	0																			
Per cent lost days	0.02																			
Per cent absentee days	3.62																			
Contractors Injuries/100 employees	23.72																			
LA12	Percentage of employees receiving regular performance and career development reviews.	Full	Company Report/ Employees/Foundations of Leadership	99 per cent of our employees received regular performance and career development reviews.																
SO5	Public policy positions and participation in public policy development and lobbying.	Full	Chairman's report Company Report/ Production + New Generation/Water Management Policy Participation	Ministerial Review – overall Ministerial Review – asset transfers Ministerial Review - new regulators Water reform - improve water management																

For the complete GRI Index refer to the on-line version of the Annual Report.

**Independent Assurance of the Annual Report**

In the context of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines the Sustainability content of the on-line version of the Annual Report (of which this is an abbreviated version ) has been assured by Deloitte, a third party independent assurance provider and Genesis Energy's financial auditor on behalf of the Office of the Auditor General. A limited level of assurance has been given over the Sustainability assertions and quantifications included in the Annual Report. Refer to the on-line version of the Annual Report 2010 for the full Independent Assurance Statement.

## Corporate governance

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 2010 were:

Hon Bill English	Minister of Finance
Hon Simon Power	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 two 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 oversight by the Board 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; and
- authorise the formation of any subsidiary companies and appoint directors and oversee governance of subsidiary companies.

The Board holds two annual strategic planning workshops with management each year, 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.

Written procedures, policies and guidelines, organisational structures allocating responsibilities, a programme of internal audit, regular reporting and the careful selection and training of qualified personnel all form part of the control framework, overseen by the Board.

In discharging its duties the Board requires management to submit annually, for its

consideration and approval, a business plan setting out the Company's operation and development objectives. The Board also requires an annual budget, embracing the objectives of 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, 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

From the beginning of the year in review through to March 2010, the Board comprised nine non-executive, independent directors reducing to eight for the remainder of the year under review. 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.

The Constitution provides 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.

Shareholding Ministers appoint the Board Chair and Deputy Chair.

The names of the directors holding office during the year in review, including details of their qualifications, special responsibilities and standing committee memberships, are set out on page 76:

Directors' Qualifications	Term and Special Responsibilities
Rt Hon Dame Jenny Shipley, DNZM	Appointed 1 November 2009 Chairman of the Board from 1 November 2009 Member of Audit Committee from 1 November 2009 Member of Remuneration Committee from 1 November 2009 Member of Ministerial Review Oversight Committee
Joanna Perry, MNZM MA Econ (Cantab), FCA (ICAEW), FCA (NZICA)	Appointed 1 May 2007 Member of Audit Committee from May 2007 Chair of Audit Committee from September 2007 Deputy Chair of the Board from May 2009 Chair of Ministerial Review Oversight Committee
Nicki Crauford BSc (Hons), PhD, FIPENZ, AMInstD, FAICD	Appointed 1 January 2005 Chair of Remuneration Committee from July 2008
Barbara Elliston B.E. Elect (Hons)	Appointed 1 May 2008 Member of Audit Committee from 1 May 2010 Member Ministerial Review Oversight Committee
Denis Wood MA Econ (Hons) AMInstD	Appointed 1 May 2009 Member of Audit Committee from 1 May 2010 Member Ministerial Review Oversight Committee
Graeme Milne B.Tech (Biotech) Hons	Appointed 1 May 2009
John Dell BCom (Hons) CA	Appointed 1 May 2010 Member of Remuneration Committee from 1 May 2010
Rukumoana Schaafhausen LLB	Appointed: 1 May 2010
Brian Corban CNZM, QSO MA (Hons), LLB, AFInstD, FNZIM	Appointed 21 December 1998 Term Ended 31 October 2009 Establishment Board (IDG) member August 1998. Chairman of the Board from 11 May 1999 Member of Audit Committee from August 1999 Member of Remuneration Committee from February 2001
Sara Lunam BA, PG Dip Regional and Resource Planning	Appointed 15 August 2008 Term Ended 31 March 2010
Annabel Cotton, BMS (Accounting and Finance), ACA, CSAP	Appointed 8 June 2004 Term Ended 30 April 2010 Member of Audit Committee from August 2004
Ian Kusabs MSc (Hons) Biological Sciences	Appointed 3 June 2004 Term Ended 30 April 2010 Member of Remuneration Committee from July 2008

