**Genesis Power Limited**

Genesis Energy Building
602 Great South Road
PO Box 17188
Greenlane
Auckland 1062

# Interim Report

31 December 2008

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# 2009MOVINGFORWARD→

on the right track for the future

# Chairman and Chief Executive's Report

Net profit for the six months to 31 December 2008
$49 million

Operating revenue
$1,045 million

Capital expenditure
$101 million

Fuel expense
$177 million

Staff
534

In the first six months of the current financial year Genesis Energy produced an unaudited net profit after tax (NPAT) of $49 million, which was above expectations.

The first-half performance was achieved in an environment of recovering national hydro inflows but lower company renewable generation volumes and falling wholesale market prices for electricity. Against this backdrop of reduced renewable output and restricted wholesale prices, the company was able to produce a satisfactory NPAT due to reduced cost of sales and lower operating expenses.

Operating revenue for the period increased to $1,045 million from $934 million in the same period in 2007. NPAT increased to $49 million from $31 million in 2007 for the same period.

Total generation of 4,330GWh for the first half was slightly above that of the same period in 2007 due to increased thermal generation in the first quarter when national hydro reserves were significantly below average. Thermal generation was 3,194GWh, hydro 1,121GWh and wind 15GWh. Genesis Energy's coal stockpile was 707,000 tonnes at 31 December 2008.

We continued with our investment and maintenance programme during the first half of the year. Capital expenditure during the half year totalled $101 million. Capital was used principally for the Kupe Oil and Gas Project, Mangatoa exploration, and other projects such as an upgrade to the control and instrumentation of our hydro power stations and thermal power stations.

In August 2008 we signed an agreement with NGC Metering which will bring the latest metering services to the bulk of our electricity customers, replacing 60-year-old technology. The NGC contract is for the wireless supply of metering data, although Genesis Energy will not own the meters. While the introduction of advanced meters may seem an esoteric technical development, it will bring significant improvements in the way we deliver energy products to our customers, and will provide much more information directly to the consumer to allow choices to be made about energy use.

In November 2008 we announced we would offer up to $150 million (plus oversubscriptions of up to $75 million) of senior bonds to New Zealand investors.

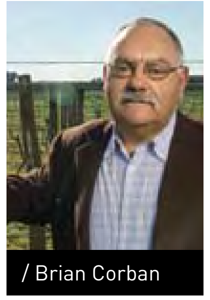
The bond issue provided New Zealanders with an opportunity to invest in a government-owned business that plays a significant role in New Zealand's energy sector.

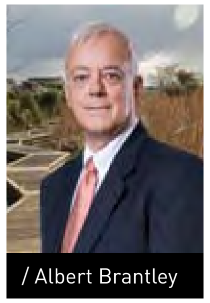
The inaugural public bond offer of $225 million closed fully subscribed at the end of December. We were extremely pleased with the strong support shown for this offer by the New Zealand investment community. The bonds were issued in two tranches, with $120 million of five-year bonds carrying an interest rate of 7.25 per cent, and $105 million of seven-year bonds carrying an interest rate of 7.65 per cent. The proceeds from this issue of bonds will be used for general corporate purposes, including the repayment of debt.

In May 2007, Genesis Energy (supported by the Auckland Regional Council, or ARC) sought a declaration from the Court of Appeal that s104E of the Resource Management Act 1991 (RMA) prohibited regional councils from considering the adverse effects on climate change from the discharge of greenhouse gases. The Court of Appeal granted a declaration in December 2007 in favour of Genesis Energy within the context of the company's application for resource consents for the Rodney Power Station. Greenpeace appealed this decision to the Supreme Court. The Supreme Court heard the appeal on 28 May 2008 and delivered its decision on 19 December 2008. A majority of the Supreme Court dismissed the Greenpeace appeal and upheld the decision of the Court of Appeal to grant the declaration.

In the meantime, joint resource consent ARC and District Plan variation (Rodney District Council, or RDC) hearings opened on 25 September 2008 for the necessary consents and permissions to build a gas-fired power station in the Rodney District. By the end of the half-year period, consents had been granted by the ARC. A decision from the RDC is due by the end of February 2009.

Genesis Energy had a total of 534 full-time equivalent staff members as at 31 December 2008, compared to 486 as at 31 December 2007. Staff numbers increased due to a new intake of plant operator trainees and customer service personnel. A major focus in recent months has been the introduction of Zero Incident Process (ZIP) to all Production staff. ZIP enhances employee safety through the use of cognitive behavioural safety training, and the results of the ZIP training have been very positive.


/ Brian Corban


/ Albert Brantley

On behalf of the Board of Directors and management, we thank all our staff and service providers for their commitment to Genesis Energy as we enter a period of change and challenges.

**Brian Corban CNZM, QSO**
Chairman

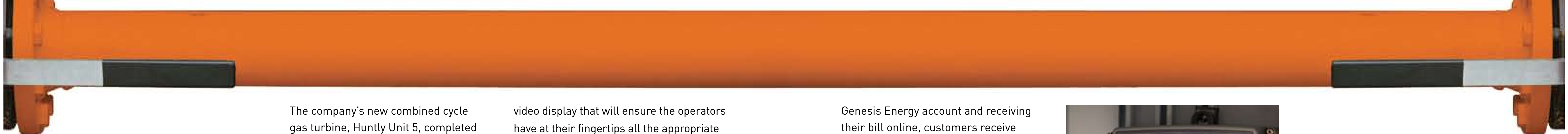
**Albert Brantley**
Chief Executive

# Operational Review

## PRODUCTION

Electricity production for the half year was marked by high thermal generation in response to the winter 2008 hydro shortages, followed by a busy period of maintenance and equipment refurbishment towards the end of the period.

The renewable team based in Tokaanu finished the much-needed repairs to the Poutu Canal, following a postponement of the repair work in the first half of 2008 due to the dry year conditions affecting the electricity market.



The company's new combined cycle gas turbine, Huntly Unit 5, completed 18 months in service with higher than anticipated availability (only one trip was experienced during the half year).

In December 2007, Genesis Energy awarded a contract to ABB New Zealand for the supply and installation of a new control system for its five hydro power stations. Over the last year, the detailed design and configuration of the system has been carried out in Auckland, with extensive input from the Genesis Energy team. At the end of January 2009, the Factory Acceptance Tests were completed, marking a major milestone in this project.

