

GENESIS ENERGY LIMITED

Instrument to amend dated 18 March 2014 relating to prospectus dated 13 March 2014 (Section 43 of the Securities Act 1978)

1. INTRODUCTION

- 1.1 In relation to the offer by Her Majesty the Queen in Right of New Zealand ("Crown") of ordinary shares in Genesis Energy Limited ("Company"), the Crown and the Company registered a prospectus dated 13 March 2014 ("Prospectus") under the Securities Act 1978 with the Registrar of Financial Service Providers on 13 March 2014.
- 1.2 The Company and the Crown now wish to amend the Prospectus and, in accordance with section 43 of the Securities Act 1978, file this instrument to amend dated 18 March 2014.

2. AMENDMENTS

- 2.1 On the front cover and spine of the Prospectus, "Prospectus dated 13 March 2014" is deleted and replaced with "Prospectus dated 13 March 2014 (as amended by an Instrument to Amend dated 18 March 2014)".
- 2.2 On the inside front cover of the Prospectus, under the heading "IMPORTANT NOTICE" the second paragraph is deleted and replaced with:

This document is a prospectus for the purposes of the Securities Act and the Securities Regulations and is prepared as at, and dated, 13 March 2014 (as amended by an instrument to amend dated 18 March 2014). All references in this Prospectus to "this Prospectus" are to be read as "this Prospectus, as amended".

- 2.3 On page 68 of the Prospectus the reference to "316 MMT" in the first paragraph below the heading "SUMMARY OF RESERVES, CONTINGENT RESOURCES AND PROSPECTIVE RESOURCES" is deleted and replaced with "316 MT".
- 2.4 On page 129 of the Prospectus, in footnote number 76 the reference to "22kT" is deleted and replaced with "46kT"

SIGNED for and on behalf of Her Majesty the Queen in Right of New Zealand by Her Minister of Finance and Her Minister for State Owned Enterprises.



Hon Simon William English
Minister of Finance



Hon Anthony Boyd Williams Ryall
Minister for State Owned Enterprises

SIGNED by each director of Genesis Energy Limited (or by their agent authorised in writing).



Rt Hon Dame Jennifer Mary Shipley, DNZM



Joanna Mary Gordon Perry



Andrew John Clements



John Anthony Dell



John Mitchell Leuchars



Graeme Roderick Milne



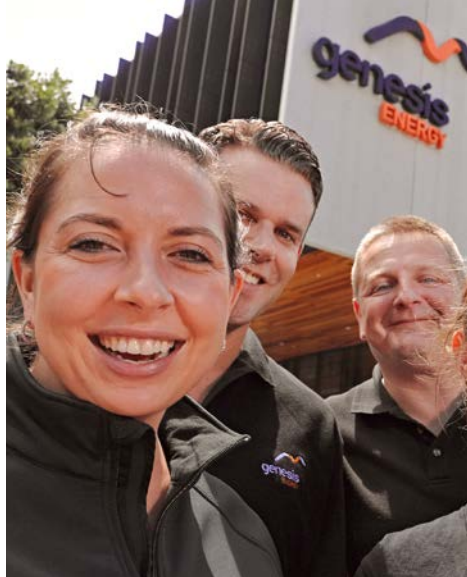
Rukumoana Tira Maria Schaafhausen

THE GENESIS ENERGY SHARE OFFER

INITIAL PUBLIC OFFERING
OF ORDINARY SHARES IN
GENESIS ENERGY LIMITED

PROSPECTUS DATED 13 MARCH 2014

(AS AMENDED BY AN INSTRUMENT
TO AMEND DATED 18 MARCH 2014)



New Zealand Government


genesis
ENERGY

we're in it for you

IMPORTANT NOTICE

This document ("Prospectus") relates to the Offer by the Crown of ordinary shares in Genesis Energy Limited. A description of the Offer and the Shares is set out in *Section 7.1 Details of the Offer*.

This document is a prospectus for the purposes of the Securities Act and the Securities Regulations and is prepared as at, and dated, 13 March 2014 (as amended by an instrument to amend dated 18 March 2014). All references in this Prospectus to "this Prospectus" are to be read as "this Prospectus, as amended".

This Prospectus is an important document and should be read carefully before deciding whether or not to invest in Genesis Energy.

No one is authorised by the directors of Genesis Energy or the Crown to give any information or make any representation in connection with this Offer which is not contained in this Prospectus, the Investment Statement or in other communications from the directors and the Crown. Any information or representation not so contained may not be relied upon as having been authorised by the directors or the Crown.

If you are in any doubt as to any aspect of the Offer you should consult your financial or legal adviser or an NZX Firm.

You should seek your own taxation advice on the implications of an investment in the Shares.

NO GUARANTEE

No person guarantees the Shares offered under this Prospectus. No person warrants or guarantees the performance of the Shares or any return on any investments made pursuant to this Prospectus.

SELLING RESTRICTIONS

The Offer is being made only to persons who would be New Zealand Applicants if they elected to apply for Shares, to Participating Iwi in New Zealand and to Institutional Investors in New Zealand, Australia and certain other jurisdictions. Further details on the selling restrictions that apply are set out in *Section 7.1 Details of the Offer*.

No person may offer, sell (including resell) or deliver or invite any other person to so offer, sell (including resell) or deliver any Shares or distribute any documents (including this Prospectus) in relation to the Shares to any person outside New Zealand except in accordance with all of the legal requirements of the relevant jurisdiction.

Unless otherwise agreed with the Crown and Genesis Energy, any person or entity subscribing for Shares in the Offer shall, by virtue of such subscription, be deemed to represent that he, she or it is not in a jurisdiction which does not permit the making to him, her or it of an offer or invitation of the kind described in this Prospectus, and is not acting for the account or benefit of a person within such jurisdiction. None of the Crown, Genesis Energy, the Joint Lead Managers, the Registrar or any of their respective directors, officers, employees, consultants, agents, partners or advisers accepts any liability or responsibility to determine whether a person is able to participate in the Offer.

REGISTRATION

A copy of this Prospectus, duly signed by or on behalf of the directors of Genesis Energy and the Crown, and having endorsed thereon or attached thereto copies of the documents and other materials required by section 41 of the Securities Act, has been delivered to the Registrar of Financial Service Providers for registration in accordance with section 42 of the Securities Act.

The documents required by section 41 of the Securities Act to be endorsed on or attached to the copy of this Prospectus delivered to the Registrar of Financial Service Providers are:

- the report of the Auditor in respect of certain financial information included in this Prospectus, as set out in this Prospectus;
- the signed consent of the Auditor to the audit report appearing in this Prospectus;
- the signed consent of Ernst & Young Transaction Advisory Services Limited to the investigating accountant's report appearing in this Prospectus;
- the signed consent of Beca Limited to the independent engineer's report appearing in this Prospectus;
- the signed consent of Gaffney, Cline & Associates (Consultants) Pte Limited to the independent expert's report appearing in this Prospectus;
- copies of the material contracts referred to under the heading "Material Contracts" in *Section 7.2 Statutory Information*; and
- letters of authority authorising this Prospectus to be signed by an agent of any director of Genesis Energy or the Crown (if and where required).

CONSIDERATION PERIOD

Pursuant to section 43C of the Securities Act, the Financial Markets Authority will be notified once this Prospectus is registered with the Registrar of Financial Service Providers. The Financial Markets Authority will have the opportunity to consider whether the Prospectus: (a) complies with the Securities Act and the Securities Regulations; (b) contains any material misdescription or error or any material matter that is not clearly legible; or (c) is false or misleading as to a material particular or omits any material particular. Nothing in this section or in any other provision of the Securities Act limits the Financial Markets Authority's power to consider or reconsider these matters at any time. The nature and extent of the consideration (if any) that the Financial Markets Authority gives to this Prospectus is at the Financial Markets Authority's discretion.

Pursuant to section 43D of the Securities Act, no allotment of Shares may be made and no Applications or subscriptions for Shares may be accepted during the Financial Markets Authority's consideration period. The consideration period commences on the date this Prospectus is registered and ends at the close of five working days after the date of registration. The Financial Markets Authority may shorten the consideration period, or extend it by no more than five additional working days.

FORWARD LOOKING STATEMENTS

This Prospectus contains certain statements that relate to the future, including, in particular, the information set out in *Section 6.3 Prospective Financial Information*. Forward looking statements should be read together with the other information in this Prospectus, including the risk factors in *Section 5.0 What are my Risks?* and the assumptions and the sensitivity analysis set out in *Section 6.3 Prospective Financial Information*.

Such forward looking statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the control of the Crown and Genesis Energy and which may cause the actual results, performance or achievements of Genesis Energy to differ materially from those expressed or implied by such statements. The Crown and Genesis Energy disclaim any responsibility to update any such risk factors or publicly announce the results of any revisions to any of the forward looking statements contained in this Prospectus to reflect developments or events, except to the extent required by the Securities Act or the Securities Regulations or, in the case of Genesis Energy, the NZX Listing Rules, the ASX Listing Rules or the Financial Reporting Act.

Given these uncertainties, you are cautioned not to place undue reliance on any forward looking statements contained in this Prospectus. Under no circumstances should you regard the inclusion of forward looking statements as a representation or warranty by the Crown, Genesis Energy, their respective officers, the directors of Genesis Energy or any other person referred to in this Prospectus with respect to the achievement of the results set out in any such statement, or that the underlying assumptions used will in fact be realised.

SUPPLEMENTARY DISCLOSURE AND WITHDRAWAL RIGHT

If any significant adverse developments occur prior to the Allotment Date, the Crown and Genesis Energy may advise investors of those developments by publishing advertisements in newspapers, with additional information on the Offer website www.genesisenergyshares.govt.nz and available by calling 0800 90 30 90, pursuant to an exemption granted by the Financial Markets Authority under the Securities Act.

If the Crown and Genesis Energy advise that a significant adverse development has occurred prior to the Allotment Date by publishing advertisements in newspapers, then an Applicant may withdraw their Application if it is dated on or before the date of publication of the advertisements and the Applicant's notice of withdrawal is received by or on behalf of the Crown or Genesis Energy within seven days after the date of publication of the advertisements.

Notice of withdrawal must be given:

- by calling 0800 90 30 90; or
- by completing the withdrawal form that will be made available on the Offer website www.genesisenergyshares.govt.nz.

Withdrawals made by any other method may not be accepted by the Crown.

If an Applicant does not take any action to effect withdrawal within the relevant time period, the Crown will be entitled to accept the Applicant's Application.

The Crown and Genesis Energy must refund any Applicant who has validly withdrawn their Application (without interest) within five working days after the expiry of the seven day withdrawal period described above.

QUESTIONS ABOUT THE OFFER

If you have any queries about the risk or suitability of an investment in the Shares you should consult your financial adviser or an NZX Firm. If you have questions about how to apply under the Offer you can call

0800 90 30 90 (New Zealand only) during the Offer period or visit www.genesisenergyshares.govt.nz.

If you wish to apply for Shares you must receive the Investment Statement and make your Application on the Application Form attached to, or accompanying, the Investment Statement. For further information on the mixed ownership model programme generally, you should visit the Government's mixed ownership model website www.governmentshareoffers.govt.nz.

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DEFINITIONS

Terms used in this Prospectus have the specific meaning given to them in the Glossary (including certain industry specific terms with which you may not be familiar). If you do not understand the technical terms used in this Prospectus, please refer to the Glossary at the back of this document or consult a financial adviser.

Unless otherwise indicated, any references to dates and times are to dates and times in New Zealand and any references to dollars (\$) are to New Zealand dollars.

This Prospectus refers to various legislation in force in New Zealand as at the date of this Prospectus. You can view free of charge copies of any such legislation online at www.legislation.govt.nz.

PROSPECTUS OVERVIEW

**THIS OVERVIEW IS INTENDED TO GUIDE YOU
THROUGH THE STRUCTURE OF THIS DOCUMENT.**



1.0

LETTERS FROM THE CROWN AND CHAIRMAN



2.0

INVESTMENT HIGHLIGHTS



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INDUSTRY OVERVIEW



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5.0

WHAT ARE MY RISKS?



6.0

FINANCIAL INFORMATION



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1.1 LETTER FROM THE CROWN

Dear Investor

Thank you for considering the Genesis Energy Share Offer.

Genesis Energy commenced operations in 1999 and since that time has grown to become New Zealand's largest retailer of electricity and gas. With more customers than any other energy company, Genesis Energy truly is 'everywhere'. Genesis Energy has grown and maintained its customer base by being focused on delivering quality customer services and products to its New Zealand customers.

Now, by participating in the Genesis Energy Share Offer, there's another way for Kiwis to be part of the Genesis Energy story.

As has been our commitment throughout the share offer programme, the Crown will retain majority ownership of Genesis Energy after the Share Offer is complete. Also, in keeping with our share offer programme commitments, New Zealanders will be at the front of the queue for shares during this Share Offer. For New Zealand retail investors, the price of Genesis Energy Shares will be set at a fixed price per Share prior to the Retail Offer opening, so you will know the price before you decide to apply.

In addition to a fixed price, New Zealand retail investors will also receive one Loyalty Bonus Share for every 15 Shares purchased during the Share Offer, up to a maximum of 2,000 Loyalty Bonus Shares. These Loyalty Bonus Shares will be available to eligible New Zealand Applicants who hold their Shares in the same registered name for 12 months.

This is the final Share Offer in the Government's share offer programme. Sale proceeds from the Government's share offer programme currently stand at almost \$4 billion. The proceeds from the Genesis Energy Share Offer will be added to New Zealand's Future Investment Fund and will be reinvested into New Zealand so we can build new assets such as schools, hospitals and ultra-fast broadband, without the need for our country to borrow from overseas lenders.

We look forward to you joining the Crown as a Shareholder in Genesis Energy, the energy company more Kiwis choose to be with.

Yours sincerely



Hon Bill English
MINISTER OF FINANCE



Hon Tony Ryall
MINISTER FOR STATE OWNED ENTERPRISES

1.2 LETTER FROM THE CHAIRMAN OF GENESIS ENERGY

Dear Investor

On behalf of the Genesis Energy board, it is my pleasure to invite you to become an investor in our Company.

By investing in the country's largest energy retailer you will have the opportunity to share in our delivery of electricity, gas and LPG solutions to more New Zealanders than any other electricity or gas retailer.

At the foundation of providing energy to our customers, Genesis Energy owns and operates a diverse and flexible portfolio of generation assets located in both the North and South Islands. Producing approximately 17% of New Zealand's electricity in 2013, the Company generates from 10 power stations using water and wind, as well as gas and coal. We have New Zealand's largest electricity power station at Huntly. These diverse assets allow us to generate electricity in varying weather and hydro lake level conditions.

As an investor, you will also share in Genesis Energy's 31% interest in the Kupe Joint Venture, which owns and operates the Kupe oil and gas field. The field is an integral part of our business. As well as the Company's 31% share of the Kupe oil revenues, Kupe gas is used to fuel electricity generation at our Huntly Power Station, and to supply our natural gas and growing LPG retail activities.

Our large base of retail customers, our diverse and flexible generation portfolio, and our interest in Kupe enable us to manage the impact of volatility in the New Zealand electricity market, and this, together with our disciplined capital expenditure, underpins our intention to deliver consistent, reliable and attractive dividends to Shareholders, even in periods of business cycle downturn.

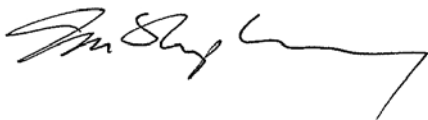
We do not believe significant new electricity generation capacity will be required in New Zealand over the next three to five years and, although we hold consented development prospects, we are not expecting to invest in any major new generation projects in that period. We will continue to apply a disciplined approach to the use of capital funds.

The board is proud of the achievements of Genesis Energy through the hard work of our Chief Executive Albert Brantley and his experienced executive team. Across the Company, we value our relationships with communities, environmental partners and iwi in all parts of the country, and this is reflected in how we carry out all of our business activities.

We are pleased to provide this opportunity for you to be part of what we believe to be a great New Zealand-focused company that delivers for its customers and its Shareholders.

This Prospectus contains important information about Genesis Energy and the Offer. We encourage you to read the Prospectus carefully and consider the *What are my Risks?* section before making your investment decision.

The board looks forward to Genesis Energy becoming a publicly listed company and welcomes your participation in this Offer.



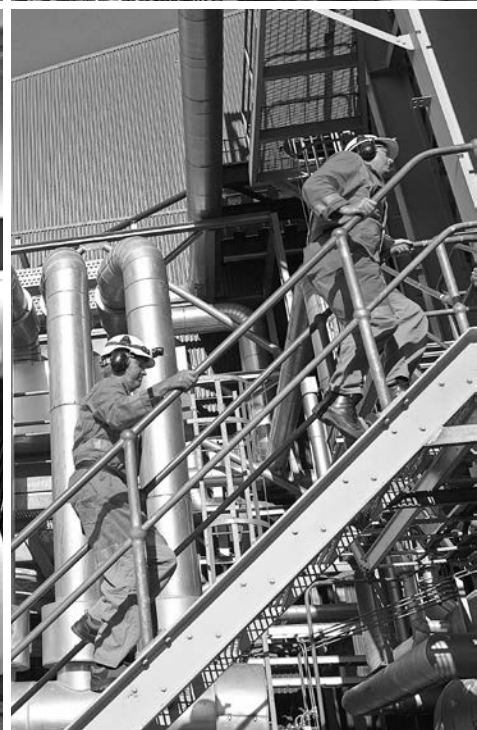
Rt Hon Dame Jenny Shipley DNZM
CHAIRMAN

SECTION TWO

INVESTMENT HIGHLIGHTS

IN THIS SECTION

2.0 Key Strengths of Genesis Energy



Your decision whether or not to invest in Genesis Energy Shares should be based on your consideration of this Prospectus taken as a whole and not just this section, which provides an overview of the key strengths of Genesis Energy.

As with any investment, there are risks associated with an investment in the Shares. Therefore, in particular you should consider the risk factors that could affect Genesis Energy's performance described in *Section 5.0 What are my Risks?*

Key Offer Statistics

Indicative Price Range	\$1.35 to \$1.65 per Share (the Final Price will be announced prior to the Retail Offer opening and may be above, within or below the Indicative Price Range)
Number of Shares being offered¹	300,000,000 to 490,000,000 (being between 30% and 49% of the total number of Shares expected to be on issue on the Allotment Date)
Crown shareholding following the Offer²	At least 510,000,000 (being at least 51% of the total number of Shares expected to be on issue on the Allotment Date)
Indicative market capitalisation	\$1,350 million to \$1,650 million
Prospective Net Debt³	\$994.3 million
Indicative enterprise value ("EV")	\$2,344 million to \$2,644 million

Key Investment Metrics	FY2014 Prospective	FY2015 Prospective
Price/earnings ratio	32.3x to 39.5x	14.2x to 17.3x
EV/EBITDAF multiple	7.7x to 8.7x	6.5x to 7.3x
Implied cash dividend yield ⁴	7.8% to 9.5%	9.7% to 11.9%
Implied gross dividend yield ⁴	10.8% to 13.2%	13.5% to 16.5%

These metrics are provided to help you assess the value of the Company. Indicative market capitalisation, indicative EV, prospective price/earnings ratio, prospective EV/EBITDAF multiple and prospective implied dividend yields are shown based on the lower and upper values of the Indicative Price Range. The calculations are explained in the table set out at the end of the Glossary.

Selected Financial Information (\$ million)	FY2012 Historical	FY2013 Historical	FY2014 Prospective	FY2015 Prospective
Operating Revenue	\$2,264.8	\$2,070.2	\$2,040.6	\$2,165.9
EBITDAF	\$387.3	\$336.4	\$305.2	\$363.4
Net Profit	\$86.4	\$104.5	\$41.8	\$95.4
Net Assets⁵	\$1,796.6	\$1,949.7	\$1,871.2	\$1,824.5
Net cash inflows from operating activities	\$363.3	\$298.3	\$293.3	\$344.9

Wherever PFI appears in this Prospectus (including in the tables above) you should read that financial information together with the assumptions and explanations of trends set out in *Section 6.0 Financial Information*. There is no guarantee that the PFI will be achieved.

In order to assist readers to better understand Genesis Energy's financial performance, Genesis Energy uses three non-GAAP financial measures being EBITDAF, Free Cash Flow and Net Debt as defined below.

Management uses EBITDAF to evaluate the operating performance of Genesis Energy without the impact of a range of non-cash items

(depreciation, depletion, amortisation, impairment, revaluations (when they occur), fair value movements of financial instruments and other gains or losses) or the effects of Genesis Energy's capital structure and tax position. Genesis Energy considers that EBITDAF allows for better comparison of operating performance with other electricity industry companies than do NZ GAAP measures that include these items, although caution should be exercised as other companies may calculate EBITDAF differently. EBITDAF should not be considered in isolation or as a substitute for NZ GAAP measures, such as Net Profit and cash flow measures.