### *Appointment of Directors*

The directors are appointed by shareholding Ministers through a director recruitment process managed by the Crown Ownership Monitoring Unit (COMU). COMU 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 which 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 receive written monthly monitoring and information reports and reports on matters requiring directors' approval from the Chief Executive and senior management. The Board calls additional meetings of directors as required. Each year the Board aims to hold a number of meetings of directors away from the corporate office, combining the Board meeting with an opportunity for directors to meet and engage with stakeholders, iwi, hapu and business partners of the Company.

### *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 or monitor proposed business. The Board uses committees where this enhances its effectiveness while retaining Board responsibility.

The current standing committees comprise the Audit Committee and the Remuneration Committee. Following each committee meeting the committee is required to report back on its proceedings to the next meeting of the full Board. In the year under review, the Board constituted a temporary non-standing committee to oversee a significant acquisition proposal.

### Audit Committee

The Audit Committee has power of recommendation to the Board and is scheduled to meet no less than four times a year, with additional meetings being convened when required.

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

- Integrity of external financial reporting;
- Financial management;
- Internal control systems;
- Accounting policy and practice;
- Risk management framework and monitoring compliance with that framework; and
- Compliance with applicable laws, regulations and standards.

The Chair of the Audit Committee is a Chartered Accountant and is not the Chairman of the Board.

The Board has established full terms of reference for the Audit Committee which are reviewed annually.

### 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 principal purpose of the Remuneration Committee is to assist the Board in the discharge of its responsibilities relative to the setting and review of the terms of employment and remuneration of the Company's Chief Executive, the review of the terms of employment and remuneration of direct reports to the Chief Executive and the setting and reviewing of policy in relation to directors' fees and expenses.

The Board has established full terms of reference for the Remuneration Committee which are reviewed annually.

### Additional Committee

In the year under review, directors Dame Jenny Shipley, Joanna Perry, Barbara Elliston and Denis Wood were appointed by the Board to the Ministerial Review Oversight Committee to provide oversight of the proposed acquisition of Tekapo A and B Power Stations and other transactions as contemplated in the Electricity Industry Bill which was introduced into the House of Representatives in December 2009 following the Ministerial Review into the Performance of the Electricity Industry. The Committee was established in February 2010 and is expected to remain constituted until 31 October 2010. The Committee is chaired by Joanna Perry.

### Attendance at meetings

In the year ended 30 June 2010, there were 13 Board meetings including two teleconference meetings, seven Audit Committee meetings and six Remuneration Committee meetings. Attendance at Board and Committee meetings was as follows:

Directors	Board Attendance (scheduled and additional)	Audit Committee	Remuneration Committee	Ministerial Review Oversight Committee
Rt Hon Dame Jenny Shipley (from 1 November 2009)	8	5	4	6
Joanna Perry	12	7		8
Nicki Crauford	12		6	
Barbara Elliston	13	1		8
Denis Wood	13	7		8
Graeme Milne	13			
John Dell (from May 2010)	2		2	
Rukumoana Schaafhausen (from May 2010)	2			
Brian Corban (to October 2009)	5	2	3	
Sara Lunam (to March 2010)	9			
Annabel Cotton (to April 2010)	9	6		
Ian Kusabs (to April 2010)	10		3	

All directors attended two joint Board and senior management strategic planning workshops in February 2010.

### 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 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.

Management undertakes regular reporting to apprise the Audit Committee and the Board of the Company's key risks and the treatment of those risks.

### Audit

The Board has adopted a policy to prevent its 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 Controller and Auditor General is required to express an opinion on Genesis Energy's financial statements and pursuant to section 15 of the Public Audit Act 2001, has

appointed Bruce Taylor of Deloitte to undertake the audit on its behalf.

The Audit Committee meets regularly with the external auditor and the Board requires regular financial reports and information from management throughout the year, which enable the Board to give a true and fair view of the financial position of the Company and the Genesis Power Limited Group.

In the year under review, Deloitte also provided certain services involving a limited assurance in relation to the sustainability content of the Annual Report and related advice. The value of these other services is detailed in the Financial Statements.