The control systems for the Rangipo, Tuai, Piripaua and Kaitawa stations are linked back to the Tokaanu Station's central control using the Genesis Energy communication network. Work has been undertaken on this network in order to provide the infrastructure and security needed to ensure the control system can function efficiently and reliably.

The Renewable Energy Control Centre at Tokaanu has also been refurbished as part of this project. When complete, it will provide an ergonomically designed work environment, featuring a large-screen video display that will ensure the operators have at their fingertips all the appropriate information to control the five stations. This system will come into its own when managing events that have the potential to affect our renewable assets.

The 2MW Mangaio mini-hydro commissioning was completed in mid-December 2008 with preliminary handover to the Genesis Energy production team at Tokaanu on 21 December. Final handover and integration of the plant into the generation portfolio is expected to occur by the end of February 2009.

## RETAIL

Genesis Energy recognise and appreciate our customers' ongoing loyalty. We are continuing to develop products and services and refine our processes. In September 2008 we launched our own residential loyalty programme, Brownie Points, designed to reward customers for changes in their behaviour – not just what they spend.

We also gave customers more capability to do business with us online through enhancements to our Your Account and Online Billing products. As well as the convenience of managing their Genesis Energy account and receiving their bill online, customers receive additional Brownie Points for interacting online. Results since the launch have seen significant changes in customer behaviour with an 82% increase in the number of Your Account registrations and more than 25,000 customers choosing to get their bill online.

The international award-winning programme Tree People continues to actively demonstrate to New Zealanders how, when we all make small changes, we can have a big impact on climate change. There are more than 26,000 Tree People who collectively have made 124,490 pledges to change their behaviour and reduce their carbon footprint. If all Tree People completed the pledges they had committed to, then 18,208 tonnes of carbon dioxide would have been saved since the programme began in May 2008.

/ Advanced meter

Genesis Energy has completed preparation to roll out Advanced Metering Services to its customers over the next five years. Our customers told us they wanted to move on from estimated bills and to a world where they have more control over when and how much energy they use. Ultimately this gives customers the ability to manage their energy costs. Our investment in new services and technology will allow us to deliver on these customer expectations.

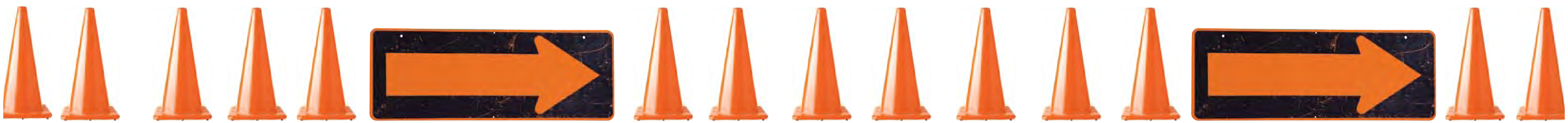
Genesis Energy's entry into the LPG market has been well received with many customers switching prior to marketing activity commencing.

# Fuel and Business Development

## KUPE GAS PROJECT

The focus during the second quarter of the financial year has been on the completion of the onshore production station and the condensate storage facilities at the Kupe Tank Farm at Omata (near New Plymouth). The Kupe project at the end of the half year was over 90 per cent complete, compared to a planned completion of 94 per cent. Several initiatives have been put in place to alleviate the tight construction schedule for the production station; however, at the end of the period, the project remained on track for First Commercial Gas in the third quarter of 2009.

/ Kupe production station



During the second quarter, field data from Genesis Energy's Mangatoa seismic survey was copied for processing. Processing of the 368km of 2D seismic data, and 450km of existing 2D data, commenced in late November 2008, and is expected to be completed in May 2009.

/ Kupe facility in construction

## RODNEY POWER STATION PROJECT

Hearings opened in September 2008 to consider the application by Genesis Energy for resource consents and a District Plan variation, which, if successful, would allow Genesis Energy the future option of building a gas-fired power station north of Auckland. By the end of the year, consents for 35 years had been granted by the ARC for air and water discharges and construction activity. Both the resource consents from the ARC and a variation to the Rodney District Plan are required before we can proceed with the project.

...the 15-year term of the construction consents enables Genesis Energy to preserve a long-term option for developing new high-efficiency, gas-fired generation north of Auckland

The decision to seek consents does not mean we have made a firm decision to build a power plant in Rodney. Should we receive all the necessary consents, our next step will be to consider the business case for moving the project forward. Consenting the plant now is a prudent step to ensure Genesis Energy has a generation option north of Auckland. In particular, the 15-year term of the construction consents enables Genesis Energy to preserve a long term option for developing new high-efficiency, gas-fired generation north of Auckland and close to an area of growing energy requirements.

Sustainability/

# 3 Targets:

/ Target 1

## Reduce

carbon intensity by 30 per cent below 2005/2006 levels (699 $tCO_2$) by 2015

/ Target 2

## Build

300MW of renewable energy generation

/ Target 3

## Apply

sustainability practices across our business

# Sustainability/

Genesis Energy's primary sustainability objective is to reduce the carbon intensity of the generation portfolio over time and includes the following specific targets:

- Reduce carbon intensity by 30 per cent below 2005/2006 levels (699 $tCO_2$) by 2015; and
- Build 300MW of renewable energy generation.

> ...carbon intensity reductions remained on target as the half year intensity figure was 30 per cent down on the same period in 2005/2006

Genesis Energy's carbon intensity for the second quarter was 508$tCO_2$/GWh which, compared to the same period last year (450$tCO_2$/GWh), was up 12.8 per cent. This outcome is largely a reflection of conditions in November, which consisted of low hydro inflows, a maintenance outage of the Poutu Canal (within the Tongariro Power Scheme) and Huntly Units 1–4 operating well above budget to respond to the abnormally dry conditions throughout New Zealand. However, carbon intensity reductions remained on target as the half year intensity figure was 30 per cent down on the same period in 2005/2006, in line with our target set in 2007.

Our commitment to increasing our portfolio of renewable energy generation has continued with the commissioning of the Mangaio power scheme and substantial progress achieved on several wind farm developments. A contract has been signed to conduct geothermal activity testing on a site in the central North Island, and landowner/iwi discussions are continuing on another site which has demonstrated geothermal activity.

Genesis Energy is continuing its path towards implementing sustainability policies and programmes throughout its business. In order to engage all staff, individual sustainability objectives range from employee volunteering in the community to being involved in internal waste management or energy efficiency programmes.