Term:	Defined as:
EBITDAF	Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, revaluations (when they occur), changes in fair value of financial instruments and other gains and losses.
Free Cash Flow	EBITDAF less finance expense less income tax expense less stay-in business capital expenditure. ⁶ Free Cash Flow is presented only to enable potential investors to consider Genesis Energy's prospective dividends declared payout ratio. The dividends declared as a ratio of Free Cash Flow highlights how much of Free Cash Flow has been, or is expected to be, converted into dividends.
Net Debt	The value of current and non-current borrowings less cash and cash equivalents.

See *Section 6.2.1 Overview of Financial Information* for explanations of non-GAAP financial information and a reconciliation of Net Profit to EBITDAF and to Free Cash Flow for FY2012 to FY2015.

¹ Including the Loyalty Bonus Shares.

² Excluding the Loyalty Bonus Shares and any Shares acquired by entities associated with the Crown under the Offer.

³ Forecast as at 30 June 2014. See *Section 6.0 Financial Information* for a discussion of non-GAAP financial information.

⁴ Based on the Indicative Price Range. The prospective dividend for FY2014 is inclusive of the dividend expected to be paid to the Crown in April 2014. There is no assurance that prospective dividends will be paid.

⁵ Net Assets is calculated as total assets less total liabilities. The amount of total assets and total liabilities for each of FY2012 and FY2013 has been taken from the consolidated statement of financial position (consolidated balance sheet) of Genesis Energy and its subsidiaries as at 30 June 2013 (including comparatives) as contained in the audited financial statements of Genesis Energy for FY2013 (see *Section 6.4.5 Historical Operational and Financial Information*).

⁶ "Stay-in business capital expenditure" relates to ongoing asset management and life-cycle maintenance and reinvestment programme expenditure and includes capital expenditure on maintaining options for future development but excludes oil and gas rehabilitation and Tekapo canal remediation project capital expenditure.

DELIVERING ATTRACTIVE DIVIDENDS

Three key features enable us to manage the impact of volatility in New Zealand's electricity market on our earnings,⁷ and to pay attractive dividends.

1

**NZ'S LARGEST
RETAILER
OF ELECTRICITY
AND GAS**

2

**DIVERSE AND
FLEXIBLE
ELECTRICITY
GENERATION**

3

**OIL AND GAS
DIVERSIFICATION**

**PROSPECTIVE
FY2015 IMPLIED GROSS
DIVIDEND YIELD⁸**

Based on the Indicative Price Range

13.5% to 16.5%

**PROSPECTIVE
FY2015 IMPLIED CASH
DIVIDEND YIELD⁸**

Based on the Indicative Price Range

9.7% to 11.9%

By managing its exposure to volatility and with disciplined capital expenditure, Genesis Energy intends to pay Shareholders a consistent, reliable and attractive dividend even in periods of business-cycle downturn. The Company intends to at least maintain, year on year in real terms, the dollar amount of ordinary dividend payments. The amount of dividend declared will be subject to the Company's capital and risk requirements at the time. Dividends are intended to be paid twice a year with an equal split between interim and final dividends. The table below shows prospective dividends for FY2014 and FY2015 including what this implies as a proportion of Free Cash Flow.⁹ Dividends in the Prospective Period are expected to be fully imputed.

Prospective Dividend Schedule	Year ending 30 June 2014 Prospective			Year ending 30 June 2015 Prospective		
	Interim Paid to Crown only	Final	Total ¹¹	Interim	Final	Total
There is no assurance that these dividends will be paid						
Dividends declared (\$million) ¹⁰			128.0			160.0
Dividend per Share (cps)	6.4	6.4	12.8	8.0	8.0	16.0
Date of payment	Apr 2014	Oct 2014		Apr 2015	Oct 2015	
Free Cash Flow (\$million) ⁹			152.8			193.8
Dividends declared as a proportion of Free Cash Flow			83.8%			82.6%

⁷ Earnings means EBITDAF, a non-GAAP measure defined earlier in this section.

⁸ See the Glossary for a definition of this term.

⁹ Free Cash Flow is a non-GAAP measure defined earlier in this section.

¹⁰ See Section 4.2 Board, Management and Corporate Governance for the Genesis Energy dividend policy.

¹¹ Inclusive of the dividend to be paid to the Crown in April 2014.

NEW ZEALAND'S LARGEST RETAILER OF ELECTRICITY AND GAS

More Kiwis choose Genesis Energy than any other electricity company. We have New Zealand's largest electricity and gas customer base¹² and we take pride in attracting and keeping our customers.

This provides scale for developing new products and services and opportunities to lower customer service costs.

It also gives us information that helps us to adapt to our customers' needs and to run our generation more efficiently.

Our large customer base provides stable revenues that help protect overall earnings from the impact of volatile wholesale electricity prices.

¹² Based on Customer Connections for electricity and natural gas as at 31 December 2013.

DIVERSE AND FLEXIBLE ELECTRICITY GENERATION

HYDRO TONGARIRO/ WAIKAREMOANA/TEKAPO

- Lower operating cost
- Geographic diversity across New Zealand
- Flexible generation and storage



Ability to use low cost, geographically diverse and flexible hydro generation and the highly efficient Unit 5 natural gas generation at Huntly to cover our customer demand.



NATURAL GAS HUNTLY UNIT 5

- Highly efficient
- Huntly's newest and largest unit
- Operated as Base-load generation with a flexible operating range

Ability to increase Unit 5 generation and use Huntly's coal and natural gas generation to take advantage of higher wholesale prices (for example, in dry periods).

COAL AND NATURAL GAS HUNTLY'S OTHER UNITS

- Higher cost
- Used as Peaking and Hydro-firming plant to realise wholesale opportunities



Ability to increase Huntly's coal and natural gas generation to meet peak market demand and to sell excess Thermal Generation capacity to other electricity companies as insurance against high wholesale prices.

OIL AND GAS DIVERSIFICATION

Genesis Energy's 31% interest in the Kupe oil and gas field joint venture is an integral part of the business.

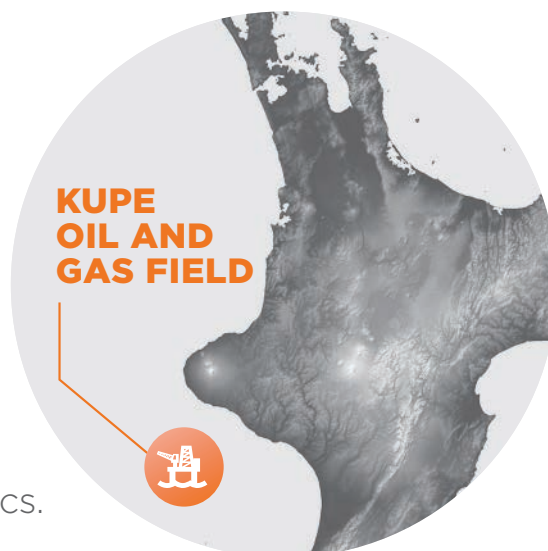
Kupe provides a diversified source of revenue largely unaffected by electricity market dynamics.

Genesis Energy receives a 31% share of all Kupe's oil, natural gas and LPG production.

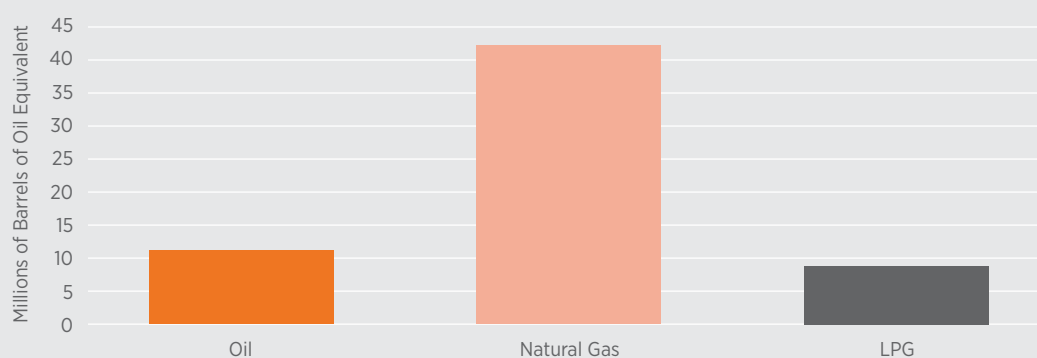
It has secured 100% of Kupe's natural gas to make electricity at Huntly and to sell to retail and wholesale gas customers.

There is also the opportunity to influence and share in any future development of the Kupe field.

KUPE CONTRIBUTED
\$109.2M
OF TOTAL GENESIS ENERGY
EBITDAF IN FY2013



Kupe Estimated Proved Reserves and Probable Reserves as at 31 December 2013



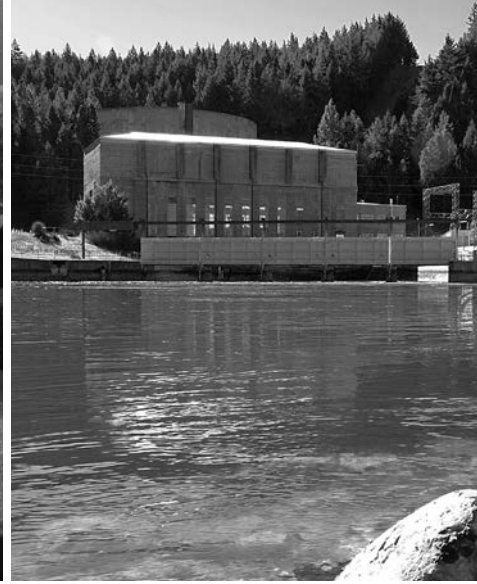
Source Gaffney, Cline & Associates

INDUSTRY OVERVIEW

This section contains information which has been sourced from the New Zealand Government and its associated organisations, including the Electricity Authority, Transpower and the Ministry of Business, Innovation and Employment. Limited information has also been sourced from NZX.

IN THIS SECTION

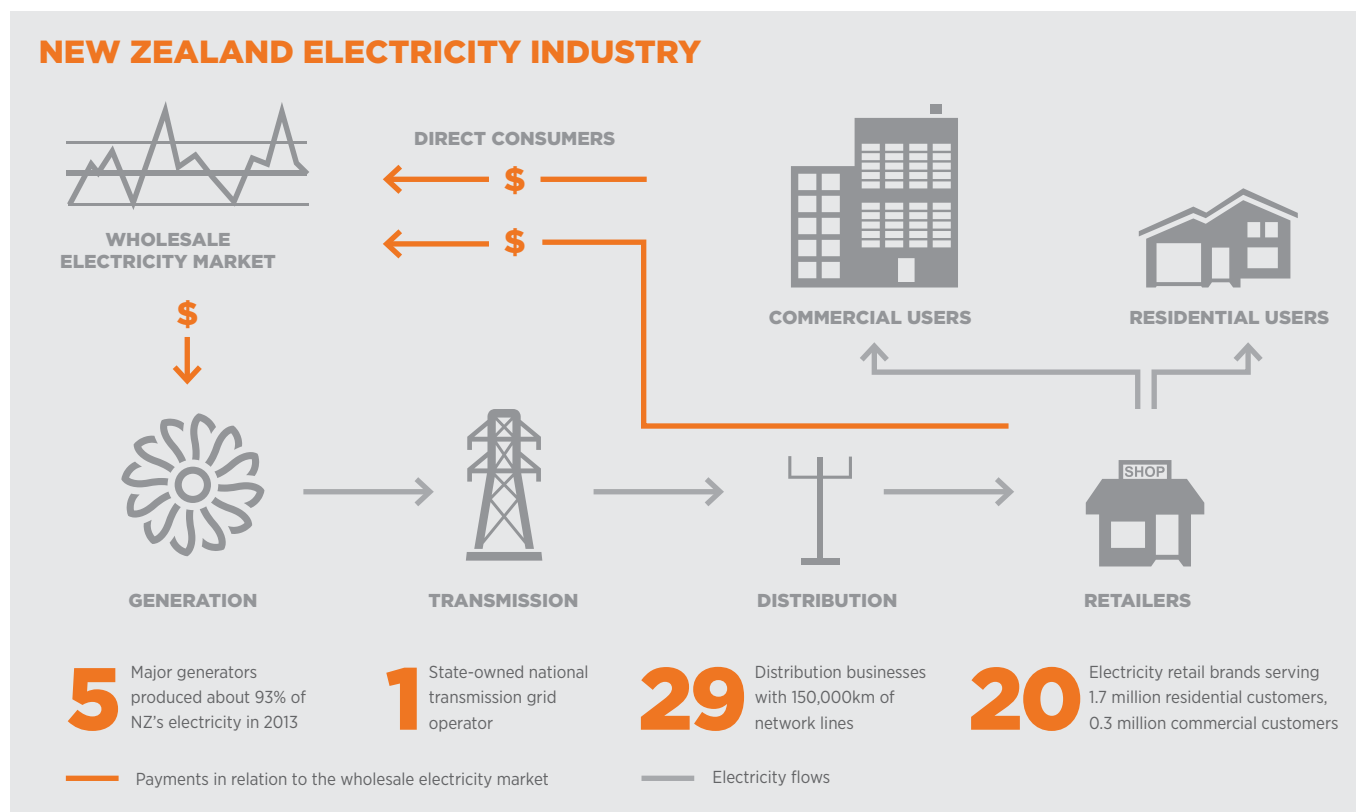
- 3.1 The Electricity Sector
- 3.2 The Oil and Gas Sector



3.1 THE ELECTRICITY SECTOR

The New Zealand electricity market comprises a number of key components as set out in the diagram below. New Zealand's current total installed electricity generation capacity is approximately 10,000 MW. Peak demand during winter can exceed 6,500 MW and, in 2012 electricity demand was around 37,500 GWh.

As an energy company that generates, trades and sells electricity, Genesis Energy operates in the New Zealand electricity industry, which comprises the following key components:



Generators – generate electricity at power stations throughout the country and sell that electricity to the wholesale market.

The National Grid – Transpower is the owner and operator of the national grid which comprises the towers, wires and cables that transport electricity at high voltages from power stations to distribution networks and directly to large industrial users throughout the country.

Distribution Businesses – own the distribution networks that carry electricity from the national grid to residential, commercial and some industrial users. There are currently 29 separately owned distribution networks.

Retailers – buy electricity from the wholesale market and sell it to end-consumers, at market prices determined by each electricity retailer. The five largest retailers had a combined 94% market share by Customer Connections as at 31 December 2013.

Regulators – The Electricity Authority oversees the electricity market. A number of other regulatory authorities also have roles.

Most New Zealand electricity generation and retailing is undertaken by five large generator/retailers: Genesis Energy, Meridian, Contact Energy, Mighty River Power and Trustpower. Genesis Energy is currently 100% Crown-owned, while Contact Energy and Trustpower are privately owned and are listed on the NZX Main Board. Mighty River Power is approximately 53.4%¹³ Crown-owned and Meridian is approximately 52.5%¹⁴ Crown-owned. Mighty River Power and Meridian are listed on the NZX Main Board and the ASX.

¹³ Including shares held by managers of the New Zealand Superannuation Fund.

¹⁴ Including instalment receipts held by managers of the New Zealand Superannuation Fund.

MEASURING ELECTRICITY

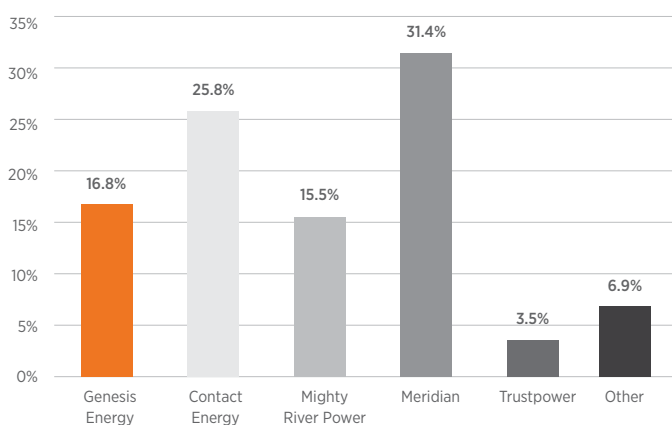
RATES OF GENERATION/CONSUMPTION	AMOUNTS OF GENERATION/CONSUMPTION
MW Megawatt: 1 MW = 1,000,000 watts Enough to light 10,000 x 100 watt light bulbs	MWh 1 MWh = 1 megawatt for 1 hour Enough electricity for one average New Zealand household for 46 days
GW Gigawatt: 1 GW = 1,000 megawatts	GWh 1 GWh = 1 gigawatt for 1 hour Enough electricity for 125 average New Zealand households for one year

Generation

New Zealand's electricity is generated from a variety of sources. In the period from January 2010 to December 2013, approximately 75% of total generation was from renewable sources including hydro (56%), geothermal (14%) and wind (4%). Unlike some other countries, Renewable Generation is not subsidised in New Zealand.

Other fuel types in New Zealand's generation mix include natural gas (19%) and coal (6%).¹⁵ These fuel types are increasingly being used on an 'as required' or 'Peaking' basis when supply from other sources is constrained or limited, or when demand or wholesale electricity prices are high. Due to the large proportion of hydro generation, 56% of total generation in 2013, and because New Zealand's hydro systems can store only limited amounts of water for future use, higher or lower-than-average rainfall or snowmelt can have a significant impact on which power stations run to meet the demand for electricity. This, in turn, affects wholesale electricity prices.

Electricity Generation Market Share



Source: Electricity Authority, 2013

Transmission

Transpower operates the national grid, which uses a high voltage direct current ("HVDC") link to transfer electricity between the North Island and the South Island, and high voltage alternating current ("HVAC") to transmit electricity around the rest of the national grid. The HVDC link has recently undergone an upgrade to improve the national grid's ability to transport electricity between the North Island and the South Island. The recent investment by Transpower in upgrading the national grid has resulted in significant increases in both HVDC and HVAC transmission charges. Transmission costs, as described below, affect profitability of electricity generators and retailers, and transmission constraints can have a significant impact on wholesale electricity prices.

Transmission network charges are regulated by the transmission pricing methodology. The current methodology has been in place since 1 April 2008 and is designed to allow Transpower to recover the full economic costs of providing the transmission services. Transmission network charges are imposed on generators, distributors and industrial consumers that connect directly to the national grid. All charges associated with the HVDC link are currently imposed on South Island generators. The majority of HVAC charges are imposed on distributors and industrial consumers that connect directly to the national grid.

Transmission Pricing Methodology Review

The transmission pricing methodology determined by the Electricity Authority is currently under review. The Electricity Authority is consulting on methodology changes to determine the basis for setting transmission charges related to the operation and development of the transmission network and how these costs will be allocated to users of the network. The Electricity Authority has issued a proposal which has been the subject of extensive consultation. Under the Electricity Authority's proposal, the way in which transmission charges are calculated and levied would change. The key aspects of the Electricity Authority's current proposal are:

- the introduction of a 'beneficiaries pay' charge regime for the HVDC and HVAC assets which would see changes to the way the charges for these assets are allocated. The key change is that charges for the HVDC link are proposed to be shifted from South Island generators only and allocated to all generators, industrial consumers (that connect directly to the national grid) and distributors or retailers across the country. It is unclear what proportion of these additional costs would be able to be passed through to consumers; and

¹⁵ Each calculated as a percentage of total generation in New Zealand in the period from January 2010 to December 2013.

- the introduction of a residual charge for the remainder of the HVDC and HVAC assets that are not recovered by the beneficiaries pay charge. These charges are proposed to be allocated to generators (50%), industrial consumers (that connect directly to the national grid) and retailers or distributors (50%).

The outcome of this consultation process is uncertain and it is unclear what changes, if any, will be made to the transmission pricing methodology and what the timing of any changes will be. Resolving the transmission pricing methodology remains on the Electricity Authority's top 10 list of priority market development projects. The Electricity Authority does not expect its second issues paper on this subject to be released prior to the second half of 2014. Genesis Energy expects that any changes to the transmission pricing methodology arising from this review would be unlikely to be implemented before 2016.

Distribution

In New Zealand, ownership separation must exist between distribution businesses and generators and retailers above certain capacity and volume thresholds.

Because the scope for competition in electricity distribution is limited, the prices that distribution businesses can charge are regulated by the Commerce Commission (unless they meet the definition of "consumer-owned"). Distribution costs (also called lines charges), which typically comprise fixed and variable components, are generally charged to retailers, which then incorporate the charges into their customer pricing.

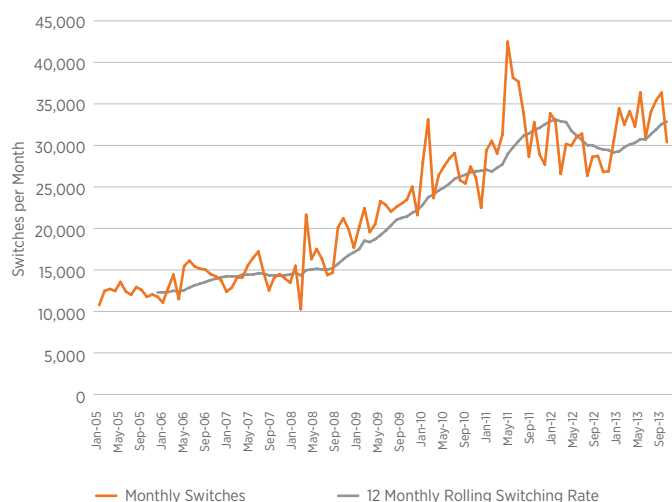
Retailers

Most New Zealand consumers buy their power from electricity retailers that have purchased electricity from the wholesale market. The retailers generally arrange installation of appropriate metering, meter reading, billing and payment collection, and pay distribution charges to distribution businesses in relation to electricity sold to consumers. Retail electricity prices are determined by competition among the nation's electricity retailers and, aside from a requirement to provide an optional low-user tariff, are generally not directly regulated.

