An update on performance, a perspective on the year

and a view on tomorrow

INTERIM REPORT 2010/11
GENESIS POWER LIMITED

genesis ENERGY

"What we have achieved, how we're managing change and how we're meeting our targets..."

Genesis Energy's Tongariro Power Scheme extends from Mount Ruapehu to Lake Taupo and along the mountain range formed by Ruapehu, Ngauruhoe and Tongariro.

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Key Business Objectives

Genesis Energy is committed to the following business objectives to ensure we meet our targets, goals and strategic objectives as set out in our Statement of Corporate Intent.

Financial

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

TOTAL OPERATING REVENUE:

$949M

EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION AND FINANCIAL INSTRUMENTS:

$139M

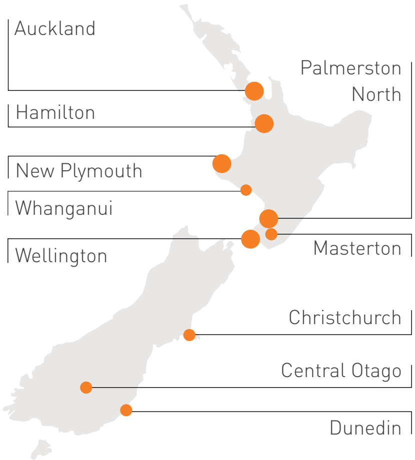
NET PROFIT AFTER TAX:

$17M

Customers

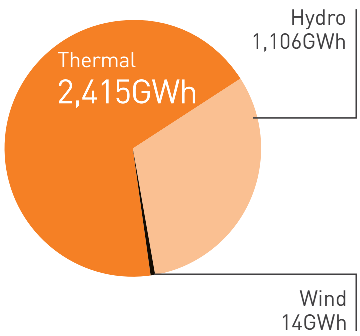
To be recognised as a leading New Zealand energy provider with excellent customer service.

MAIN CUSTOMER CENTRES



Production + New Generation

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



Employees

To partner with our people for success.

BRINGING THE CONTACT CENTRE IN-HOUSE HAS BEGUN TO IMPROVE CUSTOMER SERVICE LEVELS.

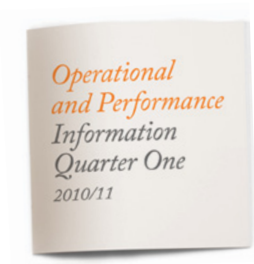
Community, Iwi, Hapu + Stakeholders

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

RELATIONSHIP AGREEMENTS SIGNED IN DECEMBER, WITH NGATI RANGI TRUST, WHANGANUI RIVER MAORI TRUST BOARD AND TAMAHAKI INCORPORATED SOCIETY.

Governance + Benchmarking

To follow best practice in corporate governance and to benchmark the Group's sustainability performance.



GENESIS ENERGY IS SETTING A NEW BENCHMARK FOR STATE-OWNED ENTERPRISES DISCLOSURES.

Environmental + Social Impact

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

TOKAANU HYDROLOGIST GARETH GRAY MONITORING THE TONGARIRO RIVER.

"We are a business with a broad focus, ensuring we are operating as we should, when we should."

/ **ALBERT BRANTLEY**
Chief Executive

Chairman and Chief Executive's Report

Genesis Energy is a diverse, dependable and stable company. Our immediate task is to focus on creating long term value for our shareholder and customers.

01

The constant variability of the energy sector was a feature of Genesis Energy's performance in the six months to the end of December 2010. While gas sales increased and the Group booked a share of Kupe oil and gas income, total revenue for the period was down to $949 million ($961 million in 2009) due to lower electricity revenue and lower generation volumes.

Earnings before interest, tax, depreciation, amortisation and financial instruments (EBITDAF) increased to $139 million from $135 million in the comparable period in 2009. Higher finance costs due to less interest being capitalised, increased depreciation, depletion and amortisation, only in relation to the Kupe asset and changes in the fair value of derivatives, resulted in a net profit after tax (NPAT) of $17 million, a decrease from $64 million in 2009.

The result was driven by a number of internal and external factors, such as the volatility of water inflows into the country's hydro-storage lakes.

At times during the half year, inflows, particularly in the South Island, were highly variable, from near drought to intense rainfall. The average price received for generation output in the six months to December 2010 was $61 compared with $51 per MWh in the same period in 2009.

The total generation of 3,535GWh for the half year (3,923GWh in 2009) was influenced by lower output from our thermal plant due to high hydro availability at times. As a result of lower output from the Huntly Power Station, carbon emissions were reduced. This also resulted in an increase in the coal stockpile, which finished the year at 1,288 kilotonnes.

$17M

NET PROFIT AFTER TAX OF $17M WAS A DECREASE FROM $64M IN 2009 AND IN PART DUE TO VOLATILITY OF THE COUNTRY'S HYDRO-STORAGE LAKES.

Generation emissions (CO_2)	Kilotonnes 2009/10	Kilotonnes 2010/11	Percentage change
July	485	**336**	- 31
August	303	**207**	- 32
September	261	**137**	- 47
October	208	**131**	- 37
November	324	**283**	- 13
December	283	**282**	No change
Total	1,865	**1,377**	-26

02

As a result of the Electricity Industry Act, a range of energy reforms impacted Genesis Energy, including the sale and transfer of Tekapo A and B power stations to the Company and Virtual Asset Swaps with Meridian Energy.

A second feature of the external environment was the relatively flat demand for electricity until the latter months of the half year. Demand increased at the end of the period.

Tragedy strikes the South Island

While discussing the external environment, we must acknowledge the two South Island incidents during the half year – the Pike River coalmine tragedy and the Christchurch earthquake.

While Genesis Energy is not a customer of Pike River Coal, we have many connections to the coal industry and the West Coast. In sending our condolences to the community of Greymouth, we also provided a significant contribution to the Mayoral Relief Fund for the families of the coalminers.

In Christchurch, Genesis Energy had been swiftly acquiring new electricity and LPG customers prior to the earthquake in September. Following the earthquake, we immediately contacted our customers in the area and offered a fixed-line charge 'holiday' for two months. We appreciated that many Cantabrians would be unable to use their homes and properties for some time and a waiver of fixed-line costs would go some way to ease their financial burden. As well, significant funds have been set aside to assist in the rebuilding of community facilities in Canterbury over the coming months, and we are reassessing this following the second earthquake on 22 February.

Customer acquisition in the South Island

Christchurch, Dunedin and Queenstown have been the focus of an ongoing customer acquisition campaign launched in February 2010 in anticipation of acquiring Tekapo A and B. The offer of a competitive price for electricity and an attractive discount on bottled LPG resulted in 18,000 new South Island customers joining up by the end of the calendar year, bringing our total number of South Island customers to more than 30,000 at the end of the year.