## CARBON INTENSITY

| July to December | 2005/2006 | 2006/2007 | 2007/2008 | 2008/2009 |
|---|---|---|---|---|
| $tCO_2$/GWh | 726 | 645 | 450 | 508 |


/ Monitoring emissions


/ Geothermal testing

## GENESIS ENERGY 2008/2009 YEAR-TO-DATE EMISSIONS

| General Emissions | Current Year 2008/2009 | Last Year 2007/2008 | Percentage Change |
|---|---|---|---|
| **Month** | **Total (kilotonnes)** | | **%** |
| July | 556.3 | 388.7 | 43.1 |
| August | 437.3 | 282.8 | 54.7 |
| September | 293.4 | 323.1 | -9.2 |
| October | 282.4 | 303.4 | -6.9 |
| November | 360.4 | 273.9 | 31.6 |
| December | 291.5 | 345.1 | -15.5 |
| **Total (YTD)** | **2,221.3** | **1,917.0** | **15.9** |

# Community/

Genesis Energy is a member of the London Benchmarking Group (LBG) which released its annual report for Australia/New Zealand in November 2008. The LBG model focuses on Genesis Energy's community contributions (in the form of charitable donations, community investments and commercial initiatives) and how they benefit the business and community over time.

Highlights from the 2008 LBG Report include:

- Genesis Energy community contributions were valued at $1.7 million with 88 per cent categorised as community investment, 11 per cent as commercial initiatives and 1 per cent as charitable donations. This allocation is similar to last year, and is considered appropriate (i.e. not gifting funds where there is no benefit to the business) and sustainable;
- The company's contributions as a percentage of total revenue are similar to the overall LBG member result and other New Zealand member companies; and
- Genesis Energy's contribution as a percentage of pre-tax profit is the lowest in all three benchmarking groups noted above. However, Genesis Energy is one of the smaller participants.

## TAUPO FOR TOMORROW

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

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

The development of Taupo for Tomorrow and the Tongariro National Trout Centre will make the facility accessible to even more of New Zealand's young people and will give visitors a deeper appreciation of our country's unique ecology and environment.

Genesis Energy community contributions were valued at $1.7 million

## SCHOOLGEN

The Schoolgen programme in the Greater Waikato was completed in the reporting period with the installation of solar panels at five new schools.

Schoolgen is now installed in 21 schools and since February 2007 has saved 10 tonnes of carbon dioxide, while producing over 28,000KWh of electricity. The last quarter also saw an increased interaction with the Schoolgen schools with developments of initiatives such as a teacher workshop, student career day, school trip to the Hau Nui Wind Farm and a Schoolgen competition.

The Schoolgen programme continues to grow, with nine more schools in the Greater Wellington area and three more schools in the Hawke's Bay area selected to have solar panels installed in the first half of 2009.

## THE GENESIS ENERGY CORPORATE HILLARY CHALLENGE 2008

The Genesis Energy Corporate Hillary Challenge took place on 7/8 November 2008 in the Central Plateau. A total of 15 teams from companies around the North Island took part, including three teams from Genesis Energy. The Challenge raised funds to send young New Zealanders on personal development and leadership training courses at the Sir Edmund Hillary Outdoor Pursuits Centres and to Great Barrier Island.

## THE GENESIS ENERGY LAKE TO LIGHTHOUSE CHALLENGE

The inaugural Genesis Energy Lake to Lighthouse Challenge was held from 20 to 23 November 2008. This is New Zealand's newest two-day multisport event and received positive media coverage. Three teams of Genesis Energy staff competed in the event and placed creditably, including first in the three-person competition. Genesis Energy Board member Joanna Perry and her husband competed and won the two-person team competition from a field of 16.

# Financials







## CONDENSED CONSOLIDATED INCOME STATEMENT

### For the six-month period ended 31 December 2008

| | Notes | **Six months ended 31 December 2008 Unaudited $'000** | Six months ended 31 December 2007 Unaudited $'000 | **Year ended 30 June 2008 Audited $'000** |
|---|---|---|---|---|
| **Operating revenue** | | | | |
| Electricity revenue | | **960,114** | 843,934 | **2,316,928** |
| Gas revenue | | **75,340** | 80,472 | **140,411** |
| Other revenue | | **10,014** | 9,307 | **24,260** |
| | | **1,045,468** | 933,713 | **2,481,599** |
| **Operating expenses** | | | | |
| Electricity purchases, transmission and distribution | | **(524,090)** | (425,649) | **(1,280,016)** |
| Gas purchases and transmission | | **(60,841)** | (66,304) | **(115,460)** |
| Fuels consumed | | **(176,672)** | (185,714) | **(401,548)** |
| Employee benefits | | **(30,941)** | (26,616) | **(55,288)** |
| Other operating costs | | **(131,031)** | (124,713) | **(283,662)** |
| | | **(923,575)** | (828,996) | **(2,135,974)** |
| **Earnings before finance costs, income tax, depreciation, amortisation and financial instruments** | | **121,893** | 104,717 | **345,625** |
| Depreciation | 11 | **(34,852)** | (35,242) | **(70,588)** |
| Amortisation | | **(8,457)** | (6,834) | **(14,821)** |
| Impairment | 12 | **(7,555)** | - | **(38,365)** |
| Other gains and losses | 7 | **7,047** | (5,606) | **(51,566)** |
| Equity accounted gain/(loss) of associate | | **21** | - | **-** |
| | | **(43,796)** | (47,682) | **(175,340)** |
| Profit before finance costs and income tax | | **78,097** | 57,035 | **170,285** |
| Finance costs | 8 | **(7,937)** | (14,141) | **(28,707)** |
| **Profit before income tax** | | **70,160** | 42,894 | **141,578** |
| Income tax expense | 9 | **(21,226)** | (11,503) | **(42,520)** |
| Profit for the period | | **48,934** | 31,391 | **99,058** |
| **Attributable to:** | | | | |
| Equity holders of the Company | | **48,934** | 31,391 | **99,058** |
| | | **48,934** | 31,391 | **99,058** |