The typical retail contract is a fixed price variable volume contract which allows consumers to use as much electricity as they want at a fixed price per unit. Retailers generally reserve the right to change the price charged under these contracts and consumers can usually terminate their contracts with minimal notice.

The rate at which customers switch from one retailer to another is one indicator of the level of competition in the retail electricity market. In 2011, the Consumer Switching Fund established by the Government began operating the 'What's My Number?' marketing campaign, which promotes the benefits of comparing and switching electricity retailers, in particular the potential for cost savings for consumers. This campaign may have been a factor in the higher rate of switching that has occurred since 2011, as depicted in the chart to the right.

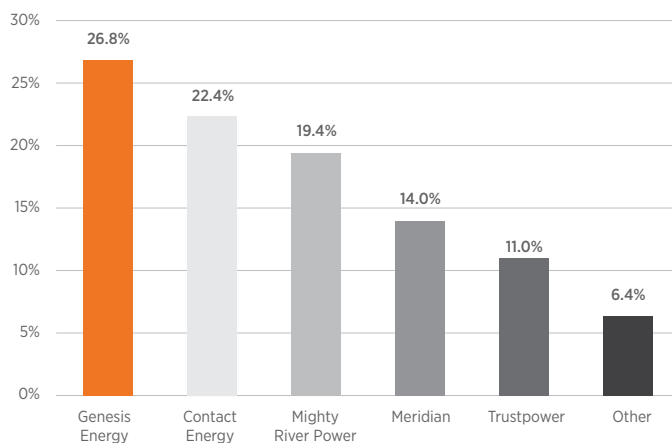
NZ Electricity Industry Monthly Switching



Source Electricity Authority

The extent of retail competition varies across New Zealand but almost all electricity consumers have a choice of retailer – more than 10 in some areas. Notwithstanding relatively low legislative barriers to entry and the recent increase in switching, the five largest retailers (Genesis Energy, Contact Energy, Mighty River Power, Meridian and Trustpower) had a combined 94% market share by Customer Connections as at 31 December 2013.

Electricity Customer Market Share

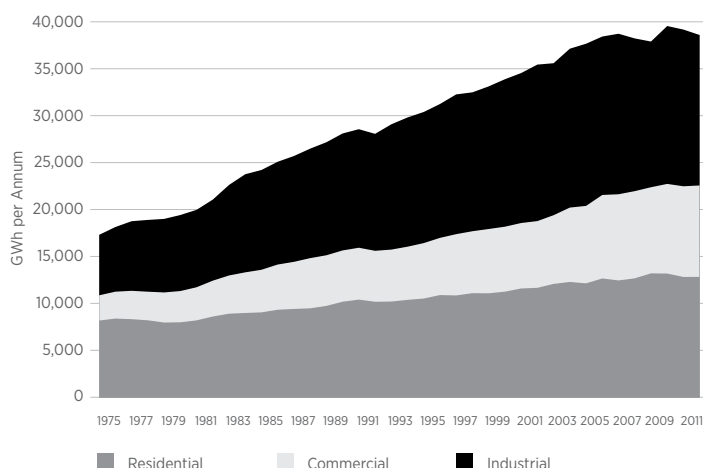


Source Electricity Authority, Customer Connections as at 31 December 2013

Consumers

There are approximately two million individual electricity Customer Connections in New Zealand.¹⁶ The North Island accounted for 63% of total electricity consumption in 2012. The remaining 37% was consumed in the South Island. While the majority of Customer Connections are residential, electricity consumption is split between residential (including small-to-medium enterprises ("SME")), commercial and industrial users. This is illustrated in the graph below.

New Zealand Electricity Consumption



Source: MBIE Energy Data

Residential household demand, driven primarily by water heating, space heating and refrigeration, accounts for approximately 33% of total electricity consumption and 86% by Customer Connections. The commercial sector (which comprises many New Zealand businesses) accounts for approximately 25% of consumption while the industrial sector (which is made up mostly of large manufacturing businesses) is responsible for approximately 37%

of national consumption. The remaining 5% of national consumption is accounted for by the agriculture, forestry, fishing and food processing sectors. New Zealand Aluminium Smelters ("NZAS"), the owner of the Tiwai Point aluminium smelter, is the largest single user of electricity in the country (accounting for approximately 13% of national electricity in 2012).

Electricity consumption also follows daily and seasonal patterns. Demand is typically lower in warm months and can increase by more than 30% during winter.

Although national electricity consumption increased at an average annual rate of 1.8% in the 10 years to 2007, consumption has been relatively flat or has declined in each of the years since 2007 until 2012 (being the most recent year for which data is available). This is due to a combination of factors, including poor economic conditions in New Zealand, reduced demand from the Tiwai Point aluminium smelter, reduced demand following the Canterbury earthquakes and relatively flat demand from large industrial manufacturing. Historically, over the long-term, residential household demand has moved broadly in line with population growth, and overall electricity demand has tended to move in line with economic growth.

ELECTRICITY MARKET MECHANICS

The wholesale electricity market determines the wholesale price each half hour (also called the 'spot price') by matching the supply of electricity from generators with demand from users (electricity retailers and some large industrial customers) at various 'Nodes' (locations where electricity flows into or out of the national grid). The lowest cost combinations of generation offers which satisfy demand are accepted. Spot prices for the half hour are normally determined by the highest price within the accepted combination of offers. There is no legislative cap on the price that can be offered by generators.

The New Zealand electricity companies that are both generators and retailers do not supply their customers with the electricity they generate. Instead, they sell their generation into the wholesale market at the Node nearest their power station, and buy electricity

Tiwai Point Aluminium Smelter – Meridian and NZAS

Recent developments

NZAS reduced its demand for electricity in 2012 and announced in August 2012 that low prices for aluminium were causing it to review the Tiwai Point smelter operations. NZAS said it would work with its key suppliers and stakeholders to decrease costs. These stakeholders included Meridian, which has a contract with NZAS relating to electricity (the "Tiwai Contract"). Pacific Aluminium (the business unit of Rio Tinto responsible for managing Rio Tinto's majority shareholding interest in NZAS) approached Meridian in July 2012 to discuss potential changes to the Tiwai Contract and entered into confidential negotiations regarding those potential changes. As a result, the Tiwai Contract was amended in August 2013.

The Tiwai Contract

Meridian does not physically supply NZAS with electricity. Rather, NZAS purchases the electricity it consumes from the wholesale electricity market. In order to provide price certainty to NZAS, the Tiwai Contract is a contract for difference ("CFD") which has the effect of fixing the price that NZAS pays and Meridian receives for the CFD quantity of electricity.

See *Section 4.1 Business Description* for further information about CFDs.

Under the Tiwai Contract, Meridian (as the wholesale price payer) pays NZAS the wholesale price for the CFD quantity, which is a base quantity of 572 MW (equivalent to 5,011 GWh per annum), and NZAS (as the fixed price payer) pays Meridian a fixed price for the same quantity. There are some circumstances in which the CFD quantity drops below the base quantity, for example, during events affecting the smelter's operation that are outside the smelter's reasonable control. The CFD fixed price adjusts with changes in the Consumers Price Index and will increase if the New Zealand dollar value of aluminium rises above agreed levels.

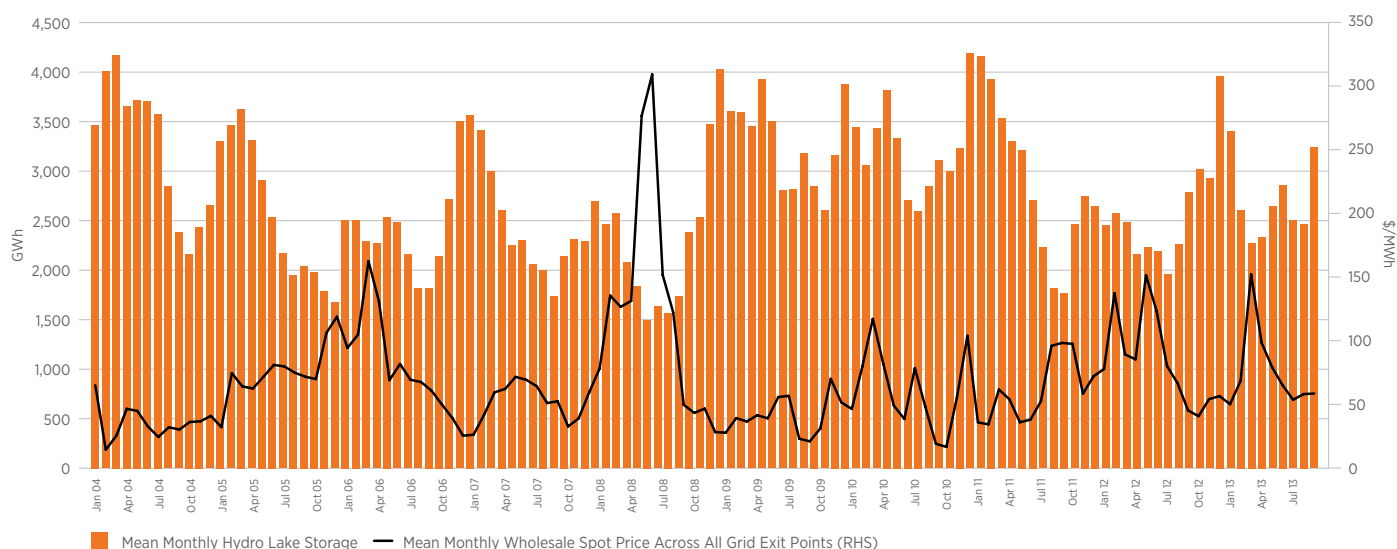
Regardless of whether or not NZAS consumes any electricity, the parties are required to make the CFD payments for the CFD quantity during the term of the Tiwai Contract.

A total of 572 MW represents the major part of NZAS's electricity needs, although the smelter is able to consume up to around 630 MW of electricity. In FY2013, NZAS consumed an average of 554 MW of electricity. To put this figure in perspective, the Wellington region consumed an average of 345 MW over the same period.

¹⁶ Based on Electricity Authority Customer Connections as at 31 December 2013.

to supply their customers at the Node nearest the location of their customers. Being on both sides of the wholesale market (as sellers and buyers) allows the generator/retailer companies to better manage the risk of wholesale price variability. For example, if wholesale electricity prices rise, these companies can at least partially offset the increased cost for their retail businesses with the higher wholesale prices they receive from their generation businesses – and vice versa if wholesale prices fall. This is a benefit of vertical integration.

Monthly Wholesale Electricity Prices and National Hydro Storage



Source: MBIE Energy Data

See Section 6.4 *Historical Operational and Financial Information* for a discussion of recent wholesale electricity price movements and their impacts on Genesis Energy.

NZAS may also elect to reduce the base CFD quantity from 572 MW to 400 MW by giving one year's notice to Meridian during a window between 1 January 2014 and 31 December 2015.

Termination of the Tiwai Contract

The Tiwai Contract expires on 31 December 2030. NZAS may terminate the Tiwai Contract earlier by giving between 12 and 18 months' notice to Meridian. The earliest termination date is 31 December 2016. From 1 January 2017, if NZAS has exercised the option available to it under the Tiwai Contract to reduce the base CFD quantity to 400 MW and does not consume electricity in accordance with the quantities specified in the agreement, Meridian may terminate the Tiwai Contract either on seven days' notice or after one year. During the one year notice period (if this option were to be elected), NZAS and Meridian would be required to continue to make the CFD payments.

During the term of the Tiwai Contract, Meridian and NZAS have other termination rights in a range of specific circumstances, including if the other party does not cure a failure to pay an amount due, breaches the assignment provisions of the agreement or suffers an insolvency or financial distress type event. NZAS may also terminate if it plans to decommission

Wholesale electricity prices are typically higher in winter months when demand is greater. However, prices also move in response to other factors such as hydro lake inflows or storage levels, power station or transmission outages and competitor behaviour. Price movements can occur over either short half hour trading periods or more-sustained time frames. In situations where hydro supply is limited, or electricity demand is high, greater Thermal Generation is typically used to meet demand.

The graph below shows the sharp spike in the wholesale electricity price which occurred in the winter of 2008; this was caused by low hydro lake storage as a result of lower-than-average rainfall.

the smelter (although it cannot give notice that it is decommissioning until 1 January 2015 and there is a financial incentive to decommission over a period of years so NZAS is more likely to use its termination rights described in the paragraph immediately above).

Consequences of significant reduction in electricity consumption

If NZAS were to reduce its electricity consumption significantly, or to cease consumption altogether, the resultant drop in demand could lead to a sustained reduction in wholesale electricity prices (at the location specified in the Tiwai Contract) and in electricity prices generally.

The size of these price reductions, both short term and ongoing, would depend on many variables, among these would be: the volume and time frame of any phase-down from NZAS; the rate of residual New Zealand electricity demand growth; the impacts of any decreased demand at the Tiwai Point smelter and the resulting change in power flows on the transmission system; the transmission system's ability to accommodate those changes; the timing of any transmission infrastructure being available; and the response by generators and electricity market participants.

Prices also vary by location, sometimes significantly, depending on the costs of electricity losses and constraints in the transmission of electricity from the point of generation to consumers or as a result of short-term transmission constraints on the flow of electricity through the national grid. This is known as locational or Nodal pricing.

These transmission constraints (both planned and unplanned) can create situations of over supply or under supply in regions throughout the country, leading to either lower or higher wholesale prices in those areas. The HVDC link can experience constraints and this affects supply and prices between the North Island and the South Island (although the recent commissioning of new converter equipment (referred to by Transpower as ‘Pole 3’) is likely to reduce the scale and frequency of these constraints, as described under the heading “Transmission” above). Transpower’s grid investment programme is designed to address transmission constraints.

Electricity Derivative Contracts

Electricity contracts are generally used to hedge the risk of wholesale electricity price movements or where a company believes it can improve returns or reduce risk by fixing a future electricity price. Generators enter into these contracts directly with other generators, large industrial consumers and independent retailers (known as ‘over-the-counter’ or OTC contracts), or through the New Zealand Electricity Futures and Options market operated by the ASX. These contracts generally have the effect of either locking in the price at which a retailer or large consumer purchases specified volumes of electricity from the wholesale market (referred to as ‘buy-side’ contracts) or locking in the price at which a generator sells specified volumes of electricity to the wholesale market (referred to as ‘sell-side’ contracts).

The Frequency-keeping and Reserves Markets

Electricity systems must operate within a frequency range to ensure the proper functioning of the system. The actual frequency is constantly changing as demand and supply in the entire system fluctuate. In order to maintain the frequency of the electricity system within the target range, it is sometimes necessary to inject additional electricity into the system, or remove electricity from the system, at short notice. Transpower establishes contracts with some providers, including generators, to provide this additional electricity and to maintain reserves of generation capacity to enable them to provide frequency-keeping electricity on short notice. Generators submit offer prices for these services and Transpower selects the lowest-cost provider.

Financial Transmission Rights (“FTRs”)

FTRs are financial contracts based on the difference in the wholesale price between two Nodes on the national grid for an amount of electricity transmission for a defined period of time. FTRs provide participants in the wholesale electricity market with a tool for managing exposure to the price differences across the national grid caused by Nodal pricing. A market for FTRs between the Benmore Node in the South Island and the Ōtāhuhu Node in the North Island has been in operation since June 2013. The market is operated by Transpower and currently allocates four different FTR products via monthly auctions. The Electricity Authority recently released a high level consultation paper proposing the introduction of FTRs between Nodes within each of the North Island and the South Island. Details regarding specific products and the timing of implementation are not included in the document.

ELECTRICITY REGULATORY FRAMEWORK

The New Zealand electricity industry is governed by both general and sector-specific legislation and regulations and by a number of regulatory authorities, including the Electricity Authority and the Commerce Commission. The industry went through a period of significant structural reform in the mid to late 1990s. Over this period, the wholesale electricity market was established and full separation of distribution businesses from generation and retail enterprises was enforced (although some limited crossover between distribution and generation and retail is now allowed). Contact Energy was established and acquired assets from ECNZ, and ECNZ was subsequently separated into three competing state owned generation/retail companies – Genesis Energy, Meridian and Mighty River Power. Since 1999, a number of changes have been made to facilitate wholesale and retail competition and to provide greater regulatory oversight of the market and monopoly aspects of the industry.

The Electricity Authority is an independent Crown Entity established in 2010 to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers. It does this through market design, overseeing market operations and monitoring and enforcing compliance with market rules. The Electricity Authority also develops and administers the Electricity Industry Participation Code.

Labour-Green Proposed Market Reform

On 18 April 2013 the New Zealand Labour Party and the Green Party of Aotearoa New Zealand announced separate proposals for electricity sector regulatory reform. These proposals do not include complete plans for reform, and the final outcome of any reform initiative is uncertain. It is also unclear whether either party will have the political opportunity to implement their respective proposals. The following are some key features of the proposals which are of relevance to Genesis Energy:

Single-buyer model A common feature of the proposals is the establishment of a state agency to act as a single buyer of wholesale electricity from generators. The Labour Party claims that its proposed reforms will reduce total electricity charges by between \$500 million and \$700 million per year. The Green Party’s proposal estimates \$750 million a year in savings. These figures imply that Genesis Energy’s electricity revenues would be materially lower if this proposal were to be implemented. These estimated reductions and savings are in respect of the electricity industry generally, and are not specific to Genesis Energy. However, because under the Labour Party’s proposal the single wholesale electricity buyer would set prices for each generator based on that generator’s historical capital (with some adjustment for inflation), and on current operating costs, owners of low-operating-cost generation assets, such as Genesis Energy’s hydro assets, would expect to face significantly greater reductions in electricity revenue than would owners of higher-operating-cost assets if this proposal were implemented. It is currently uncertain how the Labour Party’s proposal would affect owners of Thermal Generation assets.

Retail separation and pricing The Labour Party's proposal includes a potential separation of generation and retail activities in the electricity sector. This could result in the separation of Genesis Energy into two distinct businesses with separate boards of directors and management teams. The Green Party's proposal also includes partial regulation of the retail price of electricity.

Central planning Under both proposals, responsibility for planning and procuring new electricity generation projects would be placed with the new, single-buyer state agency rather than with the electricity generation companies.

As the proposals are incomplete, it is possible that the features summarised above may change significantly before any eventual implementation. It is also possible that none, or all, of these proposals come into effect. As acknowledged in the Green Party's discussion paper on its proposal, if approved, it would take time to fully implement the single-buyer model. The Ministry of Economic Development's 2006 Review of the New Zealand Electricity Market (which considered a single-buyer model as one of two alternatives to the competitive market model) envisaged a two year pre-launch timetable, followed by the single buyer gradually replacing the existing wholesale market over the following two years.

Emissions Trading Scheme ("ETS")

The ETS, introduced in 2008, is New Zealand's primary policy response to climate change. The ETS places a price on emissions, creating an incentive for businesses and consumers to respond to this cost and change their behaviour. Options for businesses include investing in energy efficiency, offsetting emissions through planting trees or mitigating the financial impacts involved by purchasing carbon credits.

The stationary energy sector (which includes all fossil fuels used in electricity generation and geothermal energy) has been required to report its emissions since 1 January 2010 and to surrender eligible greenhouse gas emission 'units' to the Government since 1 July 2010. A 'unit' is effectively a right to emit one tonne of carbon dioxide equivalent of greenhouse gas, and can be purchased on open markets in New Zealand and overseas.

Until full implementation of the ETS, emitters are required to surrender only one unit for every two tonnes of emissions and can buy units from the global or domestic carbon market to meet their surrender obligations, or can meet their surrender obligations by buying New Zealand units from the Government at a fixed price of \$25 per unit. These legislated transitional arrangements have been extended for an indefinite period, subject to a review in 2015.

Genesis Energy participates in the ETS to offset its carbon emissions from burning coal and gas and has acquired sufficient units under forward-purchase contracts to offset its expected carbon emission obligations in 2014 and 2015.

The National Freshwater and Geothermal Resources Claim

In early 2012, a claim was lodged with the Waitangi Tribunal that broadly involved two key questions:

- what types of rights and interests (if any) do Māori have in freshwater and geothermal resources under the Treaty and would the Crown be in breach of the Treaty if it continued with the mixed ownership model?; and
- how might those rights (if any) be best redressed or recognised? (This question is still to be dealt with by the Tribunal.)

The first part of the claim was heard by the Waitangi Tribunal in 2012. The Waitangi Tribunal concluded that when the Treaty was signed, each iwi and hapū had the exclusive right to control access to, and use of, water while it was in their tribal area, except to the extent that the Treaty bargain provided for some sharing of the water with incoming settlers. The Treaty also gave the Crown the kāwanatanga (governance) right to manage water in the best interests of all. In addition, the Waitangi Tribunal considered that Māori have residual proprietary rights today in specific water bodies, although it has not yet examined the nature of such rights. The Waitangi Tribunal believed that the Crown has a Treaty obligation to protect those rights and this warranted a delay in the Crown's initial public offering of shares in Mighty River Power

("Mighty River Power Offer") until further consultation took place with Māori on a mechanism to recognise those rights.