### Internal Audit

Genesis Energy has outsourced its internal audit function which monitors 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. The Audit Committee meets regularly with the internal auditor.

Both the internal auditor and the external auditor have unrestricted access to the Audit Committee and to the Board.

### Sustainability

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 believes that sound business practice necessitates an approach that looks beyond simple compliance with strict legal requirements.

Accordingly, Genesis Energy has adopted a sustainable business model requiring that business decisions are made within a wide context including the economic and environmental impacts of the decision, the views and expectations of stakeholders, and the impact of today's decisions on future generations.

The incorporation of the following objectives within the Company's business operations is intended to drive the performance of Genesis Energy:

Category	Business Objectives
Financial	To be fiscally responsible whilst delivering on shareholder value and performance expectations.
Governance and Benchmarking	To follow best practice in corporate governance and benchmark the company's sustainability performance.
Production and New Generation	To provide economic production and new generation solutions that demonstrate strong sustainability performance
Customers	To be recognised as a leading New Zealand energy provider with excellent customer service
Our Environment and Social Impact	To manage responsibly Genesis Energy's environmental and social impact while growing our business
Employees	To partner with our people for success.
Community, Iwi, Hapu and Stakeholders	To engage meaningfully with the communities, iwi and hapu in the areas in which we operate and with other key stakeholders.

### Stakeholder and Iwi engagement

The Board requires management to provide regular reporting on the nature and extent of stakeholder and iwi and hapu engagement and consultation pertinent to the Company's business interests and the communities in which it operates.

The Company seeks to establish opportunities at various levels of the business which ensure ongoing and regular consultation.

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 COMU. In addition, the directors review the Chairman and the Chairman reviews each director. Evaluation templates, online questionnaires and group and one-on-one discussions are all part of the suite of tools available to the Board to facilitate the review process.

### Board training and development

The Board recognises the importance of continuing education for 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 COMU, the Institute of Directors and other providers. Board members may partake in specific industry conferences and workshops to keep abreast of developments particular to the business of the Company.

A Director Induction Programme, including operational site visits and meetings with management in key functions is completed at the commencement of each director's term to ensure a broad understanding 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 directors have a specific opportunity to discuss and plan 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 performance objectives, financial, environmental, health and safety and social 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 performance 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, generally, they will 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 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 reimbursements, the use of credit cards, sensitive expenditure, 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 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 consider and address the Company's objectives and nature and scope of activities, to provide financial and non-financial performance indicators and an estimate of current commercial value, to state the Company's dividend policy 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. 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. Accordingly, the Board has approved practices which endeavour to ensure shareholding Ministers are 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.

COMU acts as the liaison between shareholding Ministers and the Company and facilitates quarterly meetings. COMU issues an Owner's Expectations Manual which is provided to each director to ensure directors are aware of the Crown's expectations of state owned enterprise directors.

The Board has adopted a policy that requires all communications with shareholding Ministers, whether in writing or in person, to be authorised by the Board.

The Board requires regular monthly reports from management on all communications with Ministers and officials.

### *Continuous disclosure*

With the aim of increasing transparency of state owned enterprises and to provide the public with a more continuous flow of information regarding SOE performance, shareholding Ministers have, since January 2010, required a number of the larger state owned enterprises to comply with newly developed SOE Continuous Disclosure Rules. The rules require the immediate disclosure of Material Information. Material Information includes information that would have a material effect on the Company's commercial valuation, information in relation to dividends different from that in the Company's most recent SCI and Material Transactions, being transactions the value of which is greater than five percent of the current commercial value of the Company. The Rules further require public announcement of comparative financial performance information no later than 60 days after the end of each half and full year period.

A Board approved policy has established the internal processes for identifying, reporting and timely disclosure of Material Information.

All disclosures are placed on the Company's website and The Treasury website. As at 30 June 2010 Genesis Energy had made six disclosures under the SOE Continuous Disclosure Rules.

## Performance against Statement of Corporate Intent

### — for the year ended 30 June 2010

The Statement of Corporate Intent (SCI) for the period 1 July 2009 to 30 June 2012 was submitted to shareholding Ministers 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 to the right is a table reporting on performance against SCI targets for the year-end 30 June 2010.