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

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2008

| | Notes | 31 December 2008 Unaudited $'000 | 31 December 2007 Unaudited $'000 | 30 June 2008 Audited $'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | | **32,217** | 28,422 | **13,216** |
| Trade and other receivables | | **180,416** | 204,652 | **470,630** |
| Inventories | | **88,934** | 113,235 | **87,279** |
| Derivative financial instruments | 10 | **13,340** | 5,302 | **6,694** |
| Current tax receivable | | **21,219** | 33,460 | **24,213** |
| **Total current assets** | | **336,126** | 385,071 | **602,032** |
| **Non-current assets** | | | | |
| Trade and other receivables | | **36,942** | 47,387 | **42,322** |
| Derivative financial instruments | 10 | **11,061** | 6,492 | **6,556** |
| Investment accounted for using equity method | | **745** | - | **723** |
| Property, plant and equipment | 11 | **1,877,681** | 1,687,912 | **1,851,215** |
| Intangible assets | | **126,106** | 121,317 | **125,459** |
| Oil and gas exploration and development assets | 12 | **94,822** | 124,756 | **78,442** |
| **Total non-current assets** | | **2,147,357** | 1,987,864 | **2,104,717** |
| Total assets | | **2,483,483** | 2,372,935 | **2,706,749** |





| | Notes | 31 December 2008 Unaudited $'000 | 31 December 2007 Unaudited $'000 | 30 June 2008 Audited $'000 |
|---|---|---|---|---|
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | **161,834** | 190,068 | **469,070** |
| Borrowings | | **283,243** | 85,173 | **77,483** |
| Derivative financial instruments | 10 | **13,067** | 20,735 | **13,670** |
| Provisions | 14 | **5,889** | 4,898 | **8,175** |
| **Total current liabilities** | | **464,033** | 300,874 | **568,398** |
| **Non-current liabilities** | | | | |
| Borrowings | 13 | **314,733** | 501,404 | **474,801** |
| Derivative financial instruments | 10 | **12,431** | 5,109 | **13,850** |
| Deferred tax liabilities | 15 | **244,232** | 200,971 | **225,320** |
| Provisions | 14 | **16,639** | 16,571 | **17,607** |
| **Total non-current liabilities** | | **588,035** | 724,055 | **731,578** |
| Total liabilities | | **1,052,068** | 1,024,929 | **1,299,976** |
| Net assets | | **1,431,415** | 1,348,006 | **1,406,773** |
| Shareholders' equity | | **1,431,415** | 1,348,006 | **1,406,773** |

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

On behalf of the Board,

Brian Corban CNZM, QSO
Chairman

Date: 9 February 2009

Joanna Perry
Director

Date: 9 February 2009



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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 31 December 2008

| | Notes | Six months ended 31 December 2008 Unaudited $'000 | Six months ended 31 December 2007 Unaudited $'000 | Year ended 30 June 2008 Audited $'000 |
|---|---|---|---|---|
| **Profit for the period** | | **48,934** | 31,391 | **99,058** |
| Change in cash flow hedge reserve | | **1,708** | 5,772 | **10,477** |
| Change in asset revaluation reserve | | **-** | - | **(5)** |
| Net income or (expense) recognised directly in equity | | **1,708** | 5,772 | **10,472** |
| **Total recognised income and expense for the year** | | **50,642** | 37,163 | **109,530** |
| Dividends provided for or paid | 16 | **(26,000)** | (14,900) | **(28,500)** |
| **Changes in equity for the period** | | **24,642** | 22,263 | **81,030** |
| Equity at the beginning of the period | | **1,406,773** | 1,325,743 | **1,325,743** |
| Equity at the end of the period | | **1,431,415** | 1,348,006 | **1,406,773** |
| **Equity is comprised of:** | | | | |
| Share capital | | **540,565** | 540,565 | **540,565** |
| Retained earnings | | **657,537** | 580,569 | **634,603** |
| Asset revaluation reserve | | **238,422** | 238,394 | **238,422** |
| Cash flow hedge reserve | | **(5,109)** | (11,522) | **(6,817)** |
| | | **1,431,415** | 1,348,006 | **1,406,773** |

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

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six-month period ended 31 December 2008

| | Notes | Six months ended 31 December 2008 Unaudited $'000 | Six months ended 31 December 2007 Unaudited $'000 | Year ended 30 June 2008 Audited $'000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash was provided from: | | | | |
| Receipts from customers | | **1,314,431** | 938,308 | **2,189,926** |
| Interest received | | **1,068** | 922 | **1,382** |
| Taxation credits/(debits) | | **(51)** | (33) | **529** |
| | | **1,315,448** | 939,197 | **2,191,837** |
| Cash was applied to: | | | | |
| Payments to suppliers | | **1,112,679** | 883,589 | **1,909,283** |
| Payments to employees | | **30,629** | 26,510 | **54,841** |
| Taxation paid | | **-** | 18,605 | **18,605** |
| | | **1,143,308** | 928,704 | **1,982,729** |
| **Net cash inflow from/(outflow to) operating activities** | | **172,140** | 10,493 | **209,108** |
| **Cash flows from investing activities** | | | | |
| Cash was provided from: | | | | |
| Proceeds from disposal of property, plant and equipment | | **1,875** | 78 | **103** |
| Receipts of principal from finance lease receivable | | **2,613** | 2,102 | **4,382** |
| Advances and loans repaid | | **-** | 63 | **125** |
| | | **4,488** | 2,243 | **4,610** |
| Cash was applied to: | | | | |
| Purchase of property, plant and equipment | | **128,299** | 70,508 | **217,958** |
| Purchase of intangibles | | **7,060** | 2,850 | **12,932** |
| Purchase of oil and gas exploration and development assets | | **21,377** | 37,737 | **27,257** |
| Purchase of investments | | **-** | - | **500** |
| | | **156,736** | 111,095 | **258,647** |
| **Net cash (outflow) to investing activities** | | **(152,248)** | **(108,852)** | **(254,037)** |

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

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (continued)