Ultimately, the Supreme Court allowed the Mighty River Power Offer to proceed. In the Supreme Court, the Crown acknowledged that Māori have rights and interests in water and geothermal resources, and that recognition of those rights and interests must include mechanisms in relation to the ongoing use of those resources. These mechanisms may include decision-making roles in regard to protection, use, access and allocation, and charges or rentals for use.

A second hearing of the Waitangi Tribunal will consider whether Māori rights and interests in respect of water and geothermal resources are adequately recognised and provided for and whether Crown policies are in breach of the Treaty. The Government will need to consider whether any recommendations of the Waitangi Tribunal should result in a change of Government policy in relation to the management of freshwater in New Zealand or an acceleration of its current proposed reforms.

These reforms are likely to include greater consideration being given to iwi interests before council decisions on freshwater planning are made. Such reforms or changes in Government policy may impose restrictions, conditions or additional costs on Genesis Energy's access to freshwater.

3.2 THE OIL AND GAS SECTOR

The oil and gas sector is important to Genesis Energy as a vertically integrated electricity and gas retailer and through its 31% interest in the Kupe Joint Venture. Genesis Energy used 21 PJ of gas to generate 2,732 GWh of electricity from its Huntly Power Station in FY2013. The Company is also New Zealand's largest gas retailer. It supplies gas to approximately 44% of New Zealand's reticulated gas consumers and bottled LPG to retail consumers throughout the country.

The oil and gas sector includes natural gas, oil and LPG. These products support essential services for many sectors of the New Zealand economy, including households.

NATURAL GAS

The New Zealand natural gas market comprises a number of key participants, as set out below.

Producers	Wholesalers	Transmitters	Distributors	Consumers	Retailers
There were 17 fields that produced gas in New Zealand in 2012, all in the Taranaki region. Production was dominated by the Pohokura, Maui and Kupe fields. Shell and Todd Energy subsidiaries control a large portion of New Zealand production. Genesis Energy has a 31% interest in the Kupe Joint Venture, which owns the Kupe oil and gas field.	There are five main gas wholesalers: Genesis Energy, Vector, Todd Energy, Contact Energy and Greymouth Petroleum.	Transmission pipelines transport large volumes of natural gas under high pressure, from production fields to distribution networks or to large customers. There are two main transmission pipelines, both located in the North Island – the Vector transmission network and the Maui pipeline (owned by Maui Development Limited).	Distribution networks transport gas (low pressure) from gate stations (transmission pipeline delivery points) and reticulate it into residential houses and businesses. There are four main distributors: Powerco, Nova Energy, Vector and Wanganui Gas.	Total gas consumption increased from 159 to 179 PJ from 2011 to 2012. In 2012, electricity generation made up 44.1% of gas consumption, industrial 27.1% and non-energy (petrochemical production) 19.2%. Residential and commercial made up the remainder.	There are eight gas retailers in New Zealand. As at 31 December 2013, Genesis Energy (including under its second retail brand Energy Online) had the largest share of the gas retail market (based on Customer Connections) at 43.7%.

Regulators The Gas Industry Company oversees the gas market. It has jurisdiction over the bottled LPG market as well. A number of other regulatory authorities also have roles (see "Gas and Oil Regulatory Framework" below for further information).

Production

Natural gas production in New Zealand currently occurs entirely in the Taranaki region. In 2012 this region produced 192 PJ of gas from the 17 fields in the area, with total production dominated by the Pohokura field (38.4%), the Maui field (19.5%) and Kupe (14.0%). There are no imports to or exports from New Zealand of natural gas, unlike other places in the world which use liquefied natural gas and/or interconnected pipelines.

The discovery and development of a number of gas reserves, including Kupe, has seen New Zealand's reserves strengthened to around 11 years at current consumption levels, from approximately six years for the last decade.

Gas-processing facilities are required to separate hydrocarbons, remove water and meet specific technical specifications for the transmission and general market use of gas from the gas fields. These gas-processing facilities are usually built as part of the development of new fields. Third party access to these facilities, when required, is covered by commercial contracts. There are approximately 11 gas-processing facilities operating in New Zealand, with a capacity of approximately 280 PJ per annum.

Most of the near-term gas exploration activity remains in the Taranaki basin. However, some activity is expected in the East Coast, Great South, Canterbury, Southland and West Coast basins. As of April 2013, approximately 70 to 80 wells were planned (50 to 60 onshore).

Wholesale Natural Gas Market

The New Zealand wholesale natural gas market involves wholesalers buying natural gas from producers to onsell to gas retailers, large petrochemical manufacturers, electricity generators and industrial customers. A number of wholesale participants also have their own retail business units.

Petrochemical users of gas increase or decrease production, and therefore gas demand, in reaction to fluctuations in gas reserves, domestic or international gas prices, exchange rates and international petrochemical prices.

The majority of wholesale gas market contracts are long-term take or pay contracts. However, some short-term trading and gas swaps have occurred to manage exposure to these contracts and to meet individual customers' gas requirements. The terms and conditions of these wholesale contracts are usually confidential to the contract parties (particularly volumes and prices).

Transmission

There are more than 2,500 km of high-pressure gas transmission pipelines in the North Island which transport natural gas from the production stations to end-users and lower-pressure, local-area gas distribution networks.

While the transmission infrastructure is generally reliable and efficient, a serious outage occurred on the Maui pipeline in October 2011. This outage lasted six days and affected a large number of consumers in the upper North Island, along with Genesis Energy's ability to generate electricity using gas at the Huntly Power Station. The Gas Industry Company has made recommendations to the Minister of Energy and Resources to clarify the rights and obligations of essential gas users in such events.

Distribution

There are more than 16,930 km (as at June 2012) of intermediate, medium and low-pressure natural gas distribution pipeline networks in the North Island.

Consumers

The major uses of natural gas are electricity generation, industrial heating and petrochemical production. Demand for gas to generate electricity is dependent upon a number of factors. These include the state of hydrology (lake levels and inflows), fluctuations in the level of wind generation, and gas availability and price. In 2012, 44.1% of New Zealand's produced gas was consumed by electricity generation. Of this 44.1%, approximately one-third was used by Genesis Energy.

Industrial (26%) and petrochemical (20%) users, in particular Methanex for its methanol production, are also significant users of New Zealand's produced gas.

The remaining demand is made up from residential and commercial customers for heating and other purposes.

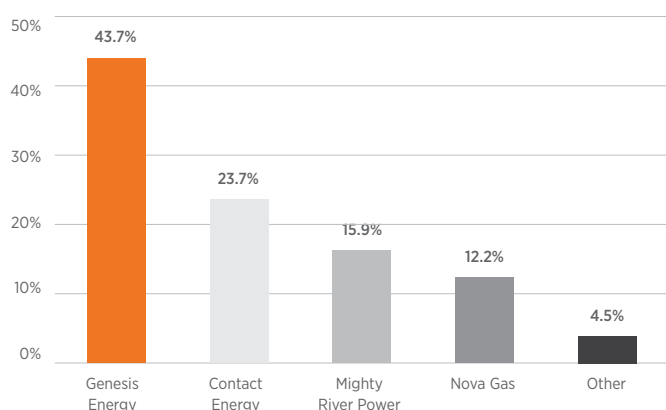
Demand for natural gas in New Zealand is regionalised due to transmission pipelines and current production being limited to the North Island. In 2011, the Taranaki region was the dominant consumer of gas (43.3%) due to the industrial and petrochemical manufacturing and, to a lesser extent, electricity generation facilities in the region. Waikato (24.3%) and Auckland (21.4%) have high consumption also, reflective of the location of major thermal electricity generation stations and prime industrial users of natural gas in those regions.

There were a total of 264,487 active natural gas Customer Connections in New Zealand at the end of December 2013. The retail market for natural gas has grown by more than 15,000 new active connections between December 2009 and December 2013.

Retailers

There are eight natural gas retailers operating in the New Zealand market.¹⁷ The extent of retail competition varies across New Zealand, but almost all natural gas consumers have a choice of retailer – up to six in some areas. Typically, at least one of these choices will be a dual fuel provider. Trustpower, through the acquisition of the business of retail gas provider Energy Direct New Zealand in 2013, has recently entered the natural gas market and is now also a dual fuel provider. As at 31 December 2013, Genesis Energy is the largest retailer with a 43.7% market share, while the largest four retailers have a 96% combined market share.

Natural Gas Customer Market Share



Source Gas Industry Company, Customer Connections as at 31 December 2013

Similar to that experienced in the retail electricity market, annual switching rates for natural gas retail customers are an indication of the level of competition in the market. In 2013, the annual switching rate for the retail natural gas market was 17% (the rate was approximately 20% in the electricity retail market for the same period).

LPG

LPG is a secondary product of oil and gas production. While New Zealand cannot import and export natural gas, it has the capability to do so for LPG. New Zealand has imported LPG in the past, particularly between 2006 and 2009. In 2012, 7.2 PJ of LPG was produced in New Zealand. In recent years, LPG has been consumed mostly for domestic purposes, with low export levels.

LPG retailers/wholesalers in New Zealand include Genesis Energy, Rockgas (owned by Contact Energy), ELGAS (owned by BOC), Nova Energy and OnGas (owned by Vector). They use a number of LPG sale channels (direct delivery, outlets and reticulation) to supply consumers in New Zealand.¹⁸

¹⁷ The natural gas retailers are: Genesis Energy, Energy Online (a Genesis Energy retail brand), Contact Energy, Greymouth Gas, Nova Energy (a subsidiary of Todd Energy), Mercury Energy (a Mighty River Power retail brand), Energy Direct New Zealand (a trading division of Trustpower) and OnGas (owned by Vector). Of these, Greymouth Gas and OnGas supply only commercial and industrial users and are the only two not also engaged in selling electricity.

¹⁸ Unlike in the electricity and natural gas markets, there is no central registry.

OIL

In 2012, New Zealand produced 87 PJ (or 14.7 million barrels) of crude oil and condensate – of this, approximately 95% was exported. Crude oil and condensate production is New Zealand's sixth-largest export industry.

Domestically produced crude oil and condensates are derived from many of the same Taranaki petroleum fields as is natural gas, with the exceptions of Maari and Tui (both produce 100% oil). In 2012, three fields contributed two-thirds of New Zealand's crude oil and condensate production – Maari (26.2%), Pohokura (26.7%) and Tui (13.8%).

Crude oil and condensates are processed at the same processing plants as are natural gas and LPG. Depending on the oil field, the oil is transported (either piped or trucked from the processing plant) to a number of storage facilities located at Port Taranaki.

Most of the domestically produced oil is marketed and sold into international markets. Only a small amount of domestically produced oil is sent to the Marsden Oil Refinery for processing each year (2% in 2012).

GAS AND OIL REGULATORY FRAMEWORK

The New Zealand gas industry is governed by both general and sector-specific Acts and regulations, including the Crown Minerals (Royalties for Petroleum) Regulations 2013, and by a number of regulatory authorities, including the Gas Industry Company. The decline of the Maui gas field in FY2002/FY2003 encouraged changes to the royalty scheme to drive increased exploration efforts. The gas sector's governance rules and regulations have the intention of improving performance and boosting competition within the market.

Crown Minerals (Royalties for Petroleum) Regulations 2013

These Regulations set out rates and provisions for the payment of royalties on petroleum production from initial permits granted after 24 May 2013. The royalty terms and conditions for permits granted prior to this date, and any subsequent permits to those existing permits, are determined by the relevant minerals programme.

Gas Industry Company ("GIC")

The GIC acts as a co-regulator with the Ministry of Business, Innovation and Employment and the Commerce Commission. It regulates the transmission and distribution of gas in New Zealand.

The GIC has oversight over the natural gas wholesale and retail markets and processing facilities. It does not have regulatory involvement in the upstream gas exploration and production sector, although a number of producers are wholesale market participants. It also has not been required to extend such arrangements to the LPG sector.



SECTION FOUR

ABOUT GENESIS ENERGY

IN THIS SECTION

- 4.1 Business Description
- 4.2 Board, Management and Corporate Governance
- 4.3 Relationship between Genesis Energy and the Crown
- 4.4 Independent Engineer's Summary Report on Generation Assets and Kupe Facilities
- 4.5 Independent Expert's Summary Report on Kupe Reserves and Resources

4.1 BUSINESS DESCRIPTION

OVERVIEW

Genesis Energy is a diversified energy company. It sells electricity, natural gas and LPG through its Customer Experience business. It generates electricity, and trades electricity and natural gas, through its Energy Management business. The Company has a 31% interest in the Kupe Joint Venture which owns the Kupe oil and gas field.

Customer Experience

Genesis Energy is New Zealand's largest electricity and gas retailer,¹⁹ supplying energy to one in four Kiwi households through its two retail brands: Genesis Energy and Energy Online. Genesis Energy is focused on attracting and keeping valuable residential, commercial and industrial customers throughout the country.

Energy Management (Generation)

Genesis Energy also owns and operates a portfolio of Thermal Generation and Renewable Generation assets located in different parts of New Zealand. The spread of locations and fuel types in the portfolio gives Genesis Energy significant operating flexibility.

Genesis Energy's portfolio of generation assets comprises:

- **Thermal Generation:** At 1,203.8 MW, the Huntly Power Station is the largest electricity generation facility in New Zealand by capacity. It is made up of two modern gas fired and three

gas/coal fired generating units (one of which was placed into long-term storage in December 2013).

- **Renewable Generation:** Genesis Energy has three hydro schemes – Tongariro (361.8 MW), Waikaremoana (138.0 MW) and Tekapo (179.0 MW). These schemes comprise eight power stations. Six are located in the North Island and two in the South Island. The Company also has a 7.3 MW wind farm in the North Island. This geographical spread of generation helps reduce the impact of localised dry periods on Genesis Energy's earnings.

Energy Management (Trading)

Genesis Energy aims to generate and contract electricity at the lowest cost to the Company to meet its customer demand. The Company also aims to maximise the value of its excess Thermal Generation capacity during periods of higher wholesale electricity prices.

Kupe Oil and Gas

Genesis Energy has a 31% interest in the Kupe Joint Venture, which owns the Kupe oil and gas field. Over the period FY2012 and FY2013, Kupe produced an average of approximately 19.0 PJ of gas, 80.0 kT of LPG and 1.7 million bbl of oil per financial year. Kupe is an integral part of the Company's business and provides a diversified source of revenue for the Company.



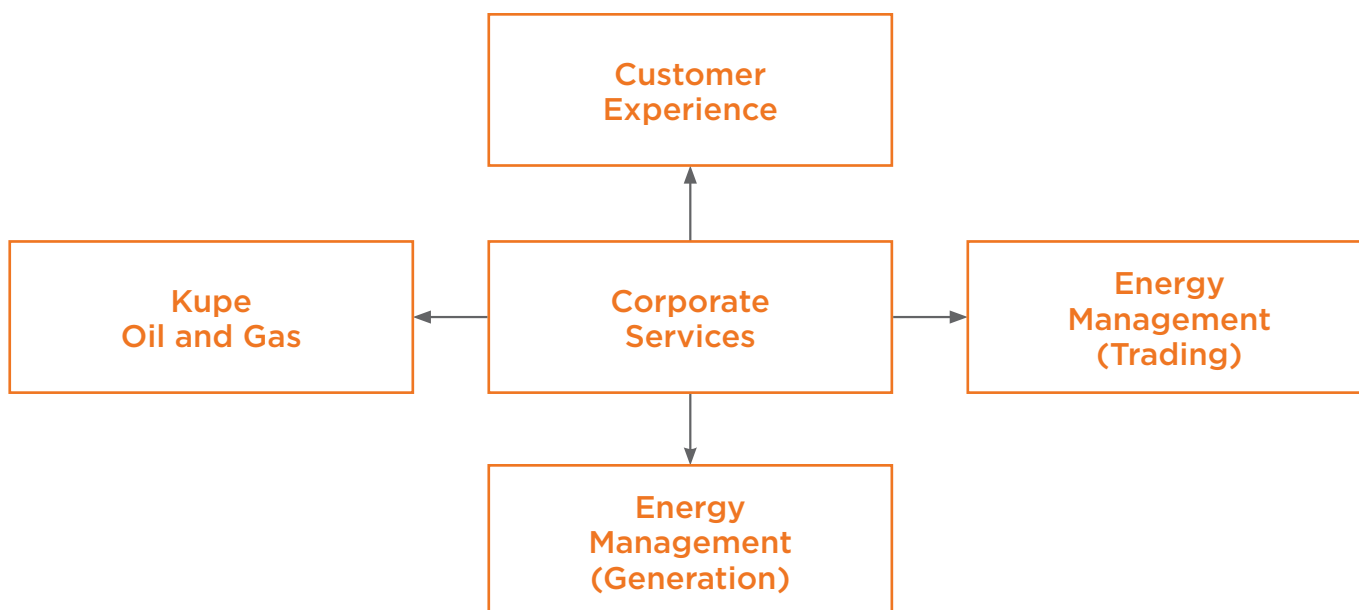
¹⁹ Based on Customer Connections for electricity and natural gas as at 31 December 2013.

Managing Volatility

Key features of Genesis Energy's business, which is described further in this section 4.1, work in combination to enable the Company to manage the impacts of volatility in the wholesale electricity price.

BUSINESS STRUCTURE

Genesis Energy is an energy company with three key areas of operation: Customer Experience, Energy Management and Kupe Oil and Gas. These are supported by a range of corporate service functions. The Company's financial segment reporting is outlined in the financial information in *Section 6.4.4 Historical Operational and Financial Information*.



Customer Experience

- Marketing and selling electricity, natural gas and LPG, as well as related services, to end-user residential, commercial and industrial customers
- Managing customer interactions and transactions for all end users of Genesis Energy products and services

Kupe Oil and Gas

- Managing Genesis Energy's investment in the Kupe Joint Venture

Corporate Services

- Head office functions including Finance, Strategy, Business Development, Legal, Risk, Information Systems, Human Resources, Corporate Relations, Property Management and Corporate Governance

Energy Management (Trading)

- Purchasing and selling electricity from/to the wholesale market to supply Genesis Energy and Energy Online customers
- Managing Genesis Energy's financial exposure to the wholesale electricity market by entering into financial contracts with market participants and trading electricity and related products
- Offering generation, frequency-keeping and instantaneous reserves to the wholesale electricity market
- Procuring and managing coal, natural gas and LPG supplies

Energy Management (Generation)

- Operating and maintaining thermal and renewable power stations

The Company continues to refine its operating model and organisation design to ensure it can deliver to its strategies. As a result Genesis Energy may make changes to the way it operates over the PFI period, including its organisational structure and personnel.

CUSTOMER EXPERIENCE

Genesis Energy is focused on attracting and keeping valuable customers. It aims to achieve this by delivering practical energy solutions, competitive pricing and quality customer service.

Retail Brands

Genesis Energy sells electricity, natural gas and LPG to more than 650,000²⁰ Customer Connections through its two retail brands, Genesis Energy and Energy Online.

Brand	Market	Electricity Customers	Natural Gas Customers	LPG Customers
	Nationwide brand	473,000	114,000	10,700
	Selected regions. "No frills" brand for customers looking for service at competitive prices	67,300	1,500	–

Dual Fuel Customers

The Company's dual fuel offering delivers benefits for both customers and the Company. For customers, it provides the convenience of accessing both electricity and gas from one energy provider, while reducing customer switching and costs for the Company.

As at 31 December 2013:

- 70% of Genesis Energy's natural gas customers also purchased electricity from the Company; and
- 15% of the Company's electricity customers also purchased natural gas from the Company.²¹

Commercial and Industrial Customers

Genesis Energy also sells electricity and gas to approximately 350 commercial and industrial customers,²² and has recently been successful in increasing sales volumes to this sector.²³ These customers typically use significantly larger volumes of energy than do retail customers, and often pay for their electricity on a 'time of use' basis (that is, the prices they pay depend on the time at which they consume electricity).

Nationwide Coverage

Genesis Energy seeks to maintain a customer base that broadly complements its generation portfolio in terms of both size and location. The map on the right shows the largest customer centres. The percentage figures in the map reflect the percentage of customers in each region who are Genesis Energy customers (circle size relative to approximate numbers of customers).

²⁰ Based on Electricity Authority Customer Connections for electricity, Gas Industry Company Customer Connections for natural gas and customer accounts for LPG as at 31 December 2013.

²¹ Note that only 13% of New Zealand electricity customers are able to access natural gas.

²² Based on Genesis Energy customer accounts as at 31 December 2013.