Overall, Genesis Energy ended the half year with a net one per cent loss in electricity customers of 5,200 to 543,800. However, the market was fiercely competitive during the period and some losses resulted from the Company's strategy to focus on certain areas. We grew our reticulated gas customers from 107,500 to 110,900 and our LPG customers from 700 to 3,400 by the end of the year.

Many Cantabrians would be unable to use their homes and properties for some time and a waiver of fixed-line costs would go some way to ease their financial burden.

01 **RT HON DAME JENNY SHIPLEY, CHAIRMAN**

02 **WHANGANUI RIVER INTAKE: MONITORING BY HYDROLOGIST PHILLIP GOULTER**

The new in-house contact centre

In March 2010 the Company brought its contact centre in-house from the formerly outsourced contract. Since then, research has indicated our quality of customer service has begun to improve and the Company is committed to further service improvements. We have also commenced transitioning service operations of Energy Online into the Genesis Energy contact centre.

The Company's programme to install Advanced Meters in most of our customers' properties continued to grow pace with 121,402 Advanced Meters installed by the end of the period. Around 10,000 new meters are installed each month and this scale has warranted an acceleration in the development of new Advanced Meter-based products and services.

Progress on renewable acquisition and development

A number of work-streams continued to develop in the Company's Production and Generation Growth units. A great deal of work was accomplished on the anticipated acquisition of the Tekapo A and B hydro stations. A wide range of transitional, operating and water agreements were negotiated, Tekapo operations staff have been recruited and an office was opened in Christchurch. The Company looks forward to the completion of the transfer in the first half of 2011.

During the half year, the Board committed to proceeding with a resource consent application for the Castle Hill Wind Farm prospect in northern Wairarapa. Wind monitoring has confirmed a potential generating capacity of up to 600MW at Castle Hill. There has been good progress on the required engineering, commercial, environmental and consultation work required for a consent application which is due to be lodged later this year. As previously reported, landowner agreements covering over 22,000 hectares are already in place for the project.

Further wind monitoring and stakeholder consultation is under way for the Slopedown wind farm project. Slopedown is an attractive prospect east of Wyndham and has a potential generation capacity of between 110 and 150MW.

01

02

The hedge agreements ... will enable Genesis Energy to further grow its South Island business in the coming years.

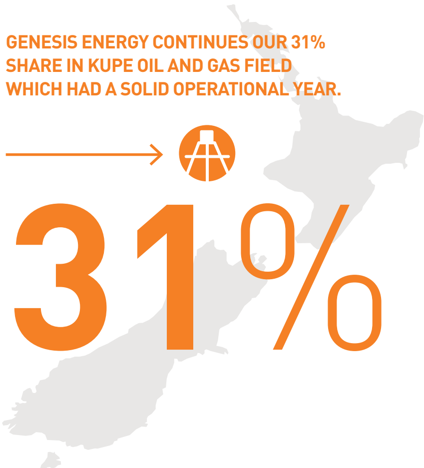
Genesis Energy and Meridian Energy working together

Genesis Energy entered into a long-term electricity hedge arrangement with Meridian Energy in December 2010, as a result of electricity market reforms introduced by the Electricity Industry Act 2010. Under the arrangement, which came into effect on 1 January, 2011, Genesis Energy will purchase up to 450GWh from Meridian Energy in the South Island and will sell the same volume to Meridian Energy in the North Island. The hedge agreements (also known as Virtual Asset Swaps) will enable Genesis Energy to further grow its South Island business in the coming years.

The Company's strategy, enacted in 2009, to exit upstream gas exploration was completed in the half year with the sale of the Company's share in the Cardiff Deep Gas prospect joint venture.

However, Genesis Energy continues our 31 per cent share in the Kupe Oil and Gas Field. Kupe had a solid operational year after commercial operations commenced in March 2010. The Field contributed significantly to the Company's revenue and to our fuel stocks for thermal generation.

GENESIS ENERGY CONTINUES OUR 31% SHARE IN KUPE OIL AND GAS FIELD WHICH HAD A SOLID OPERATIONAL YEAR.



Progress made with the Tongariro Power Scheme

We are pleased to report that an application to appeal to the Supreme Court from a decision of the Court of Appeal in connection with resource consents for the Western and Eastern Diversions of the Tongariro Power Scheme has been withdrawn by the iwi appellants.

Representatives of Whanganui River iwi, Ngati Rangi iwi and hapu have worked with Genesis Energy, and together the groups will continue to engage for the health and well-being of the waterways in their respective rohe.

03

The Trust's investment fund is now more than $10 million and is set to grow as world investment markets recover.

Genesis Oncology Trust

The Genesis Oncology Trust continued to gain support from our customers, with another 4,000 signing up to support the Trust through their monthly bills following a direct mail campaign to our customer base. A unique feature of the Genesis Oncology Trust is that all money donated to the Trust is applied to help in the fight against cancer, as Genesis Energy contributes all administration expenses.

Genesis Energy's customer's donations will enable us to distribute just over $1 million as grants this year. The Company also continues to support the Trust by providing direct sponsorship. The Trust's investment fund is now more than $10 million. The aim of the Genesis Oncology Trust Board of Trustees is to grow this fund and ensure the Trust continues its work into the future.

01 CASTLE HILL OPEN DAY
02 TEKAPO CANAL
03 TONGARIRO HYDRO POWER SCHEME

“We need to coexist responsibly, and support our communities and the environment ethically.”

01

Best-practice Governance

At the end of December 2010 Genesis Energy had a total of 965 full time equivalent employees, with the majority based in the Waikato either in the Hamilton customer contact centre or at the Huntly Power Station. A significant new performance management scheme, launched in October, addresses remuneration, performance reviews and career development.

The Board is committed to best-practice governance, benchmarking and disclosure. It embraces the new disclosure regime for state-owned enterprises (SOEs) and it believes it has set a new benchmark for SOE reporting. During the six months three disclosure statements and two Quarterly Performance Statements were published on Treasury and Genesis Energy's websites.

In November the Board welcomed Rob Fisher as a Director.

Genesis Energy Employees and the Community

The Company's relationship with communities continued to flourish as we embedded our strategy to work closer with local community groups and environmental organisations.

Following the success of the Huntly Curtain Bank, supported by Genesis Energy, we extended our support to a new Curtain Bank in Wellington and to the established Christchurch Curtain Bank, which was forced to move to new premises due to the earthquake.

Continuing the 'neighbourly' theme, during the six months 245 employees volunteered one working day to help a wide range of community groups throughout the country. Organisations supported included New Zealand Red Cross, the Cancer Society and Waikato RiverCare.

As we enter 2011, the Company is poised to enter a new phase of strategic direction and business development that we believe will deliver success and value for our Shareholder, customers and stakeholders.

RT HON DAME JENNY SHIPLEY DNZM
Chairman

ALBERT BRANTLEY
Chief Executive

02

01 ALBERT BRANTLEY, CHIEF EXECUTIVE

02 ENGINEER TIM RANDALL INSPECTING STEAM BLADES AT HUNTLY POWER STATION

Our number one business objective is:

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

Here is a visual snapshot of our condensed consolidated interim financial statements for the last six months.