Financial performance targets	Notes	SCI target	SCI actual
Net profit after tax to average shareholders' funds		1.9%	4.9%
Net operating profit after tax to average debt plus equity		2.5%	4.3%
Earnings before interest and tax to average total assets		2.8%	5.1%
Debt to debt plus equity		31.0%	27.0%
Consolidated shareholders' funds to total assets		54.0%	57.0%
Interest cover: EBITDAF to finance cost	1	5.7%	10.1%
Efficiency: EBITDAF to revenues		9.3%	13.1%
Non-financial performance targets			
Productivity \$/MWh (EBITDAF/MWh generation)		25	33
Number of significant RMA non-compliances	2	0	0
Customer satisfaction	3	85.0%	82.0%
Power station availability			
– Hydro		94.0%	92.3%
– Thermal		85.0%	84.3%
Forced outage factor			
– Hydro		0.26%	1.09%
– Thermal		1.00%	1.60%
Lost time injuries		0	10

#### Notes

1. 'EBITDAF' is earnings before interest, tax, depreciation, amortisation, financial instruments and impairment.
2. '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).
3. Based on a survey question: "How do you rate the overall performance of your energy supplier?" Percentage of customers rating Genesis Energy as good, very good or excellent.

## 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 2009 to 30 June 2010 are shown below.

### Disclosure of Interest

The general disclosures of interest made by directors of Genesis Energy and its subsidiaries, pursuant to section 140(2) of the Companies Act 1993 (Companies Act), are shown below. There were no declarations of interest made pursuant to section 140(1) of the Companies Act 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, particulars of the entries in the Interests Register of Genesis Energy made during the accounting period are as set out below. New or adjusted entries made during the accounting period are marked with an asterisk (\*).

<b>Rt Hon Dame Jenny Shipley, DNZM Chairman</b>	<ul style="list-style-type: none"> <li>- Chair of Seniors Money International Ltd</li> <li>- Chair of Mainzeal Property and Construction Ltd</li> <li>- Chair of Venator Search Limited,*</li> <li>- Chair of and Trustee of Heart Health Research Trust *</li> <li>- Managing Director of Jenny Shipley New Zealand Ltd</li> <li>- Director of Education New Zealand International Ltd</li> <li>- Director of Momentum Holdings Ltd</li> <li>- Director of Momentum Consulting Group Ltd</li> <li>- Director of Investment Savings and Insurance Association</li> <li>- Director of China Construction Bank Corporation</li> <li>- Trustee of NZ Global Women*</li> </ul>
<b>Joanna Perry, MNZM Deputy Chair</b>	<ul style="list-style-type: none"> <li>- Chairman of Financial Reporting Standards Board</li> <li>- Director and Shareholder of JMGP Limited</li> <li>- Director of Kiwi Income Property Limited</li> <li>- Director of PSIS Limited</li> <li>- Director of AsureQuality Limited</li> <li>- Director of Rowing New Zealand *</li> <li>- Trustee of Melanesian Mission Trust Board</li> <li>- Member of Australian Accounting Standards Board</li> <li>- Member of Policy Council and New Zealand Regional Council for Financial Services Institute of Australasia</li> <li>- Member of the Audit Committee of the Victorian Auditor General's Office</li> <li>- Member of Speaker's Assurance Committee</li> <li>- Member of International Financial Reporting Interpretations Committee (IFRIC)</li> <li>- Member of New Zealand Regional Council for Financial Services Institute of Australia</li> </ul>
<b>Dr Nicola Crauford</b>	<ul style="list-style-type: none"> <li>- Director of Centre for Advanced Engineering</li> <li>- Director and Shareholder of Crauford Robertson Consulting Limited</li> <li>- Director and Shareholder of Martin Crauford Limited</li> <li>- Chief Executive of Institute of Directors, New Zealand</li> <li>- Member of Nominations and Governance Committee of New Zealand Institute of Chartered Accountants *</li> <li>- Member of the Electoral Authority of PSIS Limited *</li> </ul>
<b>Denis Wood</b>	<ul style="list-style-type: none"> <li>- Chairman of Mercy Healthcare Limited and its subsidiaries</li> <li>- Chairman of Mercy Hospice Auckland Limited</li> <li>- Director of Tower Limited</li> <li>- Director and sole Shareholder of DMW Investments Limited</li> </ul>
<b>Graeme Milne</b>	<ul style="list-style-type: none"> <li>- Chairman of New Zealand Pharmaceuticals Limited</li> <li>- Chairman of Synlait Limited</li> <li>- Chairman of Terracare Limited</li> <li>- Chairman of Encoate Holdings Limited</li> <li>- Chairman of Waikato District Health Board</li> <li>- Shareholder of Media Profile Limited</li> <li>- Director of Farmers Mutual Group</li> <li>- Director of Satara Co-operative Group Limited</li> <li>- Director of New Zealand Institute for Rare Disease Research Limited</li> <li>- Board member of the Advisory Board School of Engineering and Advanced Technology, Massey University *</li> <li>- Partner of G.R. &amp; J. A. Milne</li> <li>- Trustee of Rockhaven Trust</li> </ul>
<b>John Dell</b>	<ul style="list-style-type: none"> <li>- Managing Director and Shareholder of Japad Trading Limited</li> <li>- Managing Director and Shareholder of Japad Limited</li> <li>- Managing Director of Japad Long Term Investments Limited</li> <li>- Non Executive Director of Unimarket Holdings Limited</li> <li>- Non Executive Director of Euroglass Systems Limited and its subsidiaries</li> <li>- Trustee of Japad Family Trust</li> <li>- Trustee of Japad Investment Trust</li> <li>- Trustee of The Otago Trust</li> <li>- Trustee of Cuthby Trust</li> <li>- Trustee of Newcastle Trust.</li> </ul>