For the six-month period ended 31 December 2008

| | Notes | **Six months ended 31 December 2008 Unaudited $'000** | Six months ended 31 December 2007 Unaudited $'000 | **Year ended 30 June 2008 Audited $'000** |
|---|---|---|---|---|
| **Cash flows from financing activities** | | | | |
| Cash was provided from: | | | | |
| Proceeds from new borrowings | | **225,000** | 151,850 | **121,650** |
| | | **225,000** | 151,850 | **121,650** |
| Cash was applied to: | | | | |
| Interest paid and other finance charges | 8 | **23,495** | 19,217 | **42,562** |
| Repayment of borrowings | | **174,800** | - | **-** |
| Repayment of principal on finance lease liabilities | | **1,596** | 1,804 | **3,295** |
| Ordinary dividend paid | 16 | **26,000** | 14,900 | **28,500** |
| | | **225,891** | 35,921 | **74,357** |
| **Net cash inflow from/(outflow to) financing activities** | | **(891)** | 115,929 | **47,293** |
| Net increase/(decrease) in cash and cash equivalents | | 19,001 | 17,570 | 2,364 |
| Cash and cash equivalents at the beginning of the period | | **13,216** | 10,852 | **10,852** |
| Cash and cash equivalents at the end of the period | | 32,217 | 28,422 | 13,216 |
| **Cash and cash equivalents is comprised of:** | | | | |
| Cash at bank and on hand | | **29,187** | 28,422 | **13,216** |
| Short-term deposits | | **3,030** | - | **-** |
| | | 32,217 | 28,422 | 13,216 |

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

| | Notes | **Six months ended 31 December 2008 Unaudited $'000** | Six months ended 31 December 2007 Unaudited $'000 | **Year ended 30 June 2008 Audited $'000** |
|---|---|---|---|---|
| **Reconciliation of profit after income tax to net cash inflow from/(outflow to) operating activities** | | | | |
| Profit for the period | | **48,934** | 31,391 | **99,058** |
| **Items classified as investing/financing activities:** | | | | |
| Net (gain)/loss on disposal of property, plant and equipment | 7 | **(1,781)** | 4 | **277** |
| Net (gain)/loss on acquisition of associate /joint venture | 7 | **-** | - | **(223)** |
| Interest paid and other finance charges | | **7,649** | 13,930 | **28,050** |
| | | **5,868** | 13,934 | **28,104** |
| **Non-cash items:** | | | | |
| Depreciation | | **34,852** | 35,242 | **70,588** |
| Amortisation | | **8,457** | 6,834 | **14,821** |
| Impairment | | **7,555** | - | **38,365** |
| Equity accounted (gain)/loss of associate | | **(21)** | - | **-** |
| Change in fair value of derivative financial instruments | | **(11,465)** | (348) | **4,577** |
| Change in deferred tax liabilities | | **18,912** | 5,554 | **29,905** |
| Change in capital expenditure accruals | | **78,856** | (18,651) | **(62,473)** |
| | | **137,146** | 28,631 | **95,783** |
| **Movements in working capital:** | | | | |
| Change in trade and other receivables | | **278,275** | 2,216 | **(247,648)** |
| Change in prepayments | | **12,662** | (3,918) | **(19,346)** |
| Change in inventories | | **(1,655)** | (29,857) | **(3,901)** |
| Change in creditors and employee entitlements | | **(308,831)** | (21,198) | **254,207** |
| Change in current taxation receivable/payable | | **2,994** | (10,216) | **(971)** |
| Change in provisions | | **(3,253)** | (490) | **3,822** |
| | | **(19,808)** | (63,463) | **(13,837)** |
| Net cash inflow from/(outflow to) operating activities | | 172,140 | 10,493 | 209,108 |

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month period ended 31 December 2008

### 1. General information
The condensed consolidated interim financial statements cover the six-month period ended 31 December 2008 and have been prepared for Genesis Power Limited (the Company) and its subsidiaries (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.

### 2. Basis of preparation
The condensed consolidated interim financial statements have been prepared using accounting policies consistent with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and in accordance with New Zealand International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34). In complying with NZ IAS 34, these statements comply with International Accounting Standard 34 *Interim Financial Reporting*.

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

### 3. Accounting policies
The same accounting policies and methods of computation have been followed as those applied in Genesis Energy's Annual Report for the year ended 30 June 2008.

### 4. Comparative results
Comparatives have been restated to reflect the current period's classification where appropriate.

### 5. Seasonality
The energy business operates in an environment that is dependent on weather as one of the key drivers of supply and demand. Fluctuations in seasonal weather patterns can have a positive or negative effect on the reported result.

### 6. Segment reporting
The Group's primary reporting format is business segments. All business segments are fully integrated within New Zealand.

The Group comprises the following main segments:

**Retail**

The Retail segment encompasses any activity that is associated with the Group's supply of energy to end-user customers as well as related services.

**Production**

The Production segment encompasses any activity that is associated with the Group's generation of electricity and sales to the wholesale electricity market.

The segment result includes items directly attributable to a segment as well as those that have been allocated. Items not directly attributable to the Retail or Production segments (including Oil and Gas activities) are included in the Other segment.

Wholesale electricity purchase costs for the Retail segment are based on spot prices prevailing in the New Zealand wholesale electricity market at the relevant time, and volumes at the relevant grid exit purchase node. Similarly, the wholesale revenues of the Production segment are based on spot prices for volumes generated at the relevant grid injection points.

The cost of gas purchases across the portfolio is allocated between segments in proportion to consumption.

Gas transmission and distribution charges are allocated to the segments within which they are incurred.

### 6. Segment reporting (continued)

| | **Six months ended 31 December 2008 Unaudited $'000** | Six months ended 31 December 2007 Unaudited $'000 | **Year ended 30 June 2008 *Audited $'000** |
|---|---|---|---|
| **Retail segment** | | | |
| Retail revenue | **682,344** | 701,865 | **1,332,535** |
| Operating expenses | **(661,066)** | (561,825) | **(1,549,760)** |
| **Earnings before finance costs, income tax, depreciation, amortisation and financial instruments** | **21,278** | 140,040 | **(217,225)** |
| Depreciation | **(635)** | (418) | **(902)** |
| Amortisation | **(3,328)** | (2,023) | **(5,213)** |
| Other gains and losses | **-** | (13) | **(274)** |
| Finance costs | **(848)** | (462) | **(951)** |
| Segment result | **16,467** | 137,124 | **(224,565)** |
| Segment assets | **261,874** | 256,219 | **291,153** |
| Segment liabilities | **(107,519)** | (117,895) | **(296,680)** |
| Segment capital expenditure | **1,871** | 7,191 | **11,285** |
| **Production segment** | | | |
| Wholesale revenue | **359,217** | 227,733 | **1,141,209** |
| Operating expenses | **(232,241)** | (238,222) | **(520,959)** |
| **Earnings before finance costs, income tax, depreciation, amortisation and financial instruments** | **126,976** | (10,489) | **620,250** |
| Depreciation | **(33,813)** | (33,864) | **(67,739)** |
| Amortisation | **(701)** | (676) | **(1,494)** |
| Other gains and losses | **338** | 51 | **(48,448)** |
| Finance costs | **(1,085)** | (1,050) | **(2,371)** |
| Segment result | **91,715** | (46,028) | **500,198** |
| Segment assets | **1,645,023** | 1,717,191 | **1,915,991** |
| Segment liabilities | **(81,481)** | (120,374) | **(148,199)** |
| Segment capital expenditure | **11,884** | 24,797 | **53,379** |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six-month period ended 31 December 2008