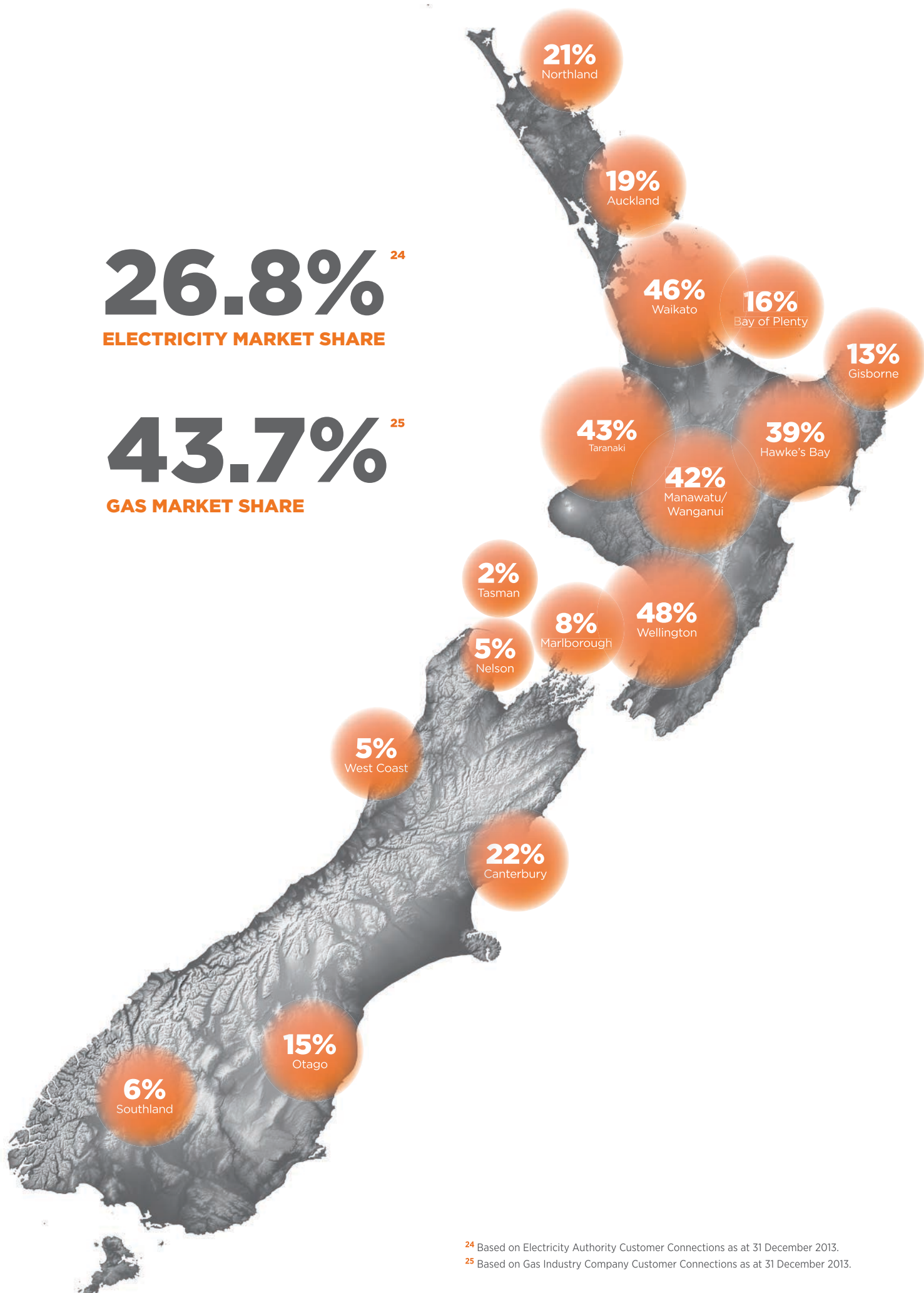
²³ See Section 6.4.2 Discussion of Historical Operational and Financial Performance.

26.8%²⁴

ELECTRICITY MARKET SHARE

43.7%²⁵

GAS MARKET SHARE



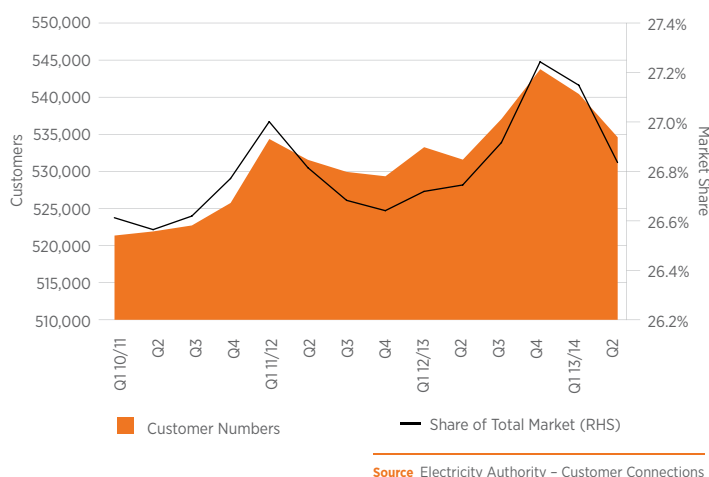
²⁴ Based on Electricity Authority Customer Connections as at 31 December 2013.

²⁵ Based on Gas Industry Company Customer Connections as at 31 December 2013.

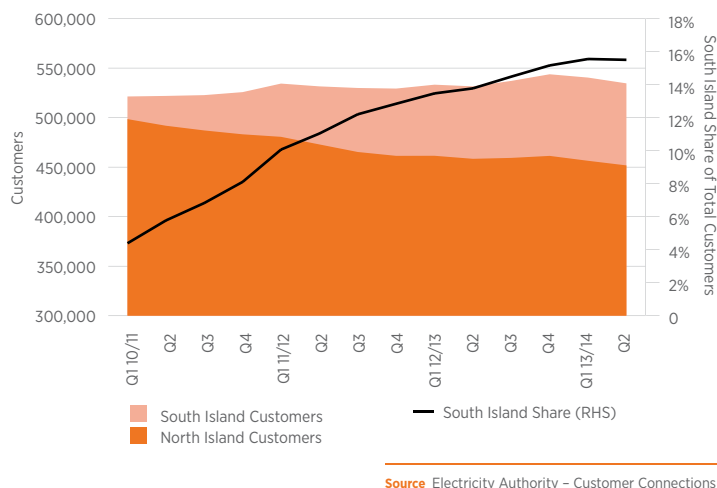
Electricity Market Share and Growth

Genesis Energy is the largest electricity retailer in New Zealand with a 26.8% market share.²⁶ The first chart below highlights overall growth in electricity customers and market share. The second chart below shows an increasing proportion of customers in the South Island; this followed the Company's acquisition of the Tekapo Power Scheme in the South Island in 2011.

Electricity Customers and Market Share



Geographic Split of Electricity Customers



The Company aims to grow the value of its electricity customer base throughout New Zealand.

Attracting Customers

Genesis Energy offers a range of products, services and pricing plans to suit the needs of its residential, commercial and industrial customers.

Genesis Energy believes that high levels of customer service, 'keeping it simple' and putting customers in control of their accounts and the way they use energy, are key drivers of customer attraction and retention. To meet customer needs, the Company is offering a growing range of solutions, such as the online 'My Account', 'My Energy Coach' and the 'My-Meter' smartphone apps. Such services allow customers to view usage, receive bills online and manage payments. They also provide an access point for new features as they come to market.

Advanced Metering

As at 31 December 2013, approximately 355,000 (66%) of Genesis Energy's electricity customers were using advanced meters. These meters are owned by a subsidiary of Vector Limited, with Genesis Energy receiving the data from the meters. This enables Genesis Energy to provide accurate and up to date monthly billing and to roll out pricing and service plans that appeal to customers interested in monitoring and controlling their electricity usage. Advanced metering services also assist Genesis Energy with its objective of reducing the cost of serving its customers.

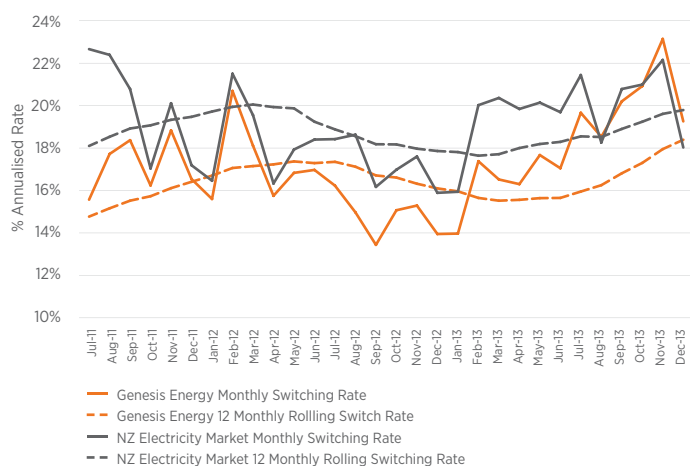
Keeping Customers for Longer

Although varying from month to month, Genesis Energy had an average electricity customer switching rate of 18% for the year to 31 December 2013 compared to an industry average of 20%.²⁷ Genesis Energy believes that its focus on delivering competitive prices, practical solutions and good customer service, together with its dual fuel offering helped keep its switching rate below the industry average. Keeping this rate down helps to reduce costs and improve margins for the Company.

²⁶ Based on Electricity Authority Customer Connections as at 31 December 2013.

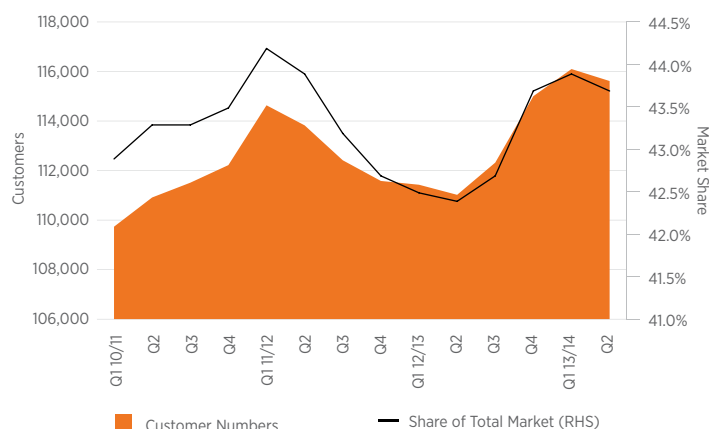
²⁷ Based on Electricity Authority switching history reports.

Genesis Energy vs. Electricity Market Customer Switching Rate



Source Electricity Authority – Customer Connections

Natural Gas Customers and Market Share



Source Gas Industry Company – Customer Connections

Benefits of Large Customer Base

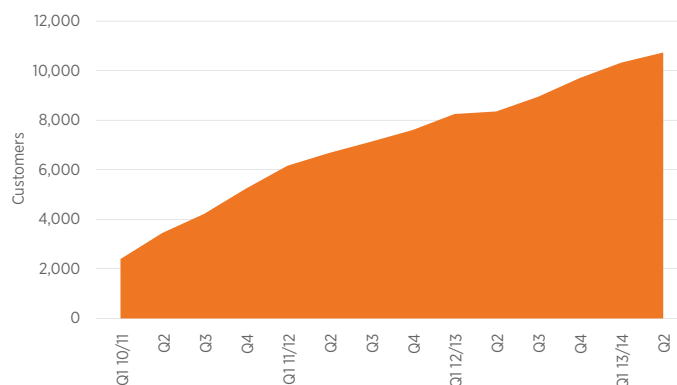
Genesis Energy's large customer base provides stable revenues that help protect its overall earnings from the impact of volatile wholesale electricity prices, since retail prices are largely independent of short-term wholesale electricity prices. This customer base also provides the Company with opportunities to lower its customer service costs and the potential to develop products and services in a cost-effective manner.

The Company has low financial exposure to any individual customer with no single customer representing more than 0.9% of the Group's revenue per annum.²⁸

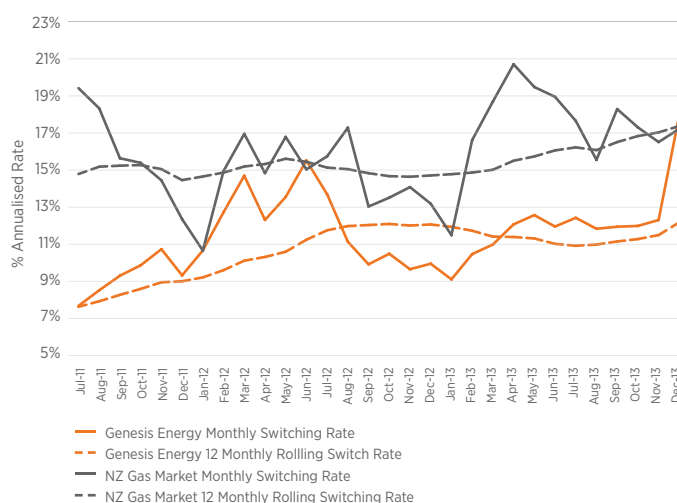
Gas and LPG Customers

Genesis Energy is the largest natural gas retailer in New Zealand with a 43.7% market share.²⁹ Since 2010, Genesis Energy has grown its natural gas and LPG customers numbers and sales volumes in both the retail and wholesale markets. In particular, LPG sales volumes have grown from 210 tonnes in FY2010 to 2,445 tonnes in FY2013 and natural gas volumes have increased from 9.5 PJ in FY2010 to 17.6 PJ in FY2013. As with its electricity business, the Company's natural gas customer switching rate is lower than is the industry average. Although varying from month to month, Genesis Energy had an average natural gas customer switching rate of 12% in 2013 compared to an industry average of 17%.

LPG Customers



Genesis Energy vs. Gas Market Customer Switching Rate



Source Gas Industry Company – Customer Connections

²⁸ As at 31 December 2013 and based on FY2013 revenue.

²⁹ Based on Gas Industry Company Customer Connections as at 31 December 2013.

ENERGY MANAGEMENT – GENERATION

Genesis Energy owns and operates a portfolio of Thermal Generation and Renewable Generation assets located in different parts of New Zealand. The spread of locations and fuel types in the portfolio gives Genesis Energy significant operating flexibility because:

- at Huntly Power Station, the Rankine Units can be run on gas or coal, Unit 5 runs on gas and Unit 6 can be run on gas or diesel; and
- the spread of the Company's hydro assets minimises its reliance on one water catchment area. The hydro stations provide flexibility for two further reasons. Firstly, they can start generating relatively quickly, and secondly, some water inflows into the Company's hydro catchment areas can be stored (for varying periods of time), which allows generation to be made available when desired as long as seasonal inflows are sufficient.

KUPE OIL AND GAS

Gas

Reflecting its 31% interest in the Kupe Joint Venture, Genesis Energy receives 31% of the natural gas produced. In addition, it has entered into long-term contracts with the other joint venture partners to purchase the remainder of the current natural gas produced and has rights in respect of all future production of natural gas from the Kupe oil and gas field. Genesis Energy sells natural gas to its retail customers in the North Island or uses it for electricity generation at the Huntly Power Station. The Company also sells surplus natural gas on the wholesale natural gas market.

Oil

Genesis Energy receives revenue from the sale of its 31% share of oil from Kupe. In 2012, Kupe produced approximately 11% of New Zealand's total production of oil and condensate. Approximately 95% of the oil and condensate produced in New Zealand in 2012 was exported.

LPG

LPG is a secondary product of oil and gas production. Genesis Energy receives 31% of the LPG produced by Kupe which it sells to its customers.

10

POWER STATIONS

KUPE OIL AND GAS FIELD

31%

INTEREST



HUNTLY

Site	Fuel Source	Capacity	Commissioned	Key Resource Consents Expire
Rankine Units	Gas or Coal	250 MW each	Between 1982 and 1985	2037
Unit 5	Gas	403 MW	2007	2037
Unit 6	Gas or Diesel	50.8 MW	2004	2037

APPROXIMATELY
17%
OF NEW ZEALAND'S
ELECTRICITY OUTPUT
IN 2013

32%
OF ELECTRICITY
PRODUCTION IN
2013 FROM
RENEWABLE
SOURCES

HAU NUI

Site	Fuel Source	Capacity	Commissioned	Key Resource Consents Expire
Stage 1	Wind	2.5 MW	1996	2030
Stage 2	Wind	4.8 MW	2004	2037

TONGARIRO

Site	Fuel Source	Capacity	Commissioned	Key Resource Consents Expire
Mangaio	Hydro	1.8 MW	2008	2039
Rangipo	Hydro	120 MW	1983	2039
Tokaanu	Hydro	240 MW	1973	2039

WAIKAREMOANA

Site	Fuel Source	Capacity	Commissioned	Key Resource Consents Expire
Tuai	Hydro	60 MW	1929	2032
Piripaua	Hydro	42 MW	1943	2032
Kaitawa	Hydro	36 MW	1948	2032

TEKAPO

Site	Fuel Source	Capacity	Commissioned	Key Resource Consents Expire
A	Hydro	25 MW	1951	2025
B	Hydro	154 MW	1977	2025



HUNTLY POWER STATION

New Zealand's Largest

The 1,203.8 MW Huntly Power Station is New Zealand's largest power station by capacity and is capable of providing over 20% of New Zealand's current electricity needs. This station is located close to major population centres, has reliable access to cooling water, coal and gas resources, and benefits from limited transmission constraints. This, together with long-term resource consents, means that the Huntly Power Station is expected to continue to provide Genesis Energy with both a valuable asset and a range of future development options.

The Huntly Power Station has the ability to provide Base-load generation while also being able to take advantage of higher prices in the short or medium-term. The mix of generating units described below is likely to change over time as older gas/coal fired generation units are placed into long-term storage, retired or replaced.

In addition, the Huntly Power Station plays an important role in supporting financial contracts offered by the Company to other retailers and large customers as dry period 'insurance', and in providing ancillary services such as frequency and voltage support.³⁰

GENERATION DEVELOPMENT PROSPECTS

It is not expected that significant additional electricity generation capacity will be required in New Zealand over the next three to five years. In the short term, Genesis Energy's focus is to maximise the efficiency of the Company's existing generation assets and fuel supplies, and to purchase from the wholesale market effectively, rather than to build new generation assets.

However, the Company has a diverse portfolio of longer term generation growth prospects to increase capacity or to displace high-cost generation in the future. These prospects include greenfield generation investments and opportunities for enhancing existing thermal, hydro and wind assets. Consistent with the Company's disciplined approach to the use of capital, these development prospects would only proceed if and when a project becomes economically viable.

An example is the Castle Hill Wind Farm, where Genesis Energy holds resource consents to establish the Castle Hill Wind Farm in the northern Wairarapa. The potential site covers more than 20,000 hectares and the consents allow up to 286 wind turbines with a potential generation capacity of up to 860 MW. Should this proceed, its scale is yet to be determined. The terms of the consents give Genesis Energy until 2023 to begin construction. Arrangements for transmission have not been established.

³⁰ See "Energy Management Trading" in this section for further information on such financial contracts.

HUNTLY POWER STATION (CONT.)

Currently, Huntly comprises the following units:

Unit 5 – 403 MW (Gas)

Unit 5 is a high-efficiency combined-cycle gas turbine, which was commissioned in 2007. Unit 5 is operated as Base-load generation with a flexible operating range. The total generation from Unit 5 and the Company's hydro stations broadly matches the Company's customer demand for electricity.

Rankine Units – Two 250 MW units (Gas/Coal) with an additional 250 MW unit in storage

The Rankine Units utilise boiler and steam turbine technology and are capable of using coal and gas to generate electricity. The two Rankine Units currently in service were commissioned between 1982 and 1985 and can each generate 250 MW. These units have the capacity to operate in a range of roles, including Base-load, Hydro-firming and Peaking.

A Rankine Unit was placed into long-term storage at the end of 2013, with the intention of lowering the overall overhead and maintenance costs of the three units, and improving the utilisation of the two remaining Rankine Units in service. This unit is stored at a level of readiness that could see it return to service, if required, within 90 days. However, the Company expects a return to three Rankine Units in active service would be considered only under exceptional circumstances.

The operation of a fourth Rankine Unit has ceased permanently and the Company has commenced the decommissioning process.

Unit 6 – 50.8 MW (Gas/Diesel)

Unit 6 is a 50.8 MW open cycle gas turbine, which was commissioned in 2004. This unit can burn 100% gas or diesel to generate electricity. Unit 6 is operated as a Peaking unit when wholesale electricity prices reach high levels or when it is economic to operate it over short periods.

Fuel Supply

Genesis Energy has fuel supply security at Huntly through a range of gas and coal contracts. Generally its gas supply contracts require a set volume to be purchased per year (known as a take or pay contract). You can find out more about Genesis Energy's take or pay contracts under the heading "Gas" below.

The Huntly Power Station is capable of storing up to four years of coal supply.³¹ Coal storage is important as it enables the Company to quickly increase generation output to mitigate gas supply interruptions, cover generation reductions from other sources and to take advantage of high wholesale electricity prices. As at 31 December 2013, Genesis Energy had a coal stockpile of 994 kT fully covering the amount of coal expected to be used in the Prospective Period.