<b>Rukumoana Schaafhausen</b>	<ul style="list-style-type: none"> <li>- Director of Tainui Group Holdings Limited</li> <li>- Executive Member of Waikato-Tainui Te Kauhanganui Incorporated, the trustee of the Waikato Raupatu Lands Trust and Waikato Raupatu River Trust.</li> </ul>
<b>Barbara Elliston</b>	<ul style="list-style-type: none"> <li>- Director of Solar Power and Renewables Company Limited</li> <li>- Director of SPARCO Limited *</li> <li>- Director of Investment Vehicle Limited</li> <li>- Director of King Solar Limited *</li> <li>- Director of Sun King Solar Limited *</li> <li>- Director of The Solar Hot Water Company Limited</li> <li>- Director of Elliston Power Consultants Limited</li> <li>- Director of Timeless by Design Limited</li> <li>- Director of Fireball Limited</li> <li>- Director of Azzuro Solar Limited *</li> <li>- Director of Solar Imports Limited *</li> <li>- Director of Eco Warm Solutions Limited *</li> </ul>
<b>Brian Corban CNZM, QSO</b>	<ul style="list-style-type: none"> <li>- Chairman and Shareholder of Corban Consultants Limited</li> <li>- Chairman and Shareholder of Lindsay Corban Associates Limited</li> <li>- Chairman and Shareholder of Ngatarawa Wines Limited</li> <li>- Chairman and Trustee of Corban Estate Arts Centre</li> <li>- Chairman of Melanesian Mission Trust Board</li> <li>- Chairman of Corbans Viticulture Limited</li> <li>- Chairman of West Auckland Trust Services Limited</li> <li>- Chairman of Languages International Limited</li> <li>- Chairman Frontier Global Limited</li> <li>- Director of Frontier Mapping (NZ) Limited</li> <li>- Consultant of Corban Revell Lawyers</li> <li>- Trustee of Royal New Zealand Navy Museum</li> <li>- Trustee of West Auckland Hospice Foundation Trust</li> <li>- Trustee of Waitakere Enterprise Board</li> <li>- Advisory Council Member of the Church of Melanesia</li> <li>- Member of Speaker's Assurance Committee</li> </ul>
<b>Sara Lunam</b>	<ul style="list-style-type: none"> <li>- Chair of WNC 2007 Limited</li> <li>- Director of NZ Post Limited</li> <li>- Director of New Zealand Merino Company Limited</li> </ul>
<b>Annabel Cotton</b>	<ul style="list-style-type: none"> <li>- Director of Merlin Consulting Limited</li> <li>- Director of Barramundi Limited</li> <li>- Director of Kingfish Limited *</li> <li>- Director of Marlin Global Limited</li> <li>- Director of Anamallai Tea Estates &amp; Ropeway Company Limited</li> <li>- Director of Riverbend Dairy Farms Limited</li> <li>- Member of Securities Commission and the Commissioner for Financial Advisers *</li> </ul>
<b>Ian Kusabs</b>	<ul style="list-style-type: none"> <li>- Chairman of the Lake Taupo Sustainable Management Group</li> <li>- Director and Shareholder of Ian Kusabs and Associates.</li> <li>- Member of Lake Taupo management board.</li> <li>- Advisor of Ngati Tuwharetoa</li> <li>- Fisheries associate of Wildland Consultants</li> <li>- Fisheries associate of Charles Mitchell and Associates</li> <li>- Member of Lake Taupo Protection Project Joint Committee</li> <li>- Member of Lake Taupo Liaison sub-committee</li> <li>- Member of Foundation for Research 2009/10 Advisory Group *</li> </ul>