### 6. Segment reporting (continued)

| | Six months ended 31 December 2008 Unaudited $'000 | Six months ended 31 December 2007 Unaudited $'000 | Year ended 30 June 2008 *Audited $'000 |
|---|---|---|---|
| **Other segment** | | | |
| Other revenue | 3,908 | 4,115 | 7,853 |
| Total operating expenses | (30,269) | (28,949) | (65,254) |
| **Earnings before finance costs, income tax, depreciation, amortisation and financial instruments** | (26,361) | (24,834) | (57,401) |
| Depreciation | (404) | (961) | (1,947) |
| Amortisation | (4,428) | (4,136) | (8,114) |
| Impairment | (7,555) | - | (38,365) |
| Other gains and losses | 6,708 | (5,643) | (2,844) |
| Finance costs | (6,003) | (12,628) | (25,384) |
| Segment result | (38,043) | (48,202) | (134,055) |
| Segment assets | 576,586 | 399,525 | 499,605 |
| Segment liabilities | (863,068) | (786,660) | (855,097) |
| Segment capital expenditure | 87,758 | 102,339 | 277,523 |
| **Reconciliation of segment results to profit for the period** | | | |
| Retail segment | 16,467 | 137,124 | (224,565) |
| Production segment | 91,715 | (46,028) | 500,198 |
| Other segment | (38,043) | (48,202) | (134,055) |
| **Total segment results** | 70,139 | 42,894 | 141,578 |
| **Items not included in segment results** | | | |
| - Equity-accounted earnings of associate | 21 | - | - |
| - Tax expense | (21,226) | (11,503) | (42,520) |
| Profit for the period | 48,934 | 31,391 | 99,058 |

* The annual financial statements for the period ended 30 June 2008 were audited but they did not include any segmental reporting. The segment information reported for that period has been allocated based on those audited financial statements.

### 7. Other gains and losses

| | Six months ended 31 December 2008 Unaudited $'000 | Six months ended 31 December 2007 Unaudited $'000 | Year ended 30 June 2008 Audited $'000 |
|---|---|---|---|
| Net gain/(loss) on disposal of property, plant and equipment | 1,781 | (4) | (277) |
| Net gain/(loss) on financial liabilities measured at amortised cost: | | | |
| - Net realised foreign exchange gain/(loss) | (975) | (3,607) | (82) |
| - Net unrealised foreign exchange gain/(loss) | (1,523) | 477 | 79 |
| Net ineffective gain/(loss) on cash flow hedges | (16) | 8 | (8) |
| Net fair value gain/(loss) on hedges at fair value through profit or loss | 10,081 | (1,789) | (7,918) |
| Net realised gain/(loss) on hedges at fair value through profit or loss | (2,301) | (691) | (43,583) |
| Net gain/(loss) on acquisition of associate/joint venture | - | - | 223 |
| | 7,047 | (5,606) | (51,566) |

### 8. Finance costs

| | Six months ended 31 December 2008 Unaudited $'000 | Six months ended 31 December 2007 Unaudited $'000 | Year ended 30 June 2008 Audited $'000 |
|---|---|---|---|
| Interest paid | 21,045 | 18,081 | 41,333 |
| Other finance charges | 1,132 | 1,136 | 2,218 |
| Time value of money adjustments on provisions | 288 | 211 | 657 |
| | 22,465 | 19,428 | 44,208 |
| Interest paid and other finance charges capitalised to assets | (14,528) | (5,287) | (15,501) |
| | 7,937 | 14,141 | 28,707 |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six-month period ended 31 December 2008

### 9. Income tax expense

| | Six months ended 31 December 2008 Unaudited $'000 | Six months ended 31 December 2007 Unaudited $'000 | Year ended 30 June 2008 Audited $'000 |
|---|---|---|---|
| **(a) Income tax expense** | | | |
| Current tax | **3,046** | 16,859 | **32,252** |
| Deferred tax | **18,180** | (2,249) | **14,662** |
| Change in corporate tax rate | **-** | 78 | **(1,495)** |
| Under/(over) provided in prior periods | **-** | (3,185) | **(2,899)** |
| Income tax expense | **21,226** | 11,503 | **42,520** |
| **(b) Numerical reconciliation of income tax expense to prima facie tax payable** | | | |
| Profit before income tax | **70,160** | 42,894 | **141,578** |
| Tax thereon at 30% (2007: 33%) | **21,048** | 14,155 | **46,721** |
| Tax effect of adjustments | **178** | 455 | **193** |
| Change in corporate tax rate | **-** | 78 | **(1,495)** |
| Under/(over) provided in prior periods | **-** | (3,185) | **(2,899)** |
| Income tax expense | **21,226** | 11,503 | **42,520** |
| Weighted average tax rate | **30.3%** | 26.8% | **30.0%** |