Rights of and Obligations Owed to Waikato-Tainui

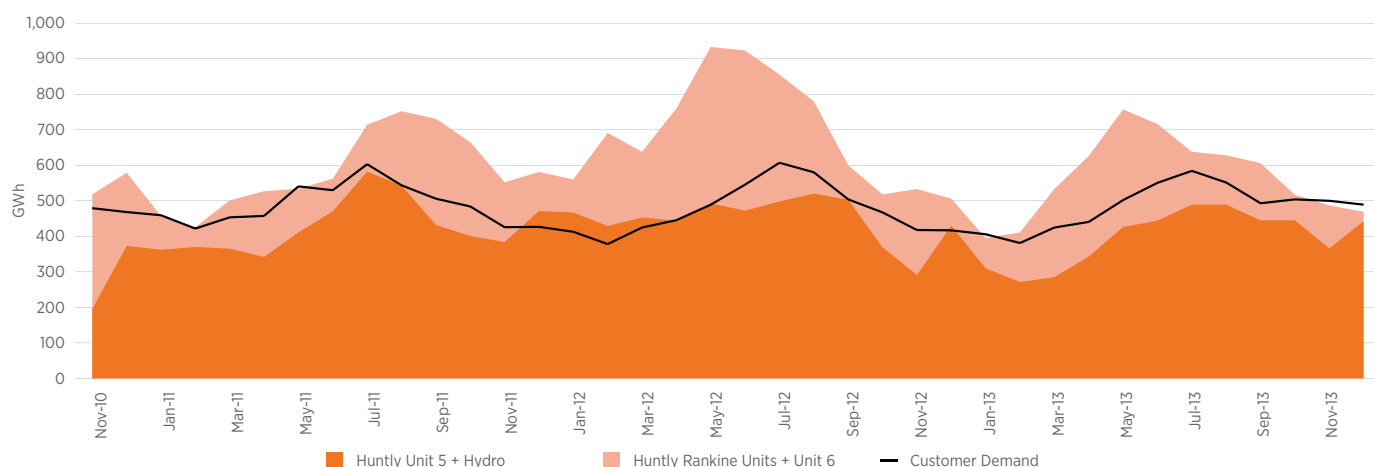
Genesis Energy leases the land on which the Huntly Power Station is located from Tainui Corporation Limited, a subsidiary of Tainui Group Holdings Limited, the commercial arm of Waikato-Tainui. Under the Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010, Genesis Energy must engage with Waikato-Tainui prior to the creation or disposition of any property right or interest in the Waikato River relating to an asset held by Genesis Energy (such as the Huntly Power Station). In addition under that Act, Waikato-Tainui has a right of first refusal in respect of Genesis Energy's lease of the Huntly Power Station (including fixtures and improvements at Huntly), if Genesis Energy proposes to transfer the Huntly Power Station or any part of it to a third party. This first right of refusal is not triggered by the Offer.

Resource Consents to 2037

In May 2012, 25 year resource consents were granted for the generation capacity at Huntly which secure the site's future as a long-term generation site of national significance. This reflects its critical role in supplying electricity and important ancillary services such as frequency and voltage support.

The chart below illustrates how Huntly Unit 5 and the Company's hydro stations broadly meet Genesis Energy's customer demand, while enabling the other Huntly units to be used to take advantage of higher-priced opportunities in the market.

Generation vs. Customer Demand

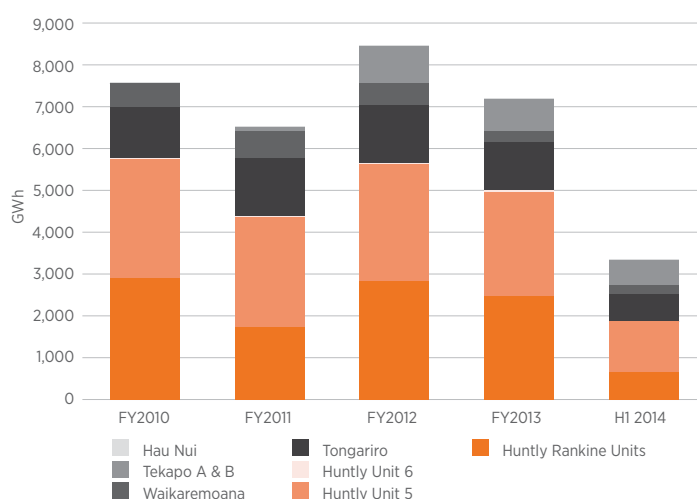


The amount of electricity produced from each asset depends on a wide range of factors that can change over time, including demand for electricity, climatic conditions, transmission constraints, fuel cost and availability, and competitor behaviour.

Electricity production from the Company's assets since FY2010 is shown in the chart on the next page. (Note that the Company acquired the Tekapo Power Stations only in 2011).

³¹ Based on forecasted coal use and stockpile capacity as at 31 December 2013.

Genesis Energy Annual Generation Profile



Tongariro Power Scheme

The 361.8 MW Tongariro Power Scheme comprises three hydro power stations – Rangipo (120 MW, underground), Tokaanu (240 MW) and Mangaio (1.8 MW).

The Tongariro Power Scheme has a catchment area of more than 2600 km² in the North Island's central volcanic plateau. The scheme gathers water from the mountains of the central plateau through what are known as the Eastern and Western Diversions of the Scheme. The water passes through a series of pipes, lakes, canals and/or tunnels to the Mangaio, Tokaanu and Rangipo hydro power stations before entering Lake Taupo.

Waikaremoana Hydro Scheme

The 138 MW Waikaremoana Hydro Scheme comprises three hydro power stations – Kaitawa (36 MW), Tuai (60 MW) and Piripaua (42 MW).

The Waikaremoana Hydro Scheme is located between Te Urewera National Park and Wairoa, along the upper 7 km of the Waikaretaheke River. Water from Lake Waikaremoana flows through tunnels to the Kaitawa Power Station and then into Lake Kaitawa before reaching the Tuai Power Station. From there, it flows into the man-made Lake Whakamarino and through the Piripaua Power Station, before being released into the Waikaretaheke River.

Tekapo Power Scheme

The 179 MW Tekapo Power Scheme has been owned and operated by Genesis Energy since 1 June 2011.

The Tekapo Power Scheme is located at the head of the Waitaki Valley in the Mackenzie District of the South Island. Water is taken from Lake Tekapo through an intake tunnel and generates electricity through Tekapo A Station (25 MW). Outflows from Tekapo A flow through the Tekapo canal before entering Tekapo B Power Station (154 MW). Tekapo B sits in the bed of Lake Pūkaki, with outflows entering Lake Pūkaki.

In September 2012, Genesis Energy commenced remediation work on the hydro canal connecting the Tekapo Power Scheme with the aim of preserving the serviceability of the canal for a further 50 years or more. The remediation work has had two phases: the first phase started on 9 January 2013 and was completed in April 2013; the second phase involved a planned 10-week outage of the canal scheduled to be completed in March 2014 but which was completed in 50 days.

Hau Nui Wind Farm

Genesis Energy's 7.3 MW 15-turbine Hau Nui Wind Farm was New Zealand's first commercial wind farm and has been operational since June 1996. The site is operated and maintained by Enercon and its local subcontractor Tenix Alliance.

Located in South Wairarapa, the Hau Nui Wind Farm was originally commissioned with seven turbines. Genesis Energy added an additional eight turbines in 2004.

The Company is investigating options for increasing the generation capacity at this site, thus taking advantage of the existing transmission infrastructure.

Fuel Supply

Gas

Genesis Energy has a portfolio of natural gas supply contracts under which it has committed to purchase various volumes of natural gas, for differing periods of time, from a number of different suppliers and from different gas fields in the Taranaki region. This diverse portfolio means that Genesis Energy is not reliant on one supplier or one field for its natural gas supplies and that its gas supply arrangements do not all terminate on the same date.

The Company has sufficient contracted natural gas to meet the fuel requirements of its existing Thermal Generation and customers until the end of the decade.

A feature of Genesis Energy's natural gas supply contracts is that the Company is able to nominate daily and weekly quantities and to adjust the volumes of gas it takes for planned plant outages within minimum and maximum take restrictions. This enables some flexibility for Genesis Energy to manage seasonal, operational and electricity-market-driven fluctuations in natural gas requirements. In addition, it provides Genesis Energy with the flexibility to increase its electricity generation levels in times of increased demand and high wholesale prices and to supply other natural gas users through short or longer-term gas contracts.

Another feature of Genesis Energy's natural gas supply contracts are take or pay provisions, which mean that Genesis Energy is required to pay for the majority of the gas volumes it has contracted to purchase, whether or not it takes the gas. Such provisions, including the long-term nature of these contracts, provide certainty for developers to invest in gas fields and are common practice in the New Zealand market.

In periods where customer demand for electricity is low due to seasonal, operational or electricity-market conditions, or when water inflows are high, it may be more economical for the Company to reduce gas fired generation and generate electricity from its own hydro or coal fired plant or to increase the amount of electricity purchased from the electricity market relative to the amount generated by Genesis Energy but the take or pay provisions instead may result in Genesis Energy using gas as fuel.

Genesis Energy entered into the majority of these arrangements to secure long-term gas supply in a period when the Company anticipated a scarcity of long-term gas supply, growth in electricity demand and the construction by Genesis Energy of new Thermal Generation plant. These outcomes have not occurred to the extent expected and, therefore, the Company has contracted to purchase more natural gas than it requires for the operation of its existing Thermal Generation plant and its retail customers' usage (this is called having a 'Long gas position' or being 'Long on gas').

Genesis Energy applies a range of measures to manage its Long gas position, including:

- electing to burn natural gas instead of coal in its Thermal Generation plant;
- onselling natural gas to industrial and commercial customers;
- offering more Thermal Generation into the wholesale electricity market than it would have done otherwise; and
- continuing to focus on growing retail gas sales volumes.

However, despite the measures referred to above, Genesis Energy's Long gas position had an adverse impact on the Company's financial performance during the period from mid FY2010 to FY2013. It is also forecast to have an adverse impact in the Prospective Period. These impacts have been incorporated into the historical and prospective financial information set out in *Section 6.0 Financial Information*.

The financial impact on Genesis Energy of having a Long gas position from 1 July 2015 is unknown as it will depend on a range of factors including the extent of its Long gas position and market conditions at the time.

Genesis Energy expects that the extent of its Long gas position will reduce between 2015 and 2020, and be eliminated by 2021.³²

Coal

Genesis Energy and Solid Energy amended and restated the existing coal supply agreement between them on 16 January 2014. The amendments are principally to align Genesis Energy's anticipated coal demand profile and flexibility requirements. In particular, the amendments reduce the annual contracted volume of coal, increase the unit price, increase the total amount of coal supplied (from 1,019 kT after 1 December 2013 to 1,480 kT) and extend the term of the coal supply agreement by three years to 30 June 2017 (with an option for Genesis Energy to forego the final year's coal supply if an early termination fee is paid by Genesis Energy). The amended and restated agreement is subject to Ministerial approval under section 41B of the Crown Minerals Act 1991. In the event Ministerial approval is not granted the amended and restated agreement would have no legal effect and the parties would revert to the existing coal supply agreement, which expires on 30 June 2014, and it is Genesis Energy's expectation that the parties would negotiate supply timeframes satisfactory to both parties.

Resource Management Act 1991 ("RMA")

The RMA regulates the use of New Zealand's natural and physical resources and generally requires that environmental approvals (usually resource consents) be obtained for the use of land, water, air and geothermal fluid and for any major electricity generation projects.

Resource consents must meet the RMA's purpose of promoting the sustainable management of natural and physical resources.

Usually resource consents to utilise water are issued for finite terms.

Resource consents to utilise wind are not required although the construction of wind farms does require consents and there are likely to be operational conditions, such as noise limits, that extend beyond the construction period.

Resource consents are not renewed automatically at expiry and new consents need to be applied for so that consented activities can continue.

The Minister for the Environment has the ability under the RMA to issue National Policy Statements ("NPS") which provide guidance, and National Environmental Standards ("NES"), which establish mandatory standards, for regulatory decision-makers. The NPS for Renewable Electricity Generation 2011 (which gives recognition to the benefits of renewable electricity generation), the NPS for Freshwater Management 2011 (which requires regional councils to set quality and quantity limits on freshwater usage, including for hydro generation) and (when introduced) the proposed NES on Ecological Flows and Water Levels (which aims to promote consistency across New Zealand in regulatory decision making on flows and water levels) can influence the issuance of resource consents in the energy sector.

ENERGY MANAGEMENT – TRADING

Genesis Energy aims to generate and contract electricity at the lowest cost to the Company to meet its customer demand. The Company also aims to maximise the value of its excess Thermal Generation capacity during periods of higher wholesale electricity prices.

Integrated Portfolio

Genesis Energy's mixture of Thermal Generation and Renewable Generation gives it the ability to take advantage of a range of wholesale electricity prices and market conditions. Genesis Energy can use coal and gas to fuel its Thermal Generation units to take advantage of periods of higher wholesale electricity prices. Alternatively, it can use Renewable Generation to generate electricity at a lower cost when water is abundant. The total capacity of Genesis Energy's generation assets usually more than covers the amount of energy required by its customers (this is called "Long Generation"). The Long Generation capacity is generally utilised in 'dry' periods when hydro generation volumes in New Zealand are lower and wholesale prices higher, or when other events such as transmission constraints result in relatively high wholesale prices. In addition, the Company can earn revenue from this generation capacity outside of a dry period by offering other retailers and large customers financial contracts that allow them to manage the risk of high wholesale electricity prices during such periods (effectively providing dry period 'insurance') in return for a fee.

³² The year in which the Long gas position peaks, and the profile for its reduction over the period 2015 to 2020, will depend on a range of factors, including the actual volumes of gas used for electricity generation and retail sales, whether Genesis Energy varies the quantity of contracted gas purchases and whether contingent reserves become firm at one of the gas fields from which the Company purchases gas.

In ‘wet’ periods when wholesale electricity prices are generally low, the Company seeks to cover its portfolio requirements for electricity at a lower cost through the wholesale electricity market and/or electricity futures market instead of running its own more-expensive Thermal Generation assets.

The relationship between the Company’s integrated portfolio and the main drivers of its financial performance are outlined further in *Section 6.1 Introduction to Genesis Energy’s Financial Information*.

Wholesale Market

Genesis Energy actively participates in both the New Zealand wholesale electricity market and the New Zealand Electricity Futures and Options market run by the ASX. The Company monitors movements in wholesale electricity pricing to take advantage of opportunities to buy and sell electricity positions and to support a number of risk-management products that the Company both offers into and buys from the market. In addition, Genesis Energy focuses on managing transmission price exposures created in locations where the Company has a retail position, but limited or no generation assets.

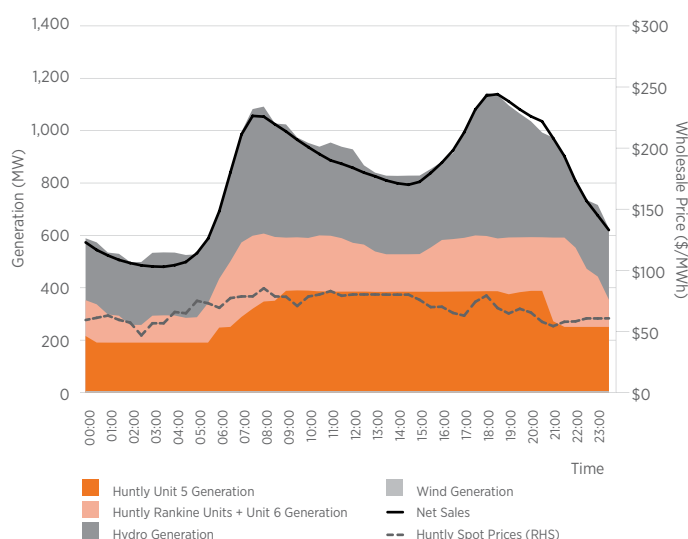
See “Significant Electricity Derivative Contracts” later in this section for examples of this type of contract.

Example of Daily Trading Profile

An example of a daily trading profile is shown on the right. It shows a time series of wholesale electricity prices across a day (5 August 2013)³³ progressively rising from a low of around \$46 per MWh at 2.30am to price highs of \$85 per MWh at 8.00am. Genesis Energy’s Huntly Unit 5, Tekapo A and B, and Rangipo (part of the Tongariro Power Scheme) tend to operate as Base-load, with other hydro and Thermal Generation plants (including the Rankine Units) providing additional supply during higher-priced periods between 6.00am and 11.00pm.

The black line shows Genesis Energy’s retail sales exposure (including financial electricity contracts) plotted relative to its generation output segmented by Huntly Unit 5, Rankine Units, wind and hydro. When net sales exceed generation (such as at 8.30pm in the example), Genesis Energy will be a net purchaser in the wholesale market to supply its customers. Conversely, where net sales are less than generation output, Genesis Energy will be a net seller of generation into the wholesale market. Genesis Energy improves the value from its portfolio when it can sell electricity from its hydro or higher-cost Thermal Generation to the wholesale market during high wholesale electricity price periods and, conversely, purchase electricity at lower wholesale prices to supply its retail customers.

Example of Genesis Energy Daily Trading Profile



Significant Electricity Derivative Contracts

Genesis Energy has entered into a number of electricity Derivative contracts with third parties, called contracts for difference (“CFDs”), to supply or receive electricity.

CFDs

A CFD is a means of managing the risk of the wholesale electricity price moving against the holder of the CFD or providing risk management in certain periods to market participants such as other generators and retailers and large customers. An electricity CFD does not result in the physical supply of electricity. It is an agreement where the parties agree to pay each other the difference between the wholesale electricity price (sometimes referred to as the ‘floating price’) and an agreed fixed price for a specified volume of electricity. One of the parties to the CFD will be the fixed price payer and the other will be the wholesale price payer. Generally, when the wholesale price is higher than the agreed fixed price, the wholesale price payer will make a payment based on the price difference as applied to the specified volume of electricity. Conversely, when the wholesale price is lower than the agreed fixed price, the fixed price payer will make a payment based on the price difference as applied to the specified volume of electricity.

A number of Genesis Energy’s significant long-term electricity Derivative contracts are CFDs arising from the Government’s 2010 electricity industry reforms. These reforms resulted in Genesis Energy, Meridian and Mighty River Power entering into ‘virtual asset swaps’ (“VASs”). These contracts, which are discussed further below, and Meridian’s sale of the Tekapo Power Scheme to Genesis Energy, were designed primarily to increase retail competition in the North and South Islands by allowing Meridian to compete more effectively in the North Island and Genesis Energy and Mighty River Power to compete more effectively in the South Island. The contracts seek to enhance retail competition by providing all three parties with wholesale price protection in the island where they have few or no generation assets.

³³ This day, 5 August 2013, has been selected as an example to illustrate the workings of the portfolio and is not intended to be representative of a typical day. Pricing data is normalised to the Huntly Node.

Genesis Energy also has a small number of other CFDs and caps and option contracts (both buy and sell). These are typically designed to assist in managing transmission price exposures in locations where third parties may control this risk. Genesis Energy sells a number of these contracts for areas close to its hydro plants (for example Waikaremoana or Tekapo) and buys contracts for areas where the Company has customers, but no generation assets. These transactions make up a small component of Genesis Energy's overall hedge book.

Virtual Asset Swaps

The Government's electricity industry reforms resulted in Genesis Energy, Meridian and Mighty River Power entering into VASs which commenced on 1 January 2011 for 15-year periods. The VASs are CFDs.

The VAS with Meridian is based on a volume of up to 450 GWh per annum, with the South Island component priced at the Benmore Node (where Genesis Energy is the fixed price payer and Meridian is the wholesale price payer) and the North Island component priced at the Huntly Node (where Genesis Energy is the wholesale price payer and Meridian is the fixed price payer). The volume of the VAS ramps up to 450 GWh over the first three years of the 15-year period and ramps down over the final three years.

The commercial effect of this contract is to capture unusual differences between electricity pricing in the North Island and in the South Island. The most likely reason for significant differences between pricing in the North and South Island would be transmission constraints around Transpower's transmission network.

If prices in the North Island are unusually high relative to those in the South Island in a particular month, Genesis Energy makes a payment to Meridian for the extra cost of buying electricity in the North Island. Similarly, if the prices in the North Island are unusually low relative to those in the South Island in a particular month, Meridian makes a payment to Genesis Energy.

This contract has not had a material impact historically on Genesis Energy's profitability.

Lead-in and long-term hedges

The lead-in hedge is a CFD between Genesis Energy (as wholesale price payer) and Meridian (as fixed price payer). The lead-in hedge runs from 2011 to 2014, with an initial notional volume of 482 GWh per annum in 2011 ramping down to zero at the end of 2014. It is priced and settled at the Benmore Node in the South Island.

The long-term hedge is also a CFD between Genesis Energy (as wholesale price payer) and Meridian (as fixed price payer) and was put in place as part of the Government's electricity market reforms in 2010. It is a complementary hedge to the lead-in hedge, in that, as the lead-in hedge ramps down, the long-term hedge ramps up. The long-term hedge runs from 2013 to 2025 and is based on a notional volume of up to 438 GWh per annum. It is priced and settled at the Huntly Node in the North Island. The long-term hedge has further enabled Meridian to build a retail position in the North Island. The amounts paid or received by Genesis Energy under these hedges vary from month to month depending on wholesale prices. The aggregate net amount settled under these hedges over the period FY2012 to FY2013 did not have a material impact on Genesis Energy's profitability during that period.