Financial Highlights

TOTAL OPERATING REVENUE:

$948.6M

TOTAL OPERATING EXPENSES:

$809.3M

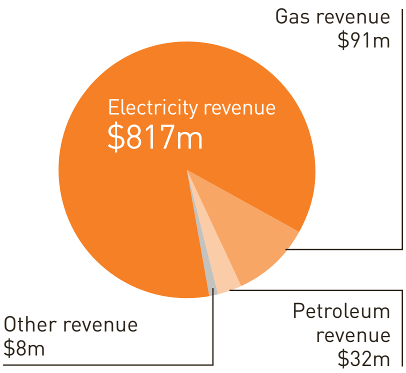
EARNINGS BEFORE INTEREST AND TAX, DEPRECIATION, AMORTISATION AND FINANCIAL INSTRUMENTS:

$139.3M

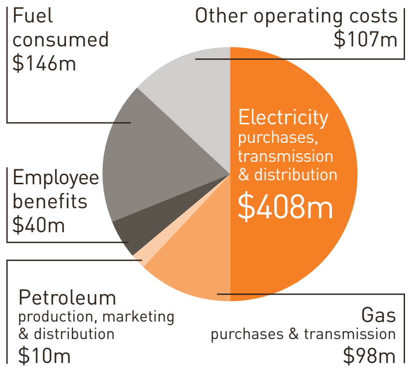
NET PROFIT AFTER TAX:

$17M

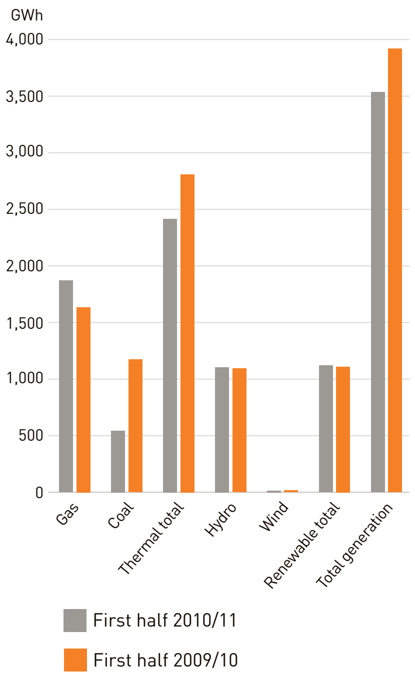
Total Operating Revenue



Total Operating Expenses



Generation output (GWh)



Retail Operational Information

	First half 2010/11	First half 2009/10
Retail electricity purchases (GWh)	**3,310**	3,767
Retail gas purchases (PJ)	**2.5**	2.8
Advanced Meter installations during six months	**63,889**	22,113
Electricity customers	**543,800**	549,000
Gas customers	**110,900**	107,500
LPG customers	**3,400**	700

Condensed consolidated interim statement of comprehensive income

— for the six-month period ended 31 December 2010

	Notes	6 months ended 31 Dec 2010 Unaudited $'000	6 months ended 31 Dec 2009 Unaudited $'000	Year ended 30 June 2010 Audited $'000
Operating revenue				
Electricity revenue		**816,998**	888,686	1,720,956
Gas revenue		**90,803**	61,736	131,648
Petroleum revenue		**32,483**	-	22,446
Other revenue		**8,364**	10,930	20,248
		948,648	961,352	1,895,298
Operating expenses				
Electricity purchases, transmission and distribution		**(408,017)**	(427,280)	(844,135)
Gas purchases and transmission		**(98,373)**	(59,391)	(130,663)
Petroleum production, marketing and distribution		**(9,940)**	-	(5,496)
Fuel consumed		**(145,975)**	(166,621)	(332,987)
Employee benefits		**(40,148)**	(29,065)	(64,008)
Other operating costs		**(106,847)**	(143,607)	(269,215)
		(809,300)	(825,964)	(1,646,504)
Earnings before interest, tax, depreciation, amortisation and financial instruments		**139,348**	135,388	248,794
Depreciation, depletion and amortisation		**(69,102)**	(38,261)	(92,573)
Impairment		**(4,570)**	(5,259)	(19,193)
Other gains (losses)	8	**(17,533)**	1,691	(5,565)
Equity accounted gain (loss) of associate		**-**	39	81
		(91,205)	(41,790)	(117,250)
Profit (loss) before finance costs and income tax		**48,143**	93,598	131,544
Finance income		**333**	905	2,204
Finance expense	9	**(23,734)**	(6,363)	(26,728)
Profit (loss) before income tax		**24,742**	88,140	107,020
Income tax (expense) credit	10	**(7,713)**	(23,588)	(37,706)
Profit (loss) for the period		**17,029**	64,552	69,314
Other comprehensive income				
Change in cash flow hedge reserve		**3,069**	3,511	16,797
Change in asset revaluation reserve		**-**	-	(1,000)
Other comprehensive income before tax		**3,069**	3,511	15,797
Income tax credit (expense) relating to components of other comprehensive income		**(921)**	(1,053)	6,714
Other comprehensive income after tax		**2,148**	2,458	22,511
Total comprehensive income for the period		**19,177**	67,010	91,825
Profit (loss) for the period is attributable to:				
Equity holders of the Company		**17,029**	64,552	69,314
Total comprehensive income for the period is attributable to:				
Equity holders of the Company		**19,177**	67,010	91,825

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

Condensed consolidated interim statement of financial position

— as at 31 December 2010

Assets		31 Dec 2010 Unaudited	31 Dec 2009 Unaudited	30 June 2010 Audited
Current assets	Notes	$'000	$'000	$'000
Cash and cash equivalents		**23,107**	33,979	25,464
Trade and other receivables		**240,551**	191,301	207,908
Inventories		**146,660**	101,541	126,730
Derivative financial instruments	11	**5,427**	4,578	3,051
Current tax receivable	12	**3,099**	12,417	-
Total current assets		**418,844**	343,816	363,153
Non-current assets				
Trade and other receivables		**15,140**	26,628	18,554
Derivative financial instruments	11	**19,527**	2,350	3,166
Investments accounted for using equity method		-	838	-
Property, plant and equipment	13	**1,511,538**	1,944,470	1,495,595
Intangible assets		**129,621**	124,850	128,906
Oil and gas assets	14	**494,857**	126,103	522,950
Total non-current assets		**2,170,683**	2,225,239	2,169,171
Total assets		**2,589,527**	2,569,055	2,532,324
Liabilities				
Current liabilities				
Trade and other payables		**237,147**	197,551	203,928
Borrowings	15	**57,178**	11,008	11,289
Derivative financial instruments	11	**6,459**	16,625	2,119
Current tax payable	12	-	-	6,535
Provisions	16	**17,829**	25,730	8,149
Total current liabilities		**318,613**	250,914	232,020
Non-current liabilities				
Borrowings	15	**458,709**	560,797	541,091
Derivative financial instruments	11	**42,560**	10,074	18,486
Provisions	16	**71,780**	44,865	54,762
Deferred tax liabilities		**233,123**	252,955	240,400
Total non-current liabilities		**806,172**	868,691	854,739
Total liabilities		**1,124,785**	1,119,605	1,086,759
Net assets		**1,464,742**	1,449,450	1,445,565
Shareholder's equity		**1,464,742**	1,449,450	1,445,565