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

### 10. Financial instruments

#### (a) Fair value of financial instruments

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

| | Hedge accounting designation | As at 31 December 2008 Unaudited $'000 | As at 31 December 2007 Unaudited $'000 | As at 30 June 2008 Audited $'000 |
|---|---|---|---|---|
| **Current assets** | | | | |
| Interest rate swap contracts | Cash flow hedge | **-** | 2,148 | **2,423** |
| Foreign exchange contracts | Cash flow hedge | **11,057** | 251 | **2,211** |
| Electricity contracts for difference | Cash flow hedge | **1,484** | 2,743 | **2,055** |
| Electricity contracts for difference and options | Held for trading | **799** | 160 | **5** |
| **Total current derivative financial instrument assets** | | **13,340** | 5,302 | **6,694** |
| **Non-current assets** | | | | |
| Interest rate swap contracts | Cash flow hedge | **-** | 3,597 | **188** |
| Foreign exchange contracts | Cash flow hedge | **320** | 620 | **208** |
| Electricity contracts for difference | Cash flow hedge | **1** | 433 | **378** |
| Electricity contracts for difference and options | Held for trading | **386** | 240 | **4,709** |
| Oil options | | **10,354** | 1,602 | **1,073** |
| **Total non-current derivative financial instrument assets** | | **11,061** | 6,492 | **6,556** |
| **Total derivative financial instrument assets** | | **24,401** | 11,794 | **13,250** |
| **Current liabilities** | | | | |
| Interest rate swap contracts | Cash flow hedge | **(11,625)** | - | **(69)** |
| Foreign exchange contracts | Cash flow hedge | **(276)** | (17,667) | **(9,995)** |
| Electricity contracts for difference | Cash flow hedge | **(495)** | (2,970) | **(2,059)** |
| Electricity contracts for difference and options | Held for trading | **(671)** | (98) | **(1,547)** |
| **Total current derivative financial instrument liabilities** | | **(13,067)** | (20,735) | **(13,670)** |
| **Non-current liabilities** | | | | |
| Interest rate swap contracts | Cash flow hedge | **(3,336)** | - | **(1,256)** |
| Foreign exchange contracts | Cash flow hedge | **(3)** | (2,631) | **(1,873)** |
| Electricity contracts for difference | Cash flow hedge | **(3,854)** | (2,367) | **(5,976)** |
| Electricity contracts for difference and options | Held for trading | **(5,238)** | (111) | **(4,745)** |
| **Total non-current derivative financial instrument liabilities** | | **(12,431)** | (5,109) | **(13,850)** |
| **Total derivative financial instrument liabilities** | | **(25,498)** | (25,844) | **(27,520)** |
| Total net financial instruments | | **(1,097)** | (14,050) | **(14,270)** |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six-month period ended 31 December 2008

### 10. Financial instruments (continued)

**(b) 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, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program 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. The overall risk management is governed by written policies approved by the Board.

**(c) Market risk**

*(i) Foreign exchange risk*

The Group is exposed to foreign currency risk as a result of transactions denominated in a currency other than the Group's functional currency, New Zealand dollars (NZD). The Group uses foreign exchange contracts to manage foreign exchange risk arising from future commercial transactions and recognised assets and liabilities.

*(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 swaps and options to hedge against electricity spot price exposure. To manage its commodity price risk in respect of oil sales, the Group utilises oil price options which provides a minimum price for future oil sales.

**(d) 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 financial institutions.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. 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.

**(e) 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.

**(f) Cash flow and fair value interest rate risk**

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

### 11. Property, plant and equipment

**(a) The movement in property, plant and equipment is summarised as:**

| | **Six months ended 31 December 2008 Unaudited $'000** | Six months ended 31 December 2007 Unaudited $'000 | **Year ended 30 June 2008 Audited $'000** |
|---|---|---|---|
| Balance at the beginning of the period | **1,851,215** | 1,631,306 | **1,631,306** |
| Additions | **49,497** | 89,163 | **288,800** |
| Interest and other finance costs capitalised | **11,970** | 2,769 | **10,452** |
| Transfers to inventory | **-** | - | **(8,422)** |
| Disposals | **(149)** | (84) | **(333)** |
| Depreciation charge | **(34,852)** | (35,242) | **(70,588)** |
| Balance at the beginning of the period | 1,877,681 | 1,687,912 | 1,851,215 |

**(b) The property, plant and equipment balance is comprised of:**

| | **As at 31 December 2008 Unaudited $'000** | As at 31 December 2007 Unaudited $'000 | **As at 30 June 2008 Audited $'000** |
|---|---|---|---|
| Capital work in progress | **377,556** | 156,954 | **327,882** |
| Freehold land | **17,721** | 10,324 | **17,721** |
| Buildings and improvements | **1,341** | 1,240 | **1,359** |
| Generation assets | **1,441,023** | 1,477,218 | **1,463,837** |
| Leased plant and equipment | **24,057** | 25,657 | **25,067** |
| Other | **15,983** | 16,519 | **15,349** |
| Total property, plant and equipment | 1,877,681 | 1,687,912 | 1,851,215 |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six-month period ended 31 December 2008

### 12. Oil and gas exploration and development assets

**(a) The movement in oil and gas exploration and development assets is summarised as:**

| | **Six months ended 31 December 2008 Unaudited $'000** | Six months ended 31 December 2007 Unaudited $'000 | **Year ended 30 June 2008 Audited $'000** |
|---|---|---|---|
| Balance at the beginning of the period | **78,442** | 84,501 | **84,501** |
| Additions | **21,377** | 37,737 | **27,257** |
| Interest and other finance costs capitalised | **2,558** | 2,518 | **5,049** |
| Impairment losses charged to the income statement * | **(7,555)** | - | **(38,365)** |
| Balance at the beginning of the period | 94,822 | 124,756 | 78,442 |

* The exploration and evaluation assets relating to both the Kupe (Momoho) 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 rehabilitation and restoration.

**(b) The oil and gas exploration and development assets are comprised of:**

| | **As at 31 December 2008 Unaudited $'000** | As at 31 December 2007 Unaudited $'000 | **As at 30 June 2008 Audited $'000** |
|---|---|---|---|
| Mining licences | **16,518** | 16,518 | **16,518** |
| Exploration and evaluation expenditure | **10,051** | 21,838 | **3,148** |
| Oil and gas development expenditure | **68,253** | 86,400 | **58,776** |
| Total oil and gas exploration and development assets | 94,822 | 124,756 | 78,442 |

### 13. Borrowings

On 23 December 2008 the Group 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% and 7.65% respectively. Debt repaid during the period was $174.8 million.