### *Indemnity and Insurance*

In accordance with section 162 of the Companies Act and the Company's constitution, Genesis Energy has indemnified and arranged insurance for all current and former directors and executive officers of the Company and its subsidiary companies in respect of all liabilities to persons (other than the Company or a related body corporate) to the extent permitted by law which arise out of the performance of their normal duties as directors or executive officers unless the liability relates to conduct involving a lack of good faith. In authorising the insurance to be effected each director signed a certificate stating that in their opinion the cost of the insurance is fair to the Company.

### *Use of Company Information*

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

### Remuneration of Directors

Shareholding Ministers advise the Board the total allowance for fees available to directors of Genesis Energy and its subsidiary companies. The following table sets out the total remuneration before withholding tax and excluding GST (including remuneration for standing and temporary committee membership) and the value of other benefits received from Genesis Energy by each director of the Company during the period 1 July 2009 to 30 June 2010.

Name	Total \$
Rt Hon Dame Jenny Shipley (term commenced 1 November 2009)	65,328
Joanna Perry	67,181
Nicki Crauford	53,960
Barbara Elliston	46,714
Denis Wood	46,756
Graeme Milne	45,301
John Dell (term commenced 1 May 2010)	8,029
Rukumoana Schaafhausen (term commenced 1 May 2010)	7,505
Brian Corban (term ended 31 October 2009)	32,735
Sara Lunam (resigned 31 March 2010)	33,975
Ian Kusabs (term ended 30 April 2010)	41,169
Annabel Cotton (term ended 30 April 2010)	42,455
John Stace (term ended 30 April 2009)	352

During the year in review, Brian Corban, CNZM, QSO ended his term as a director and Chairman of Genesis Energy on 31 October 2009. Sara Lunam resigned as a director on 31 March 2010. Annabel Cotton's and Ian Kusabs' respective terms as directors ended on 30 April 2010. Rt Hon Dame Jenny Shipley was appointed as a director and Chairman of the Board with effect from 1 November 2009. Joanna Perry was reappointed as a director and Deputy Chair with effect from 1 May 2010. John Dell and Rukumoana Schaafhausen were appointed as directors with effect from 1 May 2010.

### Directors of Subsidiary Companies

During the year in review Brian Corban ceased to be a director, effective 31 October 2009, of the following wholly owned subsidiaries:

- Genesis Power Investments, Kinleith Cogeneration Limited, Kupe Holdings Limited, GP No. 1 Limited, GP No. 2 Limited, GP No. 4 Limited, GP No. 5 Limited, Cardiff Holdings No. 1 Limited, Cardiff Holdings No. 2 Limited, Mangatōa No. 1 Limited, Mangatōa No. 2 Limited, Mangatōa No. 3 Limited, Mangatōa No. 4 Limited and Mangatōa No. 5. Limited.

Rt Hon Dame Jenny Shipley and Mark Anderson joined Albert Brantley as directors of those companies with effect from 1 November 2009.

With effect from 19 June 2010 Mangatōa No. 1 Limited, Mangatōa No. 2 Limited, Mangatōa No. 3 Limited, Mangatōa

No. 4 Limited and Mangatōa No. 5. Limited were amalgamated into Genesis Power Investments Limited.