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

RT HON DAME JENNY SHIPLEY DNZM
Chairman
17 February 2011

JOANNA PERRY MNZM
Chairman of the Audit Committee
17 February 2011

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

Condensed consolidated interim statement of changes in equity

— for the six-month period ended 31 December 2010

	Note	6 months ended 31 Dec 2010 Unaudited $'000	6 months ended 31 Dec 2009 Unaudited $'000	Year ended 30 June 2010 Audited $'000
Profit for the period		**17,029**	64,552	69,314
Other comprehensive income				
Change in cash flow hedge reserve		**2,148**	2,458	11,764
Change in asset revaluation reserve		**-**	-	10,747
Total comprehensive income for the period		**19,177**	67,010	91,825
Dividends provided for or paid	17	**-**	(10,400)	(39,100)
Changes in equity for the period		**19,177**	56,610	52,725
Equity at the beginning of the period		**1,445,565**	1,392,840	1,392,840
Equity at the end of the period		**1,464,742**	1,449,450	1,445,565
Equity is comprised of:				
Share capital		**540,565**	540,565	540,565
Retained earnings		**509,729**	516,639	492,701
Asset revaluation reserve		**412,087**	401,341	412,087
Cash flow hedge reserve		**2,361**	(9,095)	212
		1,464,742	1,449,450	1,445,565

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

Condensed consolidated interim cash flow statement

— for the six-month period ended 31 December 2010

Cash flows from operating activities	Notes	6 months ended 31 Dec 2010 Unaudited $'000	6 months ended 31 Dec 2009 Unaudited $'000	Year ended 30 June 2010 Audited $'000
Cash was provided from:				
Receipts from customers		**917,348**	1,012,106	1,929,774
Interest received		**333**	905	2,204
Dividends received		**-**	-	30
Taxation credits (debits)		**-**	-	46
		917,681	1,013,011	1,932,054
Cash was applied to:				
Payments to suppliers		**757,238**	833,545	1,626,438
Payments to employees		**39,665**	29,221	62,971
Taxation paid		**25,545**	-	-
		822,448	862,766	1,689,409
Net cash inflow from operating activities		**95,233**	150,245	242,645
Cash flows from investing activities				
Cash was provided from:				
Proceeds from disposal of property, plant and equipment		**158**	-	2,805
Proceeds from disposal of intangibles		**66**	11,647	11,328
Receipts of principal from finance lease receivable		**3,469**	2,957	6,160
		3,693	14,604	20,293
Cash was applied to:				
Purchase of property, plant and equipment		**33,292**	44,644	43,313
Purchase of intangibles		**7,178**	7,517	16,754
Purchase of oil and gas assets		**2,363**	19,753	42,133
Purchase of investments		**-**	8	782
		42,833	71,922	102,982
Net cash (outflow) to investing activities		**(39,140)**	(57,318)	(82,689)
Cash flows from financing activities				
Cash was provided from:				
Proceeds from new borrowings		**-**	50,000	120,000
		-	50,000	120,000
Cash was applied to:				
Interest paid and other finance charges	9	**21,585**	25,535	52,650
Repayment of borrowings		**35,000**	99,300	187,300
Repayment of principal on finance lease liabilities		**1,865**	1,730	3,459
Ordinary dividend paid	17	**-**	10,400	39,100
		58,450	136,965	282,509
Net cash (outflow) to financing activities		**(58,450)**	(86,965)	(162,509)
Net increase (decrease) in cash and cash equivalents		**(2,357)**	5,962	(2,553)
Cash and cash equivalents at the beginning of the period		**25,464**	28,017	28,017
Cash and cash equivalents at the end of the period		**23,107**	33,979	25,464
Cash and cash equivalents is comprised of:				
Cash at bank and on hand		**21,207**	26,479	17,064
Short term deposits		**1,900**	7,500	8,400
		23,107	33,979	25,464

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

Condensed consolidated interim cash flow statement

— for the six-month period ended 31 December 2010

Reconciliation of profit to net cash inflow from operating activities	Note	6 months ended 31 Dec 2010 Unaudited $'000	6 months ended 31 Dec 2009 Unaudited $'000	Year ended 30 June 2010 Audited $'000
Profit for the period		**17,029**	64,552	69,314
Items classified as investing/financing activities:				
Net (gain)/loss on disposal of property, plant and equipment	8	**(89)**	(9)	(65)
Net (gain)/loss on acquisition or sale of investments		**-**	-	300
Net (gain)/loss on disposal of intangibles		**1,164**	(1,855)	(1,535)
Purchase of emissions units		**7**	-	-
Interest paid and other finance charges		**21,802**	6,184	25,318
		22,884	4,320	24,018
Non cash items:				
Depreciation, depletion and amortisation		**69,102**	38,261	92,573
Impairment		**4,570**	5,259	16,572
Equity accounted (gain)/loss of associate		**-**	(39)	-
Change in fair value of derivative financial instruments		**15,585**	(1,261)	4,387
Change in deferred tax liabilities		**(8,198)**	15,990	10,149
Change in capital expenditure accruals		**(19,315)**	(9,341)	11,874
Other non cash items		**(2,370)**	-	2,405
		59,374	48,869	137,960
Movements in working capital:				
Change in trade and other receivables		**(27,454)**	53,234	35,700
Change in prepayments		**(6,954)**	(3,159)	766
Change in inventories		**(19,930)**	2,760	(22,429)
Change in creditors and employee entitlements		**33,220**	(45,943)	(39,564)
Change in current taxation receivable/payable		**(9,634)**	8,651	27,603
Change in provisions		**26,698**	16,961	9,277
		(4,054)	32,504	11,353
Net cash inflow from operating activities		**95,233**	150,245	242,645

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

Notes to the condensed consolidated interim financial statements

— for the six-month period ended 31 December 2010

1 General information

The condensed consolidated interim financial statements cover the six-month period ended 31 December 2010 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 located in New Zealand and involves the generation of electricity, the retailing and trading of energy, and the development and procurement of fuel sources.

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 2010.

4 Critical accounting estimates and judgements

The same critical accounting estimates and judgements have been made as those applied in Genesis Energy's Annual Report for the year ended 30 June 2010. The assumptions are detailed in the Annual Report.

5 Comparative results

Comparatives have been restated to reflect the current period's classification where appropriate.

6 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.