### 14. Provisions

**(a) The movement in provisions is summarised as:**

| | **Six months ended 31 December 2008 Unaudited $'000** | Six months ended 31 December 2007 Unaudited $'000 | **Year ended 30 June 2008 Audited $'000** |
|---|---|---|---|
| Balance at the beginning of the period | **25,782** | 21,959 | **21,959** |
| Provisions made during the period | **216** | - | **7,332** |
| Provisions used during the period | **(3,758)** | (701) | **(4,166)** |
| Unwinding of discount | **288** | 211 | **657** |
| Balance at the beginning of the period | 22,528 | 21,469 | 25,782 |

**(b) The provisions liability is comprised of:**

| | **As at 31 December 2008 Unaudited $'000** | As at 31 December 2007 Unaudited $'000 | **As at 30 June 2008 Audited $'000** |
|---|---|---|---|
| Rehabilitation and restoration | **12,223** | 10,014 | **13,902** |
| Other provisions | **10,305** | 11,455 | **11,880** |
| Total provisions | 22,528 | 21,469 | 25,782 |
| Current | **5,889** | 4,898 | **8,175** |
| Non-current | **16,639** | 16,571 | **17,607** |
| | 22,528 | 21,469 | 25,782 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six-month period ended 31 December 2008

## 15. Deferred tax liabilities

**(a) The movement in the deferred tax liability is summarised as:**

| | **Six months ended 31 December 2008 Unaudited $'000** | Six months ended 31 December 2007 Unaudited $'000 | **Year ended 30 June 2008 Audited $'000** |
|---|---|---|---|
| Balance at the beginning of the period | **225,320** | 195,416 | **195,416** |
| Movement in temporary differences recognised in: | | | |
| - Income statement | **18,180** | (2,249) | **14,662** |
| - Equity | **732** | 2,474 | **4,489** |
| - Current tax payable/receivable | **-** | 5,252 | **12,248** |
| Effect of change in corporate tax rate | | | |
| - Income tax expense | **-** | 78 | **(1,495)** |
| Balance at the beginning of the period | 244,232 | 200,971 | 225,320 |

**(b) The deferred tax liability is comprised of:**

| | **As at 31 December 2008 Unaudited $'000** | As at 31 December 2007 Unaudited $'000 | **As at 30 June 2008 Audited $'000** |
|---|---|---|---|
| Property, plant and equipment | **300,445** | 190,836 | **285,800** |
| Oil and gas exploration and development assets | **(43,676)** | 16,945 | **(44,194)** |
| Intangibles | **7,052** | 4,326 | **6,858** |
| Trade and other receivables | **76** | 1,102 | **1,606** |
| Inventories | **(927)** | (927) | **(927)** |
| Employee entitlements | **(1,185)** | (928) | **(990)** |
| Provisions | **(6,161)** | (2,458) | **(6,671)** |
| Finance lease liabilities | **(7,734)** | (1,078) | **(7,933)** |
| Financial instruments | **(2,472)** | (6,571) | **(6,424)** |
| Other | **(1,186)** | (276) | **(1,805)** |
| Total liability | 244,232 | 200,971 | 225,320 |

**(c) 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 comprises solely of temporary differences.

## 16. Ordinary dividends

**The Company paid the following fully imputed dividend during the period:**

| | Dividend payment date | **Six months ended 31 December 2008 Unaudited $'000** | Six months ended 31 December 2007 Unaudited $'000 | **Year ended 30 June 2008 Audited $'000** |
|---|---|---|---|---|
| Dividends paid during the period: | | | | |
| 2007 Year final dividend | 30 Sep 2007 | **-** | 14,900 | **14,900** |
| 2008 Year interim dividend | 31 Mar 2008 | **-** | - | **13,600** |
| 2008 Year final dividend | 30 Sep 2008 | **26,000** | - | **-** |
| Total ordinary dividends paid | | 26,000 | 14,900 | 28,500 |

## 17. Contingencies

The Group's contingent assets and liabilities were disclosed in the Genesis Energy annual report for the year ended 30 June 2008. There has been no change in the nature or status of these contingencies except as stated below:

*(i) Carbon emissions*

The Emissions Trading Scheme (ETS) was passed into legislation on 24 September 2008. Following the General Election on 8 November 2008, the National Government announced a Select Committee review would take place on the ETS and related matters. As at 31 December 2008, the Select Committee review was not completed.

*(ii) Joint ventures*

An agreement had been signed prior to balance date for GP No. 4 Limited to dispose of a 5.1% interest in the Cardiff joint venture. This sale is subject to Ministerial approval which has not been issued to date.

## 18. Commitments

| | **As at 31 December 2008 Unaudited $'000** | As at 31 December 2007 Unaudited $'000 | **As at 30 June 2008 Audited $'000** |
|---|---|---|---|
| Total capital and investment commitments | **48,248** | 40,342 | **48,965** |
| Total operating lease commitments | **66,341** | 75,487 | **69,432** |

The Group has various operating expenditure commitments including long-term maintenance agreements, fuel purchases, coal transportation and storage commitments. The nature of these commitments was disclosed in the Genesis Energy annual report for the year ended 30 June 2008. There has been little change in the nature or amount of these commitments since 30 June 2008.

The Group also continues to finance its commitments under its joint venture agreements and at balance date these commitments amounted to $25.4 million.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six-month period ended 31 December 2008

### 19. Resource consents

The Group requires resource consents (authorisations to use land, water and air) obtained under the Resource Management Act, 1991, to enable it to operate its thermal, hydro, and wind power stations. The duration of resource consents varies up to a maximum of 35 years. The current resource consents within which the Group's power stations operate are due for renewal at varying times. The renewal dates are fixed by the expiry date of the consent, or, in the case of resource consents granted under earlier legislation where there is no expiry date, by the date set by the Resource Management Act 1991.

### 20. Events occurring after the balance sheet date

The Group, through its wholly owned subsidiary GP No. 4 Limited, agreed to purchase a further 15.1% interest in the Cardiff joint venture. The purchase was contingent on receiving consent from the Minister of Energy (as required under s41 of the Crown Minerals Act 1991) which was received on 29 January 2009. The transfer was completed on 3 February 2009.

Notes

# Notes /

## GENESIS ENERGY INITIATIVES

genesisenergy.co.nz

genesisoncology.org.nz

schoolgen.co.nz

treepeople.co.nz

electrocity.co.nz

## DIRECTORY

**Board of Directors**

Chairman
Brian Corban CNZM, QSO

Directors
Annabel Cotton
Ian Kusabs
Nicola Crauford
John Stace
Joanna Perry
Barbara Elliston
Sara Lunam

Banker – Westpac

Solicitors – Russell McVeagh

For further information email:
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**Executive Management Team**

Chief Executive
Albert Brantley

General Counsel and Company Secretary
Maureen Shaddick

GM Finance
Mark Anderson

GM Production
Bob Weir

GM Retail
Dean Carroll

GM Corporate Affairs
Malcolm Alexander

GM Generation Development
Richard Pearce

GM Corporate Services
Peggy Molyneux

GM Fuel Development
Allan Melhuish

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Nic McCondach

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SPINE