Meridian swaption

The Meridian 'swaption' was entered into between Genesis Energy and Meridian in October 2009 to provide Meridian with an additional tool to manage adverse hydrological conditions. The Meridian swaption is available to Meridian only between April and October each year and expires in October 2014. When the Meridian swaption is available, Meridian can (at its election) require Genesis Energy to enter into a CFD with a notional volume of up to approximately 1,000 GWh per annum (200 MW), with Meridian as the fixed price payer and Genesis Energy as the wholesale price payer. In return, Meridian pays Genesis Energy a fixed premium for every month that the swaption is available. If a CFD is entered into under the Meridian swaption, the CFD is priced and settled at the Huntly Node in the North Island. The volume in this contract is similar in size to that of a Rankine Unit output, and the option fee payment has been a useful proxy in determining the value to the market of a Rankine Unit's output from a dry year risk perspective. The prospective financial information ("PFI") in *Section 6.3 Prospective Financial Information* has been prepared on the assumption that the Meridian swaption will not be replaced with a similar instrument or instruments when it expires in October 2014.

The commercial effect of the Meridian swaption is that in a period where wholesale prices are low, such as FY2013, Genesis Energy receives a payment from Meridian for reducing Meridian's exposure to the risk of high electricity prices. In periods such as FY2013, Genesis Energy incurs little or no additional short-term marginal cost for providing this protection against the risk of high prices. However, in periods such as FY2012 where wholesale prices were high, Genesis Energy made a loss paying the difference between the wholesale price and the fixed price (although in FY2012 Genesis Energy made an overall gain on the swaption when the fixed premium paid by Meridian in that year is taken into account). Furthermore, periods such as FY2012 where wholesale prices are high are usually very profitable for Genesis Energy.

Tekapo canal contract

When Genesis Energy carries out remediation work on the Tekapo canal, it reduces water inflows to Lake Pūkaki; this can have a financial impact on Meridian. To address this, Meridian is party to another contract with Genesis Energy into which Meridian can opt effectively whenever Genesis Energy undertakes remediation work on the Tekapo canal. Prior to Genesis Energy undertaking such remediation work, Meridian is required to elect whether or not it requires the Tekapo canal contract to be available during the term of that work. If Meridian elects for it to be available, the Tekapo canal contract then, principally, has the same terms as does the Meridian swaption (except with a different premium and term). The Tekapo canal contract is available until 2017.

Meridian did not require the Tekapo canal contract to be activated during the Tekapo canal outage during January to April 2013, but it did activate the contract in March 2014 (the final month of planned work on the Tekapo canal remediation) having given notice that it may exercise this option.

Nga Awa Purua hedge

Genesis Energy has a CFD with the Nga Awa Purua geothermal joint venture where it is the fixed price payer for 30 MW of electricity for a five-year period starting on 1 July 2013. This transaction is an example of Genesis Energy choosing to enter into a financial contract as an alternative to utilising its existing assets to manage its customer demand requirements.

KUPE OIL AND GAS

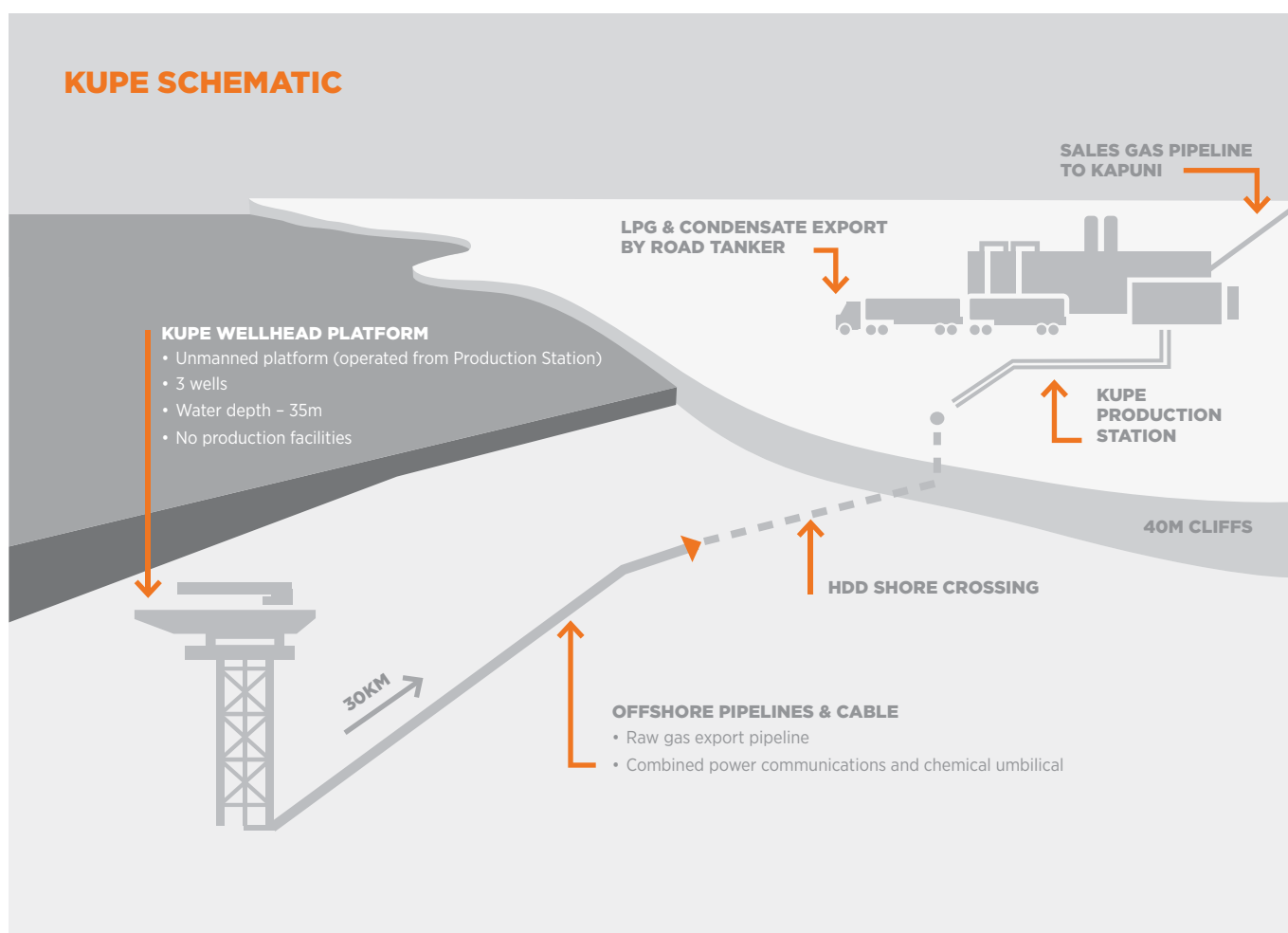
Genesis Energy, through three wholly owned subsidiaries, has a 31% interest in the Kupe Joint Venture, which owns the Kupe oil and gas field that lies in the offshore Taranaki basin. Kupe is an integral part of the Company's business and provides a diversified source of revenue for the Company. Genesis Energy is an active participant in the Kupe Joint Venture which gives it an opportunity to influence and share in any development of the Kupe oil and gas field.

In FY2013, this interest contributed approximately 32% of Genesis Energy's EBITDAF. Since starting commercial production in 2010, earnings from the Kupe Joint Venture have been consistent, in line with the stable production levels from Kupe. As at 31 December 2013, the book value of Genesis Energy's share of the Kupe oil and gas field assets was \$362.1 million, as valued on a historical cost basis.

The other Kupe Joint Venture participants are Origin Energy Limited (which, through its subsidiaries, has a 50% interest and is

the operator of the Kupe oil and gas field), New Zealand Oil & Gas Limited (which, through its subsidiaries, has a 15% interest) and Mitsui E&P Australia Pty Limited (which has a 4% interest).

Kupe's assets comprise three wellheads, an unmanned offshore platform, a 30 km pipeline and subsea utilities umbilical cable to an onshore production station near Hawera, oil storage facilities at New Plymouth and an onshore gas pipeline. Kupe commenced commercial production in March 2010 and is an important part of New Zealand's energy infrastructure. It is expected to meet approximately 11% of New Zealand's annual gas demand and approximately 50% of New Zealand's anticipated LPG demand until 2025. Kupe oil, natural gas and LPG production is driven by long-term natural gas contracts which provide for fixed annual production levels, however, volumes may vary from year to year due to natural decline, actual production rates and the timing of shipments.



Reserves

The initial Kupe reserves estimates were reviewed for the Kupe Joint Venture in July 2010 and June 2012. These reviews resulted in increases to the initial reserves estimates and an extension of the anticipated life of the field into the late 2020s.

Proved Reserves and Probable Reserves

	Ultimate Economical Recovery as at 30 June 2006	Ultimate Economical Recovery as at 30 June 2010	Ultimate Economical Recovery as at 30 June 2012	Total Extracted Production as at 30 June 2012	Proved Reserves and Probable Reserves as at 30 June 2012
Oil (million bbl)	14.7	18.6	18.3	4.7	13.6
Gas (PJ)	254	273	323	47	276.4
LPG (kT)	1,062	1,114	1,368	190	1,178

The Kupe Joint Venture's reserves estimates as at 30 June 2012 were reviewed by an independent expert, who found them to be reasonable. The independent expert provided updated reserves estimates as at 31 December 2013.

See Section 4.5 Independent Expert's Summary Report on Kupe Reserves and Resources for more information on this review, including the independent expert's reserves estimates for the field as at 31 December 2013.

Value of Upstream Integration

Genesis Energy's interest in Kupe provides an ongoing strategic position in the upstream oil and gas markets. This vertical integration is consistent with that of similar companies in Australia and the United Kingdom. Among other things, it gives Genesis Energy potential benefits in relation to fuel contracting, and the opportunity to influence and share in any future development of Kupe's contingent resources.

Further Development

Several options exist for development with the field, and for near-field exploration. A number of these options are currently being evaluated. Further decisions on option viability will be made if these mature into economic opportunities.

MANAGING IMPACT OF VOLATILITY

The key features of Genesis Energy's business described in this section of the Prospectus work in combination to enable the Company to manage the impacts of inherent volatility in the wholesale electricity price. These features include:

- the balance between customer electricity sales volumes and generation output from Unit 5 at Huntly and the Company's hydro generation;
- the geographical spread and flexibility of its generation assets;
- the ability to decrease generation and buy from the wholesale market when wholesale prices are low, and to increase generation when wholesale prices are high; and
- the diversification provided by the Company's interest in the Kupe oil and gas field.

These features are reflected in the way the Company's business can 'flex' in response to changing market conditions, and in the relationship between earnings and wholesale electricity prices.

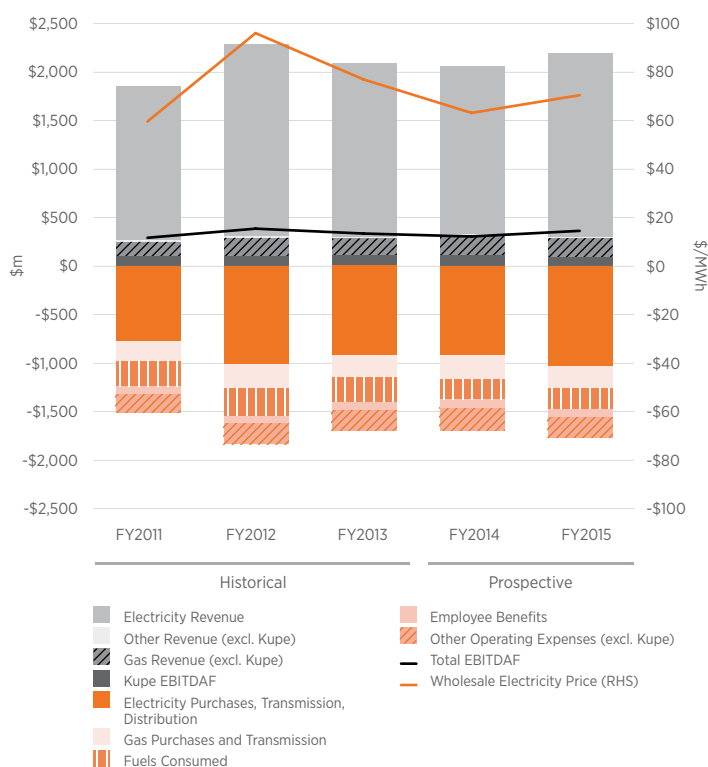
Portfolio Flexing

The chart below shows how Genesis Energy's portfolio can respond to changes in market conditions.³⁴ Examples of this flexing include:

- In FY2012, when wholesale electricity prices were high, electricity revenues increased, but this was off-set to some degree by higher electricity purchase costs and the increased cost of fuels consumed.
- In FY2011, the opposite occurred – namely, with lower wholesale electricity prices, electricity revenues decreased, electricity purchases and fuels consumed were lower.

As shown in the chart below, for the last three financial years (FY2011 to FY2013), and the prospective two years (FY2014 and FY2015), EBITDAF varies³⁵ less than the average annual wholesale electricity price.

EBITDAF Components and Wholesale Electricity Price



³⁴ Changes in market conditions include changes in hydrology inflows, storage, temperature and demand. Together, these are reflected in wholesale electricity prices over time.

³⁵ The variance of annual EBITDAF and average annual wholesale electricity prices is calculated by dividing the standard deviation by the mean of five years shown in the chart.

Relationship Between Earnings and Wholesale Prices

Another feature of the Company's business is the relationship between earnings and wholesale electricity prices over time.

The Company's scenario modelling³⁶ shows that Genesis Energy's EBITDAF exhibits low correlation with annual average wholesale prices between approximately \$30/MWh to \$75/MWh.

Above an average annual wholesale price of about \$75/MWh, which generally corresponds with drier than average conditions, the model shows that EBITDAF tends to increase and is reasonably correlated with increases in wholesale prices. This wholesale price of \$75/MWh and above broadly corresponds with price levels that enable the higher cost units at Huntly to run more profitably.

The Company's modelling also shows that about 92% of the EBITDAF calculations are within a range of plus or minus about 10% from the mean. In these terms, the modelling shows EBITDAF to be relatively consistent.

PEOPLE, COMMUNITY AND THE ENVIRONMENT

The health, safety and wellbeing of its employees are of paramount importance to Genesis Energy. The Company continually works to build enduring relationships with local communities, iwi and other stakeholders.

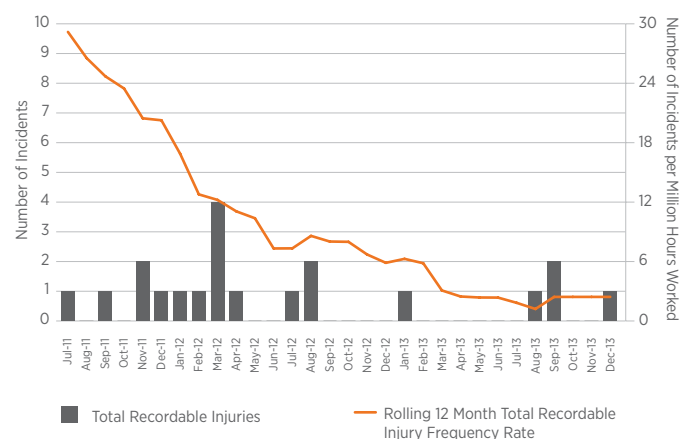
People

The quality of Genesis Energy's operational, safety and financial performance relies strongly on the well-being, capabilities and performance of its more than 900 employees. The Company's objective to become 'the place where talent wants to work' is supported by a focus on attracting the best and most talented people to the business and ensuring they stay by creating and maintaining a culture that ensures ongoing success.

Health and Safety

Given the nature of its business, and the importance of the Company's employees to the quality of the Company's performance, the health, safety and well-being of employees, contractors and others are of paramount importance to Genesis Energy. The Company continues to target world-class performance in health and safety and has recently implemented a number of initiatives to drive improvement in health and safety across all the Company's activities.

Genesis Energy's Safety Statistics



TRIFR is measured by number of incidents per million man hours worked

Engaging with the Community

Genesis Energy is committed to supporting the communities in which it operates, and focuses on initiatives that work to benefit the social well-being of communities, provide educational opportunities for young people or enhance the physical environment in which New Zealanders live and work.

Key community investment programmes include:

- the National Whio Recovery programme in association with the Department of Conservation;
- Schoolgen, which is a solar power and energy-efficiency programme run in schools nationwide;
- the roll-out of the Foundation for Youth Development's Kiwi Can programmes in a number of Huntly primary schools;
- Curtain Banks in Auckland, Wellington and Christchurch;
- funding for students to attend the Sir Edmund Hillary Outdoor Pursuits Centre of New Zealand; and
- supporting the 'Realise the Dream', The National School Science and Technology Awards.

In addition to these initiatives, there are a number of smaller, local sponsorships which support specific needs in and around the Company's generation assets.

Genesis Energy employees also play an important role in the Company's community support through its employee volunteering programme. Employees are encouraged to participate in group efforts one day a year to help out in community and environmental projects. The Company has set, and has achieved, a target of 40% of staff members participating in such volunteering activities.

Working with Key Stakeholders

Genesis Energy has relationships with a range of key stakeholders, particularly iwi and local businesses and community groups.

The Company seeks to have proactive and constructive relationships with iwi in relation to matters of mutual interest within their respective rohe. The types of relationships that Genesis Energy has with iwi are many and varied, from being a tenant on Māori-owned land, to agreements on how the two parties will work together to address effects of the Company's activities on iwi, to proactive initiatives that support hapū/iwi development, while also creating wider environmental and community benefits.

Environmental Management

Genesis Energy understands that the way in which it operates leaves an environmental footprint, whether as a result of emissions from fuel used at Huntly Power Station, emissions from vehicles used for staff travel or the impact on the natural habitats around the Company's generation sites. The Company's environmental performance measures and targets include zero abatement, infringement and enforcement notices under the RMA. In 2013, Genesis Energy received no such notices.

The Company continues to review ways in which it can minimise its footprint through sustainably managing the use, development and protection of natural and physical resources affected by its activities.

³⁶ Using its scenario modelling tools, the Company calculated a range of theoretical EBITDAFs based on the last 79 years of hydrology data. This scenario analysis is different from the sensitivity analysis set out in Section 6.3.4 Sensitivity Analysis.

4.2 BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

BOARD OF DIRECTORS

As at the date of this Prospectus, Genesis Energy's board consists of seven non-executive directors including a Chairman, Deputy Chairman and five other directors. The board has determined that, in its view, all of the directors are independent directors for the purposes of the NZX Listing Rules.



John Dell

Rukumoana
Schaaflhausen

Andrew Clements

Joanna Perry
Deputy Chairman

John Leuchars

Rt Hon Dame
Jenny Shipley
Chairman

Graeme Milne

EXECUTIVE MANAGEMENT TEAM



Maureen Shaddick
General Counsel and
Company Secretary

Andrew Donaldson
Chief Financial Officer

Albert Brantley
Chief Executive

Dean Schmidt
General Manager
Strategy and
Corporate Affairs

Michael Fuge
Chief Operating
Officer

Andrew Steele
General Manager
People and Safety

BOARD OF DIRECTORS

Rt Hon Dame Jenny Shipley

Chairman of the Board

DNZM

Dame Jenny Shipley has been Chairman of Genesis Energy since November 2009. She is the Chairman of the Company's Nominations Committee and is also a member of the Company's Audit and Risk Committee and Human Resources and Remuneration Committee. Dame Jenny is Chairman of Momentum Holdings Limited, Seniors Money International Limited and the Financial Services Council of New Zealand. Dame Jenny is also a director of Trans-Tasman Resources Limited and recently retired, having completed a six-year term, as a director on the Hong Kong and Shanghai-listed China Construction Bank.

Dame Jenny was Prime Minister of New Zealand from 1997 to 1999 and in the preceding seven years she was a Minister in the New Zealand Government and responsible for various portfolios including Minister for State Owned Enterprises. In both roles she was involved in the split of ECNZ and the sell-down of the shares in Contact Energy Limited. Dame Jenny is a member of the Canterbury Earthquake Recovery Authority review panel, Chair of Global Women NZ, Co-Chair of Women Corporate Directors, Vice-President of the Club of Madrid and a member of the World Women's Leadership Council.

Dame Jenny is a former director of Mainzeal Property and Construction Limited (resigned 31 December 2012), its parent company Mainzeal Group Limited (resigned 5 February 2013) and a number of their associated companies. Mainzeal Property and Construction Limited, Mainzeal Group Limited and a number of their associated companies were placed in receivership and/or liquidation in February 2013.

Joanna Perry

Deputy Chairman of the Board

MNZM, MA Econ (Cantab), FCA

Joanna Perry joined the Genesis Energy board in May 2007 and was appointed Deputy Chairman in May 2009. She is Chairman of the Audit and Risk Committee and a member of the Nominations Committee.

Joanna is a professional director whose current governance appointments include Trade Me Group Limited, Partners Group Holdings Limited, Kiwi Property Management Limited, The Co-operative Bank Limited, Tainui Group Holdings Limited, Rowing New Zealand and Sport and Recreation New Zealand. She is Chairman of the Investment Advisory Panel of the Primary Growth Partnership.