7 *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 crude 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

Six months ended 31 December 2010	Retail Unaudited $'000	Production Unaudited $'000	Oil & Gas Unaudited $'000	Corporate Unaudited $'000	Total Unaudited $'000
Electricity revenue	**572,670**	**244,328**	**-**	**-**	**816,998**
Gas and LPG revenue	**55,250**	**35,553**	**-**	**-**	**90,803**
Petroleum revenue	**-**	**-**	**32,483**	**-**	**32,483**
Other revenue	**2,185**	**2,988**	**188**	**3,003**	**8,364**
Revenue from external customers	**630,105**	**282,869**	**32,671**	**3,003**	**948,648**
Inter-segment revenue	**-**	**287,730**	**19,540**	**-**	**307,270**
Total segment operating revenue	**630,105**	**570,599**	**52,211**	**3,003**	**1,255,918**

Six months ended 31 December 2009	Retail Unaudited $'000	Production Unaudited $'000	Oil & Gas Unaudited $'000	Corporate Unaudited $'000	Total Unaudited $'000
Electricity revenue	619,292	269,394	-	-	888,686
Gas and LPG revenue	58,843	2,893	-	-	61,736
Petroleum revenue	-	-	-	-	-
Other revenue	3,915	3,321	69	3,625	10,930
Revenue from external customers	682,050	275,608	69	3,625	961,352
Inter-segment revenue	-	320,322	-	-	320,322
Total segment operating revenue	682,050	595,930	69	3,625	1,281,674

Year ended 30 June 2010	Retail Audited $'000	Production Audited $'000	Oil & Gas Audited $'000	Corporate Audited $'000	Total Audited $'000
Electricity revenue	1,150,078	570,878	-	-	1,720,956
Gas and LPG revenue	99,758	31,890	-	-	131,648
Petroleum revenue	-	-	22,446	-	22,446
Other revenue	6,355	6,799	130	6,964	20,248
Revenue from external customers	1,256,191	609,567	22,576	6,964	1,895,298
Inter-segment revenue	-	578,292	9,779	-	588,071
Total segment operating revenue	1,256,191	1,187,859	32,355	6,964	2,483,369

Reconciliation to reported operating revenue	**6 months ended 31 Dec 2010 Unaudited $'000**	6 months ended 31 Dec 2009 Unaudited $'000	Year ended 30 June 2010 Audited $'000
Total segment operating revenue	**1,255,918**	1,281,674	2,483,369
Inter-segment revenue	**(307,270)**	(320,322)	(588,071)
Reported operating revenue	**948,648**	961,352	1,895,298

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

(b) Segment result

Six months ended 31 December 2010	Retail Unaudited $'000	Production Unaudited $'000	Oil & Gas Unaudited $'000	Corporate Unaudited $'000	Inter-segment Items Unaudited $'000	Total Unaudited $'000
Profit (loss) before income tax	19,430	40,452	6,179	(41,319)	-	24,742
Items included in segment result						
Electricity purchase, transmission and distribution	(480,907)	(192,365)	-	-	265,255	(408,017)
Gas purchase and transmission	(53,932)	(67,425)	(8)	-	22,992	(98,373)
Petroleum production, marketing and distribution	-	-	(9,940)	-	-	(9,940)
Fuel consumed	-	(164,997)	-	-	19,022	(145,975)
Depreciation, depletion and amortisation	(3,703)	(29,021)	(30,322)	(6,056)	-	(69,102)
Impairment	-	(4,584)	14	-	-	(4,570)
Other gains (losses)	-	(13,409)	(4,184)	60	-	(17,533)
Loss on revaluation of property, plant and equipment	-	-	-	-	-	-
Finance income	485	-	72	14,759	(14,983)	333
Finance expense	(460)	(1,663)	(828)	(35,766)	14,983	(23,734)
Equity accounted gain (loss) of associate	-	-	-	-	-	-

Six months ended 31 December 2009	Retail Unaudited $'000	Production Unaudited $'000	Oil & Gas Unaudited $'000	Corporate Unaudited $'000	Inter-segment Items Unaudited $'000	Total Unaudited $'000
Profit (loss) before income tax	7,187	117,109	(2,202)	(33,954)	-	88,140
Items included in segment result						
Electricity purchase, transmission and distribution	(533,971)	(191,254)	-	-	297,945	(427,280)
Gas purchase and transmission	(54,646)	(27,121)	-	-	22,376	(59,391)
Petroleum production, marketing and distribution	-	-	-	-	-	-
Fuel consumed	-	(166,621)	-	-	-	(166,621)
Depreciation, depletion and amortisation	(3,529)	(29,590)	-	(5,142)	-	(38,261)
Impairment	-	(5,590)	661	(330)	-	(5,259)
Other gains (losses)	331	4,065	(2,171)	(534)	-	1,691
Loss on revaluation of property, plant and equipment	-	-	-	-	-	-
Finance income	436	-	314	18,903	(18,748)	905
Finance expense	(540)	(879)	(1,009)	(22,683)	18,748	(6,363)
Equity-accounted gain (loss) of associate	-	-	-	39	-	39

Year ended 30 June 2010	Retail Audited $'000	Production Audited $'000	Oil & Gas Audited $'000	Corporate Audited $'000	Inter-segment Items Audited $'000	Total Audited $'000
Profit/(loss) before income tax	30,617	153,916	(7,601)	(69,912)	-	107,020
Items included in segment result						
Electricity purchase, transmission and distribution	(971,944)	(413,590)	-	-	541,399	(844,135)
Gas purchase and transmission	(93,924)	(73,700)	-	-	36,961	(130,663)
Petroleum production, marketing and distribution	-	-	(5,496)	-	-	(5,496)
Fuel consumed	-	(342,697)	-	-	9,710	(332,987)
Depreciation, depletion and amortisation	(6,901)	(58,297)	(16,368)	(11,007)	-	(92,573)
Impairment	-	(11,446)	276	(8,023)	-	(19,193)
Other gains (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

Effective 1 July 2010, due to increased wholesale gas sales activity, the cost of gas sold has been reclassified from other operating costs to gas purchase and transmission. The comparative results for 31 December 2009 and 30 June 2010 have been restated by $27.1 million and $36.9 million respectively.

Also effective 1 July 2010, no inter-company finance charges have been charged to the Oil & Gas segment, and are all reported in the Corporate segment. This now aligns with the existing policy of not charging interest to the Production or Retail segments. The comparative results have not been restated in this instance.