The directors of wholly owned subsidiary Energy Online Limited are Albert Brantley, Mark Anderson and Dean Carroll.

Albert Brantley and Mark Anderson are directors of Gasbridge Limited in connection with Genesis Energy's 50 percent ownership of Gasbridge Limited.

Genesis Energy senior executives Mark Anderson, Allan Melhuish and Richard Pearce were directors of CRL Energy Limited in connection with Genesis Energy's 50.0 per cent ownership of CRL Energy Limited until its sale on 30 June 2010 from which date they ceased to be directors of CRL Energy Limited.

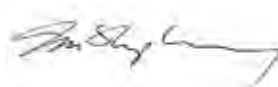
Following the unconditional agreement to purchase Slopedown Wind Farm Limited on 30 June 2010, Albert Brantley and Mark Anderson became directors of Slopedown Wind Farm Limited with effect from 21 July 2010.

None of the directors of the subsidiary companies received any remuneration or other benefits during the period specifically in relation to their duties as directors of these companies, other than the benefit of an indemnity from Genesis Energy and the benefit of insurance cover in respect of all liabilities to persons (other than the Company or related body corporate), to the extent permitted by law, which arise out of the performance of their normal duties as directors unless the liability relates to conduct involving a lack of good faith.

### Remuneration of Employees

In accordance with section 211(1)(g) of the Companies Act, the number of employees, or former employees of Genesis Energy who, during the period, received remuneration and other benefits the value of which exceeded \$100,000 is as follows:

Record of Employees Earning over \$100,000 in year ending 30 June 2010	
\$970,000 - \$980,000	1
\$480,000 - \$490,000	1
\$440,000 - \$450,000	2
\$430,000 - \$440,000	1
\$390,000 - \$400,000	1
\$360,000 - \$370,000	1
\$350,000 - \$360,000	3
\$280,000 - \$290,000	2
\$220,000 - \$230,000	2
\$210,000 - \$220,000	1
\$200,000 - \$210,000	2
\$180,000 - \$190,000	1
\$170,000 - \$180,000	5
\$160,000 - \$170,000	7
\$150,000 - \$160,000	6
\$140,000 - \$150,000	5
\$130,000 - \$140,000	21
\$120,000 - \$130,000	35
\$110,000 - \$120,000	48
\$100,000 - \$110,000	50
Total staff earning \$100k +	195
Staff included who are no longer employed by Genesis Energy	9



Rt Hon Dame Jenny Shipley, DNZM  
Chairman



Joanna Perry, MNZM  
Deputy Chairman

# Directory

Board of directors	Executive management team	Address of office
<b>Chairman</b> Rt Hon Dame Jenny Shipley, DNZM	<b>Chief Executive</b> Albert Brantley	<b>Corporate Office</b> 602 Great South Road PO Box 17188, Greenlane
<b>Directors</b> Joanna Perry, MNZM (Deputy Chair) Nicki Crauford Barbara Elliston Denis Wood Graeme Milne Rukumoana Schaafhausen John Dell	<b>General Counsel and Company Secretary</b> Maureen Shaddick <b>GM Finance</b> Mark Anderson <b>GM Retail</b> Dean Carroll <b>GM Production</b> Bob Weir <b>GM Corporate Affairs</b> Malcolm Alexander <b>GM Generation Development</b> Richard Pearce <b>GM Corporate Services</b> Peggy Molyneux <b>GM Fuel</b> Allan Melhuish <b>GM Energy Online</b> Nic McCondach	Telephone: 64 9 580 2094 Facsimile: 64 9 580 4894
<b>Auditor</b> Bruce Taylor of Deloitte has been appointed to perform the audit on behalf of the Auditor-General.	<b>Bank</b> Westpac	<b>Solicitors</b> Russell McVeagh
For further information email: <a href="mailto:feedback@genesisenenergy.co.nz">feedback@genesisenenergy.co.nz</a>		

## GRI Application Level

		2002	C	C+	B	B+	A	A+
		in accordance						
optional	mandatory	Self Declared						
	Third Party Checked			report externally assured		report externally assured		report externally assured
	GRI Checked			report externally assured		report externally assured		report externally assured

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