(c) Segment assets

Six months ended 31 December 2010	Retail Unaudited $'000	Production Unaudited $'000	Oil & Gas Unaudited $'000	Corporate Unaudited $'000	Total Unaudited $'000
Assets	**241,868**	**1,729,620**	**507,381**	**110,658**	**2,589,527**
Equity-accounted investments	**-**	**-**	**-**	**-**	**-**
Capital expenditure	**947**	**17,755**	**878**	**4,931**	**24,511**

Six months ended 31 December 2009	Retail Unaudited $'000	Production Unaudited $'000	Oil & Gas Unaudited $'000	Corporate Unaudited $'000	Total Unaudited $'000
Assets	255,114	1,635,925	563,978	114,038	2,569,055
Equity-accounted investments	-	-	-	838	838
Capital expenditure	1,905	11,533	73,484	6,347	93,269

Year ended 30 June 2010	Retail Audited $'000	Production Audited $'000	Oil & Gas Audited $'000	Corporate Audited $'000	Total Audited $'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

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 per cent or more of the Group's external revenue.

8 *Other gains losses*

	6 months ended 31 Dec 2010 Unaudited $'000	6 months ended 31 Dec 2009 Unaudited $'000	Year ended 30 June 2010 Audited $'000
Net ineffective gain (loss) on cash flow hedges	**(534)**	5	7
Net fair value gain (loss) on hedges at fair value through profit or loss	**(17,667)**	692	(4,394)
Fair value changes of financial instruments	**(18,201)**	697	(4,387)
Net gain (loss) on disposal of property, plant and equipment	**89**	9	65
Net gain (loss) on disposal of intangibles	**-**	1,855	-
Net gain (loss) on financial liabilities measured at amortised cost:			
- Net realised foreign exchange gain (loss)	**(661)**	(91)	(616)
- Net unrealised foreign exchange gain (loss)	**76**	(779)	(647)
Net gain (loss) on acquisition/disposal of intangibles	**1,164**	-	20
Other gains (losses)	**(17,533)**	1,691	(5,565)

The net gain on disposal of investments of $1.2 million in the period to 31 December 2010 relates to the sale of the Group's 55.1 per cent share of the Deep petroleum rights in Petroleum Exploration Permit 38738 and Petroleum Mining Permit 38156 held by the Cardiff Joint Venture.

9 *Finance expense*

	6 months ended 31 Dec 2010 Unaudited $'000	6 months ended 31 Dec 2009 Unaudited $'000	Year ended 30 June 2010 Audited $'000
Interest paid	**17,658**	22,267	47,880
Other finance charges	**4,299**	1,778	3,586
Time value of money adjustments on provisions	**1,932**	179	1,410
	23,889	24,224	52,876
Interest paid and other finance charges capitalised to assets	**(155)**	(17,861)	(26,148)
Finance expense	**23,734**	6,363	26,728

10 Income tax expense

	6 months ended 31 Dec 2010 Unaudited $'000	6 months ended 31 Dec 2009 Unaudited $'000	Year ended 30 June 2010 Audited $'000
Current tax	**14,884**	8,652	27,557
Deferred tax	**(7,171)**	14,936	10,149
Income tax expense	**7,713**	23,588	37,706

(a) Numerical reconciliation of income tax expense to prima facie tax payable	6 months ended 31 Dec 2010 Unaudited $'000	6 months ended 31 Dec 2009 Unaudited $'000	Year ended 30 June 2010 Audited $'000
Profit before income tax	**24,742**	88,140	107,020
Tax thereon at 30%	**7,423**	26,442	32,106
Tax effect of adjustments			
Non deductible building depreciation	**-**	-	11,100
Other adjustments (including non deductible expenditure)	**290**	146	2,260
Change in corporate tax rate	**-**	-	(5,162)
Under (over) provided in prior periods	**-**	(3,000)	(2,598)
Income tax expense	**7,713**	23,588	37,706
Weighted average tax rate	**31.2%**	26.8%	35.2%

11 Financial instruments

	Hedge accounting designation	As at 31 Dec 2010 Unaudited $'000	As at 31 Dec 2009 Unaudited $'000	As at 30 June 2010 Audited $'000
Current assets				
Interest rate swap contracts	Cash flow hedge	**989**	661	861
Foreign exchange contracts	Cash flow hedge	**1,314**	142	234
Electricity contracts for difference	Cash flow hedge	**733**	2,616	17
Electricity contracts for difference and options	Held for trading	**1,579**	587	1,417
Oil options and swap contracts	Held for trading	**812**	572	522
Total current derivative financial instrument assets		**5,427**	4,578	3,051
Non-current assets				
Interest rate swap contracts	Cash flow hedge	**584**	(312)	692
Foreign exchange contracts	Cash flow hedge	**268**	-	89
Electricity contracts for difference	Cash flow hedge	**16,893**	-	-
Electricity contracts for difference and options	Held for trading	**373**	141	85
Oil options and swap contracts	Held for trading	**1,409**	2,521	2,300
Total non-current derivative financial instrument assets		**19,527**	2,350	3,166
Total derivative financial instrument assets		**24,954**	6,928	6,217
Current liabilities				
Interest rate swap contracts	Cash flow hedge	**-**	(8,403)	-
Foreign exchange contracts	Cash flow hedge	**(1,970)**	(3,327)	(658)
Electricity contracts for difference	Cash flow hedge	**(247)**	(3,536)	(391)
Electricity contracts for difference and options	Held for trading	**(1,148)**	(1,359)	(1,070)
Oil options and swap contracts	Held for trading	**(3,094)**	-	-
Total current derivative financial instrument liabilities		**(6,459)**	(16,625)	(2,119)

11 Financial instruments (continued)

	Hedge accounting designation	As at 31 Dec 2010 Unaudited $'000	As at 31 Dec 2009 Unaudited $'000	As at 30 June 2010 Audited $'000
Non-current liabilities				
Interest rate swap contracts	Cash flow hedge	**-**	(684)	-
Foreign exchange contracts	Cash flow hedge	**(48)**	(225)	(772)
Electricity contracts for difference	Cash flow hedge	**(14,176)**	-	-
Electricity contracts for difference and options	Held for trading	**(28,063)**	(9,165)	(17,714)
Oil options and swap contracts	Held for trading	**(273)**	-	-
Total non-current derivative financial instrument liabilities		**(42,560)**	(10,074)	(18,486)
Total derivative financial instrument liabilities		**(49,019)**	(26,699)	(20,605)
Total net derivative financial instruments		**(24,065)**	(19,771)	(14,388)

(a) Fair values

The carrying amount of derivative financial instruments recorded in the financial statements is their fair values. The table below summarises the net fair value by instrument type:

	As at 31 Dec 2010 Unaudited $'000	As at 31 Dec 2009 Unaudited $'000	As at 30 June 2010 Audited $'000
Interest rate swap contracts	**1,573**	(8,738)	1,553
Foreign exchange contracts	**(436)**	(3,410)	(1,107)
Electricity contracts for difference and swaptions	**(24,056)**	(10,716)	(17,656)
Oil options and swap contracts	**(1,146)**	3,093	2,822
Total net derivative financial instruments	**(24,065)**	(19,771)	(14,388)

The carrying amounts of derivative financial instruments are their fair values. The fair valuation methodology and assumptions used are consistent with those disclosed in Genesis Energy's Annual Report for the year ended 30 June 2010.

Currently the group has two five-year electricity derivative 'swaption' contracts giving the right to counterparties to exercise a call option. The first swaption has an exercise period during each of the five years from April to October with the baseload quantity for the first year being 50MW and for the next four years being 200MW. The second swaption is again for a five year period. With this contract, there are 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. During the period, the Group amended one of the swaption contracts which had the effect of reducing the fair value of the instrument by $7.8 million.

On 21 December 2010 the Group entered into a long-term electricity hedge arrangement with Meridian Energy. Under the agreement, which came into effect on 1 January 2011, the Group will purchase up to 450GWh from Meridian Energy in the South Island and will sell the same volume to Meridian Energy in the North Island.

(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, 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. 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). Where possible, the Group uses the natural offset provided by foreign currency purchases and receipts that are denominated in the same currency. Where a natural offset is not available, 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 and swaps 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) Interest rate risk

The Group borrows funds at both floating and fixed interest rates. Interest rate risk is managed through the use of interest rate swap contracts.

12 Current tax receivable (payable)

	6 months ended 31 Dec 2010 Unaudited $'000	6 months ended 31 Dec 2009 Unaudited $'000	Year ended 30 June 2010 Audited $'000
The movement in the current tax receivable (payable) is summarised as:			
Balance at the beginning of the period	**(6,535)**	21,068	21,068
Current tax provided for	**(14,884)**	(11,651)	(22,442)
Under/(over) provided in prior periods	**(1,027)**	3,000	(5,115)
Taxation credits/(debits)	**-**	-	(46)
Tax paid	**25,545**	-	-
Balance at the end of the period	**3,099**	12,417	(6,535)

13 Property, plant and equipment

	As at 31 Dec 2010 Unaudited $'000	As at 31 Dec 2009 Unaudited $'000	As at 30 June 2010 Audited $'000
The property, plant and equipment balance is comprised of:			
Capital work in progress	**60,987**	456,958	45,195
Freehold land	**-**	7,999	-
Buildings and improvements	**1,661**	1,372	1,352
Generation assets	**1,427,128**	1,455,877	1,424,708
Leased plant and equipment	**2,031**	2,095	2,063
Other	**19,731**	20,169	22,277
Total property, plant and equipment	**1,511,538**	1,944,470	1,495,595

Up to 22 March 2010, capital work in progress included the Kupe oil and gas production and storage facilities and offshore platform. The Kupe production facilities commenced commercial operations on 22 March 2010. In line with the Group's accounting policy, the capitalised cost has been reclassified from 'capital work in progress' to 'oil and gas-producing assets' within the oil and gas assets note (see page 25).

13 Property, plant and equipment (continued)

	6 months ended 31 Dec 2010 Unaudited $'000	6 months ended 31 Dec 2009 Unaudited $'000	Year ended 30 June 2010 Audited $'000
The movement in property, plant and equipment is summarised as:			
Balance at the beginning of the period	**1,495,595**	1,912,182	1,912,182
Additions	**51,045**	53,994	32,311
Interest and other finance costs capitalised	**155**	14,398	284
Transfers to oil and gas assets	**-**	-	(368,486)
Disposals	**(68)**	-	(3,976)
Depreciation charge	**(30,600)**	(30,514)	(61,222)
Impairment losses charged to profit or loss	**(4,589)**	(5,590)	(15,498)
Balance at the end of the period	**1,511,538**	1,944,470	1,495,595

Impairment losses represents additions to Huntly generation asset units 1 to 4. These thermal generation asset units were revalued to zero at 30 June 2009.

14 Oil and gas assets

	As at 31 Dec 2010 Unaudited $'000	As at 31 Dec 2009 Unaudited $'000	As at 30 June 2010 Audited $'000
The oil and gas assets are comprised of:			
Oil and gas-producing assets	**472,728**	-	500,284
Other oil and gas assets	**22,129**	-	22,666
Oil and gas development assets	**-**	109,585	-
Mining licences	**-**	16,518	-
Total oil and gas assets	**494,857**	126,103	522,950

The Group has a 31 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 to 'oil and gas producing assets'.

During the six-month period to 31 December 2010 the Group sold its 100 per cent share in Mangatoa Petroleum Exploration Permit (PEP) 381204 and its 55.1 per cent share in the Deep petroleum rights in Petroleum Exploration Permit 38738 and Petroleum Mining Permit 38156 held by the Cardiff Joint Venture. Expenditure on these fields was previously treated as exploration and evaluation expenditure. These fields were previously considered impaired and no longer economic to develop further.

	6 months ended 31 Dec 2010 Unaudited $'000	6 months ended 31 Dec 2009 Unaudited $'000	Year ended 30 June 2010 Audited $'000
The movement in oil and gas assets is summarised as:			
Balance at the beginning of the period	**522,950**	102,555	102,555
Additions	**2,210**	19,754	42,133
Interest and other finance costs capitalised	**-**	3,463	25,864
Transfers from property, plant and equipment	**-**	-	368,486
Impairment losses reversed (charged) profit or loss	**19**	331	280
Depreciation, depletion and amortisation charge	**(30,322)**	-	(16,368)
Balance at the end of the period	**494,857**	126,103	522,950

15 Borrowings

During July 2010 the Group entered into agreements with a number of New Zealand banks for a total of $575 million of revolving cash advance facilities, increasing the total of bilateral facilities available to the Group to $675 million. These bilateral facilities expire at varying dates up to 27 July 2015. The Group also has a syndicated revolving cash advance facility of $400 million that expires on 5 October 2011.

Borrowings comprise of:	Currency	**6 months ended 31 Dec 2010 Unaudited $'000**	6 months ended 31 Dec 2009 Unaudited $'000	Year ended 30 June 2010 Audited $'000
Revolving credit borrowings	NZD	**77,000**	200,000	112,000
Wholesale term notes	NZD	**197,319**	127,212	197,338
Retail term notes	NZD	**227,086**	226,516	226,695
Finance lease liabilities	NZD	**14,482**	18,077	16,348
Total borrowings		**515,887**	571,805	552,380
Current		**57,178**	11,008	11,289
Non-current		**458,709**	560,797	541,091
		515,887	571,805	552,380

At 31 December 2010 the Group had drawn down $77 million of the available facilities, leaving an available balance of $998 million.

16 Provisions

The provisions liability is comprised of:	**As at 31 Dec 2010 Unaudited $'000**	As at 31 Dec 2009 Unaudited $'000	As at 30 June 2010 Audited $'000
Rehabilitation and restoration	**40,428**	38,895	39,959
Customer rewards	**8,064**	4,885	5,774
Other provisions	**41,117**	26,815	17,178
Total provisions	**89,609**	70,595	62,911
Current	**17,829**	25,730	8,149
Non-current	**71,780**	44,865	54,762
	89,609	70,595	62,911

The movement in provisions is summarised as:	**6 months ended 31 Dec 2010 Unaudited $'000**	6 months ended 31 Dec 2009 Unaudited $'000	Year ended 30 June 2010 Audited $'000
Balance at the beginning of the period	**62,910**	53,634	53,634
Provisions made during the period	**26,606**	18,056	21,214
Provisions reversed during the period	**(14)**	-	(833)
Provisions used during the period	**(1,825)**	(1,274)	(12,514)
Unwinding of discount	**1,932**	179	1,410
Balance at the end of the period	**89,609**	70,595	62,911

There has been an increase in provisions during the period of $26.7 million. Other provisions represent the present value of contracted costs covering a range of commercial matters including mitigation agreements, which are the subject of confidentiality arrangements. The timing of these outflows varies up to 35 years.

The provision for rehabilitation and restoration includes the Meremere site, the Huntly Ash Ponds and the Kupe Gas Field. These sites require remediation of conditions resulting from past and present operations. The provisions represent the present value of the best estimate of future costs to be incurred at varying stages up to 15 years.

17 Ordinary dividends

	Dividend payment date	6 months ended 31 Dec 2010 Unaudited $'000	6 months ended 31 Dec 2009 Unaudited $'000	Year ended 30 June 2010 Audited $'000
The Company paid the following fully imputed dividend during the period:				
2009 year final dividend	30 Sep 2009	**-**	10,400	10,400
2010 year interim dividend	31 Mar 2010	**-**	-	28,700
Total ordinary dividends paid		-	10,400	39,100

The Directors have resolved not to declare a final dividend in respect of the 2009/10 year or an interim dividend for the 2010/11 year.

18 Contingent assets and liabilities

The Group's contingent assets and liabilities were disclosed in the Genesis Energy Annual Report for the year ended 30 June 2010. There has been no change in the nature or status of these contingencies except as stated below:

Electricity Industry Act

Under the Electricity Industry Act 2010, Genesis Energy's shareholding Ministers may, at any time prior to 1 November 2011, issue a direction to the boards of Genesis Energy and Meridian Energy requiring the transfer of ownership from Meridian Energy to Genesis Energy of all assets and any rights and obligations relating to the Tekapo A and B power stations, including the price and conditions under which the transfer will take place. The transfer of ownership is expected to be completed in the first half of 2011, however at this stage no date for the transfer has been finalised.

Kupe offshore platform power cable failure

The Kupe joint venture has had a failure on the power cable running through the umbilical line to the Kupe offshore platform. The Kupe Operator has lodged a warranty claim in respect of the cable failure. In addition, an insurance claim for $95 million has been lodged relating to the cable failure. The cable failure has not had any impact on production from the Kupe field.

19 Commitments

	As at 31 Dec 2010 Unaudited $'000	As at 31 Dec 2009 Unaudited $'000	As at 30 June 2010 Audited $'000
Total capital and investment commitments	**14,910**	7,781	13,442
Total operating lessee commitments	**63,614**	45,882	69,073
Total operating lessor commitments	**1,808**	1,984	2,007

Other operating expenditure commitments

The Group has various operating expenditure commitments including costs associated with installation of advanced meters, long-term maintenance agreements, fuel purchases, coal transportation and storage commitments. The nature of the more significant commitments was disclosed in the Genesis Energy Annual Report for the year ended 30 June 2010. There has been no significant change in the nature or amount of these commitments since 30 June 2010.

20 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 Group contested the legal basis for the reduced terms in the High Court which found in favour of the Group 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 abandoned and is being referred back to the Environment Court.

21 Events occurring after the reporting date

There are no significant events occurring after the reporting date requiring disclosure.

Review Report of the Auditor General

— six-month period ended 31 December 2010

To the readers of the Consolidated Interim Financial Statements of Genesis Power Limited and Group

We have reviewed the consolidated interim financial statements on pages 12 to 27. The consolidated interim financial statements provide information about the past financial performance of Genesis Power Limited and its subsidiaries (the Group) and their financial position as at 31 December 2010. This information is stated in accordance with the accounting policies set out in the Group annual financial statements as at 30 June 2010.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with generally accepted accounting practice in New Zealand, of consolidated interim financial statements which give a true and fair view of the financial position of the Group as at 31 December 2010 and of the results of operations and cash flows for the six months ended on that date.

Reviewer's Responsibilities

The Auditor-General is the auditor of the Group pursuant to section 5(1)(f) of the Public Audit Act 2001. Pursuant to section 32 of the Public Audit Act 2001, the Auditor-General has appointed Ian Marshall of Deloitte to undertake the annual audit of the Group.

We are responsible for reviewing the consolidated interim financial statements presented by the Board of Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the consolidated interim financial statements do not give a true and fair view.

Basis of Opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

We have reviewed the consolidated interim financial statements of the Group for the six months ended 31 December 2010 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. These standards require that we plan and perform the review to obtain moderate assurance as to whether the consolidated interim financial statements are free from material misstatement.

We have performed other engagements in the areas of audit and other assurance services which are compatible with the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants. In addition to these engagements, principals and employees of our firm deal with the Group on arm's length terms within the ordinary course of trading activities of the Group. Other than these engagements and arm's length transactions, and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements on pages 12 to 27 do not give a true and fair view, of the financial position of Group as at 31 December 2010 and the results of operations and cash flows for the six months ended on that date, in accordance with NZ IAS 34: Interim Financial Reporting and IAS 34: Interim Financial Reporting.

Our review was completed on 17 February 2011 and our conclusion is expressed as at that date.

IAN MARSHALL
Deloitte
On behalf of the Auditor-General,
Wellington, New Zealand

Deloitte.

This review report relates to the unaudited financial statements of Genesis Power Limited for the period ended 31 December 2010 included on Genesis Power Limited's website. Genesis Power Limited's 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 review report refers only to the unaudited 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 unaudited financial statements and related review report dated 17 February 2011 to confirm the information included in the unaudited 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.

Directory

Board of Directors	Executive management team	Address of office
Chairman Rt Hon Dame Jenny Shipley, DNZM	**Chief Executive** Albert Brantley	**Corporate Office** 602 Great South Road PO Box 17188, Greenlane
Directors Joanna Perry, MNZM (Deputy Chair) Nicki Crauford John Dell Barbara Elliston Rob Fisher Graeme Milne Rukumoana Schaafhausen Denis Wood	**General Counsel and Company Secretary** Maureen Shaddick **GM Finance** Mark Anderson **GM Retail** Dean Carroll **GM Production** Bob Weir **GM Corporate Affairs** Malcolm Alexander **GM Generation Development** Richard Pearce **GM Corporate Services** Amanda MacDonald (acting) **GM Fuel** Allan Melhuish	Telephone: 64 9 580 2094 Facsimile: 64 9 580 4894
Auditor Ian Marshall of Deloitte has been appointed to perform the review on behalf of the Auditor-General.	**Bank** Westpac	**Solicitors** Russell McVeagh
For further information email: **feedback@genesisenergy.co.nz**		

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