Joanna will be a member of the IFRS Interpretations Committee until 31 March 2014 and will assume Chairmanship of the IFRS Advisory Council from 1 April 2014.

She was previously a partner in the international accountancy and consultancy firm KPMG (17 years), a member, then Chairman, of the New Zealand Financial Reporting Standards Board (11 years) and a member of the Securities Commission (11 years).

Andrew Clements

BCom

Andrew Clements, known as Clem, was appointed to the Genesis Energy board in July 2012 and chairs the Company's Human

Resources and Remuneration Committee. Clem is an investor and professional director. He is Chairman of Orion Corporation Limited and currently Chairman of New Zealand Assets Management Limited and Amadeus Asset Administration Limited from which he will retire on 28 March 2014. Clem is a director of NZX-listed Ryman Healthcare Limited. He is also the Chairman of the New Zealand Football Foundation. He was previously director of Emerald Capital Limited, a Canadian-owned investment company, until 2008. Prior experience includes nine years with Goodman Fielder Wattie in various financial and general management positions in New Zealand and Asia, following corporate money market and foreign exchange positions in New Zealand and London. Clem will retire as a director of Genesis Energy at the 2014 Annual Meeting and will not be standing for re-election.

John Dell

BCom (Hons), CA

John Dell was appointed to the Genesis Energy board in May 2010 and is a member of the Company's Audit and Risk Committee and Human Resources and Remuneration Committee. John is a professional director, with current appointments including Higgins Group Holdings Limited, Viridian Glass GP Limited and Unimarket Holdings Limited. He has experience in executive finance and strategic management having previously held executive positions as Chief Financial Officer and Chief Executive Officer of Tenon Limited (formerly Fletcher Challenge Forests Limited) and as Chief Financial Officer of Air New Zealand Limited. While acting in his capacity as Chief Financial Officer of Air New Zealand Limited, John served as a director of several subsidiaries in the Ansett New Zealand Group. The Ansett New Zealand Group went into liquidation in 2001. Prior to his corporate roles, John worked for KPMG.

John Leuchars

ME, BCA, FIPENZ

John Leuchars joined the Genesis Energy board in July 2012 and is a member of the Company's Audit and Risk Committee. He is a professional company director. John was a consulting engineer who held director and managing director positions in international consulting engineering companies for 30 years. These included managing director of Connell Wagner (NZ) Limited (now Aurecon) and of Connell Mott MacDonald, London. He has experience in a broad range of industries including the design of power generation projects in a hands on design role or at a governance level. John is currently a director of KiwiRail Holdings Limited.

Graeme Milne

ONZM, BTech (Biotech) Hons

Graeme Milne was appointed to the Genesis Energy board in May 2009 and is a member of the Company's Nominations Committee. He is a professional director and is the Chairman of a number of New Zealand-based entities, including Synlait Milk Limited, New Zealand Pharmaceuticals Limited, John's Disease Research Limited, TerraCare Fertilisers Limited, Rimanui Farms Limited and Pacific T&R Limited, and holds directorships in the New Zealand Institute for Rare Disease Research Limited, Alliance Group Limited and FMG Insurance.

Graeme was a director of NZX-listed distribution company Horizon Energy Distribution Limited for seven years prior to joining the board of Genesis Energy.

Rukumoana Schaafhausen

LLB

Rukumoana Schaafhausen was appointed to the Genesis Energy board in May 2010 and is a member of the Company's Audit and Risk Committee. She serves as a director and executive member on a number of boards including Regional Facilities Auckland Limited, Te Waharoa Investments Limited and Waikato-Tainui Te Kauhanganui Incorporated (the Trustee of the Waikato Raupatu Lands Trust and Waikato Raupatu River Trust). Rukumoana chairs Te Kauhanganui Incorporated's Group Audit and Risk Committee. She has practised as a lawyer for a number of years in the areas of governance and property and previously worked as Group Counsel for a large-scale property development company. Rukumoana is of Waikato-Tainui descent.

EXECUTIVE MANAGEMENT TEAM

Albert Brantley

Chief Executive

BSc, P.Geol, F.AuSIMM

Albert Brantley is responsible for the leadership, strategic direction and management of all of Genesis Energy's business interests. Appointed in 2008, Albert has an in-depth knowledge of the oil and gas industry, minerals extraction and processing sector and the power generation sector from long-standing experience, both internationally and in New Zealand, in technical, operational and corporate management positions, many of which included director appointments. He has operated at the managing director or Chief Executive level for most of the past 20 years.

Albert has considerable experience leading operationally complex businesses which require high levels of stakeholder, political, regulatory and environmental management across a number of countries and geographies, and has led publicly listed companies as well as development and operating companies in joint partnership with Governments and state-owned companies.

Andrew Donaldson

Chief Financial Officer

BMS, CA

As Chief Financial Officer, Andrew Donaldson is responsible for directing all financial aspects of Genesis Energy. He was appointed in 2011 and brings significant national and international experience and expertise to the Company.

Andrew has served as a director for a number of companies and, prior to joining Genesis Energy, was Chief Executive of SmartPay, an NZX-listed company. Before that, he was the Managing Director of Brightstar NZ and held senior finance roles at multinationals such as Tiscali UK (formerly World Online) and Atlas Venture UK, and at Telecom.

Michael Fuge

Chief Operating Officer

MCom (Hons), BEng (Hons), MIPENZ

Mike Fuge has overall responsibility for the Customer Experience and Energy Management business operations, as well as oversight of Genesis Energy's investment in the Kupe Joint Venture.

Mike has an extensive international background in upstream energy and telecommunications having worked in senior roles in Shell International, Shell UK Exploration and Production, Petroleum

Development Oman and Brunei Shell Petroleum, and has working experience in Malaysia, Nigeria, Syria and Singapore. He most recently was a senior general manager with Telecom.

Dean Schmidt

General Manager Strategy and Corporate Affairs

BA (Hons)

As General Manager Strategy and Corporate Affairs, Dean Schmidt leads Genesis Energy's corporate strategy and commercial development functions along with managing corporate communications, Government and regulatory affairs, public relations and community investment programmes. Having joined Genesis Energy in August 2012, Dean brings political, private sector and SOE experience to the Company.

Dean has served as Head of Corporate Affairs at Television New Zealand Limited, Group Corporate Affairs Manager for New Zealand Post Group and Head of Government and Community Relations at Telecom during periods of regulatory and business change. Prior to these roles, he spent a number of years working as a private secretary in the New Zealand Parliament.

Maureen Shaddick

General Counsel and Company Secretary

LLB, BA

As General Counsel, Maureen Shaddick is responsible for management of the provision of legal services to Genesis Energy along with providing legal compliance and regulatory support. She is also Company Secretary to the Genesis Energy board.

Prior to joining Genesis Energy in 1999, Maureen worked as a commercial and construction lawyer focused on heavy industry and property in both private practice and in-house corporate roles in Wellington, Dubai and London.

Andrew Steele

General Manager People and Safety

BCom

Andrew Steele leads the People and Capability, Health, Safety and Quality, Internal Communications and Property and Administration teams at Genesis Energy.

Before joining Genesis Energy, Andrew worked in a number of senior executive roles for listed companies across New Zealand and Australia (including QSuper, Suncorp, Fonterra and Telecom). In addition, he developed experience in the utility sector through his own trans-Tasman specialist people management consultancy and in previous roles in New Zealand and the United Kingdom.

CORPORATE GOVERNANCE

The board is committed to maintaining the highest standards of governance, business behaviour and accountability in order to promote investor confidence. Consistent with this commitment, the board has endorsed the Corporate Governance Best Practice Code set out in the NZX Listing Rules and ASX Listing Rules and the ASX Corporate Governance Principles and Recommendations. In addition, the board has approved policies and practices which aim to reflect best practice standards of governance in New Zealand and Australia.

The board is responsible for the proper direction and control of the affairs and activities of Genesis Energy and its subsidiaries. The board recognises that its primary role is to create long-term value for Shareholders while having regard to the interests of its employees and other stakeholders. The board is accountable to Shareholders for Genesis Energy's performance.

The board's general responsibilities include:

- approving the strategic direction of Genesis Energy and its subsidiaries and overseeing the corresponding business strategies and objectives that give effect to the Company's strategic direction;
- overseeing the operation of Genesis Energy's business and ensuring that it is being managed appropriately;
- reviewing and approving Genesis Energy's budgets, business plans, dividend policy and financial forecasts, and monitoring the management of the Company's capital, including the progress of any significant capital expenditure, acquisition or divestments;
- monitoring the financial performance of Genesis Energy;
- monitoring the integrity of reporting and establishing procedures to ensure the timely and accurate reporting of financial results consistent with all legal and regulatory requirements;
- delegating the day-to-day operation of Genesis Energy to the Chief Executive and senior managers subject to specific limits of authority;
- approving and regularly reviewing Genesis Energy's internal decision-making processes and any strategic policies and procedures, including any board committee charters;
- adopting frameworks and systems designed to facilitate Genesis Energy's business being conducted in an honest, ethical, responsible and safe manner with particular regard to the health and safety of Genesis Energy's employees;
- implementing effective audit, risk-management and compliance systems to protect Genesis Energy's assets and minimise the possibility of the Company operating beyond legal requirements or beyond acceptable risk parameters;
- safeguarding the reputation of Genesis Energy and the Genesis Energy brand;
- appointing and managing the succession of the Chief Executive and reviewing the remuneration and performance of the Chief Executive consistent with Genesis Energy's strategic direction;
- monitoring the appointment, remuneration and performance of other key roles within the business and reviewing succession planning; and
- reporting to and communicating with Shareholders.

The Chief Executive and the Executive Leadership team are responsible for:

- developing and making recommendations to the board on Company strategies and specific strategic initiatives;
- the management and implementation of strategies approved by the board;
- the implementation of board-approved policies and reporting procedures;
- the management of business risk in accordance with risk appetite approved by the board; and
- the day-to-day management of Genesis Energy.

These responsibilities are subject to the board's delegations of authority to the Chief Executive and senior executives and such other rights and powers reserved to the board from time to time.

Board Charter

The board has adopted a charter recording its commitment to achieving best-practice corporate governance ("Charter"). The Charter describes the specific responsibilities, values, principles and practices that underpin the role of directors on the Genesis Energy board. The Charter does not attempt to provide a complete record of all of the formal and informal rules associated with the role of the board and should be read in conjunction with the Constitution and relevant laws, regulations, codes and guidelines.

Board Committees

The board has three standing committees: the Audit and Risk Committee, the Human Resources and Remuneration Committee and the Nominations Committee. These committees examine detailed information and proposals on matters within the terms of reference of the committees.

The board may establish other committees from time to time to assist it in carrying out its responsibilities or to consider or monitor specific projects or issues. Each of these committees will have terms of reference that set out the delegated function, responsibility and purpose of the committee. The chair and members of any such committee are appointed by the board.

While a committee may make recommendations to the board, no committee will take action or make decisions on behalf of the board unless specifically authorised to do so by the board.

Audit and Risk Committee

The principal purpose of the Audit and Risk Committee is to assist the board in the proper and efficient discharge of its responsibilities in relation to:

- the integrity of external financial reporting prepared by management;
- financial management;
- internal control systems;
- accounting policy and practice;
- appointment and performance of internal and external auditors;
- related-party transactions;
- the risk-management framework and the monitoring of compliance within that framework; and
- compliance with applicable laws, regulations and standards, codes of practice, the NZX Listing Rules and the ASX Listing Rules.

The current members of the Audit and Risk Committee are Joanna Perry (Chair), Dame Jenny Shipley, John Dell, John Leuchars and Rukumoana Schaafhausen.

Human Resources and Remuneration Committee

The principal purpose of the Human Resources and Remuneration Committee is to assist the board in the discharge of its responsibilities and oversight in relation to:

- the remuneration and performance of the Chief Executive and senior executives;
- the remuneration of directors; and
- the Company's human resources strategy and policy.

The current members of the Human Resources and Remuneration Committee are Andrew Clements (Chair), Dame Jenny Shipley and John Dell.

Nominations Committee

The purpose of the Nominations Committee is to assist the board in discharging its responsibilities in relation to:

- board succession planning;
- monitoring the appropriate balance of skills, experience, independence and knowledge of the board to enable it to effectively discharge its duties and responsibilities; and
- identifying suitable prospective directors for shareholder selection and preparing those directors for their role within the Company.

The current members of the Nominations Committee are Dame Jenny Shipley (Chair), Joanna Perry and Graeme Milne.

Board Policies and Practices

Key policies and practices adopted by Genesis Energy, which will be effective from listing, are summarised below.

Code of Conduct and Ethics

The board has adopted a Code of Conduct and Ethics for Genesis Energy which is a formal statement acknowledging the commitment of the board, management and staff of Genesis Energy to maintaining the highest standards of honesty, integrity and ethical conduct in their day-to-day behaviour and decision-making at Genesis Energy. The Code of Conduct and Ethics provides guidance on values, standards and policies, and ethical and legal obligations to facilitate behaviour and decision-making that meet the Company's business goals.

Health and safety

The board is committed to a goal of zero harm to employees and others who may be affected by the Company's operations. Genesis Energy believes that outstanding business performance requires outstanding health, safety and well-being performance and that all injuries are preventable.

The board recognises its responsibility for providing governance of Genesis Energy's Health, Safety and Well-being Framework, Strategy and Policy, and determining how the Company measures and reports health, safety and well-being.

Market disclosure

As Genesis Energy has debt securities quoted on the NZX Debt Market, it must comply with the NZX Debt Market Listing Rules. From the date its Shares are quoted on the NZX Main Board and ASX, Genesis Energy will be required also to comply with the NZX Listing Rules and ASX Listing Rules and the disclosure requirements of securities and other laws in New Zealand and Australia. Genesis Energy is committed to notifying the market of any material information related to its business required by applicable listing rules. The Company has adopted a Market

Disclosure Policy that establishes procedures which are aimed at ensuring directors and management are aware of and fulfil their disclosure obligations under the NZX Listing Rules and ASX Listing Rules. Genesis Energy's Disclosure Committee (made up of senior executives) is responsible for ensuring that the Company complies with its disclosure obligations.

Stakeholder communications

Genesis Energy is mindful of the need to keep stakeholders informed through a timely, clear and balanced approach which communicates both positive and negative news.

The Company is committed to providing a high standard of communication to its Shareholders and other stakeholders and to ensuring that they have available all information reasonably required in order to make informed assessments of Genesis Energy's value and prospects. Genesis Energy believes that effective communication is achieved by providing equal access to timely, accurate and complete information.

Trading in securities

Genesis Energy has adopted a Trading in Company Securities Policy which details the Company's policy on, and rules for, trading in Company Securities (including the Shares) and trading in New Zealand electricity futures listed on the ASX. The policy applies to directors, officers, employees, contractors and secondees and is additional to the legal prohibitions on insider trading in New Zealand and Australia.

Risk management

The identification and effective management of Genesis Energy's risks are priorities for the board. The board is responsible for overseeing and approving the risk-management strategy and policies, as well as ensuring that effective audit, risk-management and compliance systems are in place. The Audit and Risk Committee assists the board in fulfilling its risk-assurance and audit responsibilities.

Genesis Energy has in place an enterprise-wide Risk-management Framework and Policy which is supported by a set of risk policies appropriate for its business, including a Market Risk Policy, a Credit Risk Policy, a Treasury Management Policy, a Compliance Policy and a Delegations of Authority Policy. The principal purpose of the enterprise-wide Risk-management Framework and Policy is to integrate risk management into Genesis Energy's operations, and to formalise risk-management as part of the Company's internal control and corporate governance arrangements.

Credit rating

Genesis Energy targets a long-term credit rating of BBB+ from Standard & Poor's (Australia) Pty. Ltd ("S&P").

A long-term credit rating is an expression of the general creditworthiness and credit quality of an entity based on an analysis of quantitative and qualitative metrics and refers to its ability and willingness to honour its existing debt responsibilities. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency. A credit rating is not a guarantee that the Shares being offered are safe investments. Credit ratings should be considered alongside all other relevant information when making an investment decision.

S&P gives ratings from “AAA” through to “D”, as set out in the table below.

Rating	AAA	AA	A	BBB	BB	B	CCC	CC	C	D
Capacity to meet financial commitments	Extremely strong	Very strong	Strong	Adequate	Less vulnerable	More vulnerable	Currently vulnerable	Currently highly vulnerable	Bankruptcy initiated	Payments default

Ratings from “AA” to “CCC” may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. Ratings may also be subject to positive, negative or stable outlooks.

Genesis Energy’s BBB+ long-term credit rating (with a stable outlook) is one notch higher than is its stand-alone credit profile rating (BBB); this reflects S&P’s view of the benefit of the Company’s status as a Government-owned entity.

S&P has noted that the rating is likely to be maintained at one notch higher while the Crown owns more than 50% of Genesis Energy. On the S&P long-term rating scale, the stand-alone BBB rating indicates that the entity has adequate capacity to meet its financial commitments, but adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to meet its financial commitments than would be the case for a higher-rated entity.

DIVIDEND POLICY

Dividends and other distributions with respect to the Shares are made only at the discretion of the board of Genesis Energy. The payment of dividends is not guaranteed and Genesis Energy’s dividend policy may change. The board’s decisions in relation to the level of reserves and retentions may affect any dividends or distributions you receive from the Shares.

In determining dividends payable to Shareholders, Genesis Energy will comply with the solvency test specified in the Companies Act.

Under ordinary business circumstances, the dividend to be declared is determined by reference to Genesis Energy’s:

- working capital requirements;
- medium-term fixed asset expenditure programme;
- investment in new business opportunities; and
- risk profile, taking into account the sustainable financial structure for the business and considering predictions of short and medium-term economic and market conditions.

Subject to the above circumstances that, from year to year, may affect the quantum of dividend paid, it is Genesis Energy’s intention to pay a dividend that provides Shareholders with a consistent, reliable and attractive dividend even in periods of business-cycle downturn. It is intended that, year on year, the dollar amount of ordinary dividend payments will be at least maintained in real terms.

Genesis Energy intends to pay dividends semi-annually, typically in April and October of each year.

DIRECTOR INTERESTS

Director Remuneration

No director is entitled to any remuneration from Genesis Energy except for directors’ fees and reasonable travelling, accommodation and other expenses incurred in the course of performing duties or exercising powers as directors. The Shareholding Ministers, as the sole Shareholders of Genesis Energy, have approved annual fees of \$80,000 for each director, \$145,000 for the Chairman, \$100,000 for the Deputy Chairman and an additional aggregate allowance of \$80,000 for board committee work. These fees take effect from the date on which Genesis Energy’s Shares are quoted on NZX. Prior to this, the Shareholding Ministers, as the sole Shareholders of Genesis Energy, agreed to the payment by Genesis Energy of additional fees of up to \$190,000 in the year beginning 1 July 2013 to compensate directors for additional work required in preparation for this Offer.

Director Shareholdings

Directors may apply for Shares under the Retail Offer, in the same manner as may any New Zealand Applicant. To the extent that any directors acquire Shares those acquisitions must be disclosed to the market as required by law.

EMPLOYEE REMUNERATION AND SHARE PLANS

Genesis Energy’s remuneration strategy aims to attract, motivate and retain talented employees at all levels of the Company. Genesis Energy’s framework seeks to align the interests of its Shareholders and employees, whilst driving performance and growth in Shareholder value and return. This strategy is supported by a performance-based remuneration system that, among other things, seeks to align individual employee objectives with Genesis Energy’s strategic and business goals.

Executive Remuneration

Genesis Energy’s total remuneration policy for its executives provides the opportunity for them to be paid, where performance merits, in the median to upper quartile for equivalent market-matched roles. In determining an executive’s total remuneration, external benchmarking is undertaken to ensure comparability and competitiveness, along with consideration of the individual’s performance, skills, expertise and experiences. The Human Resources and Remuneration Committee reviews annual performance review programmes for the executives and uses external market information, from international external providers, when considering remuneration arrangements.

Executive total remuneration is currently made up of two components: fixed remuneration and short-term performance incentives.

Fixed remuneration

Fixed remuneration consists of base salary and benefits (superannuation and insurances). Genesis Energy's policy is to pay fixed remuneration for executives based on the market median.

Short-term performance incentives

Short-term performance incentives are at-risk payments aligned to annual performance score-cards and individual measures for eligible executives. The score-cards define objectives and measures in the areas of financial performance and returns, customers, processes and operational excellence, and people and safety. All measures link directly to Genesis Energy's business strategies. Each short-term performance incentive remuneration target is expressed as a percentage of base salary and is set and evaluated annually.

Chief Executive employment agreement

Genesis Energy has entered into an employment agreement with Albert Brantley in relation to his employment with Genesis Energy as Chief Executive. The Chief Executive receives an annual fixed remuneration of \$959,000. He is also entitled to receive up to 44% of his annual base salary in the form of a short-term incentive that is payable at the discretion of the board of Genesis Energy. The amount of the short-term incentive payment will be based on the achievement by the Chief Executive of certain Company and individual performance hurdles in the previous financial year. The Chief Executive is a member of KiwiSaver, so he receives matched employer contributions of 4%.

Once Genesis Energy is listed on the NZX Main Board, the Chief Executive will be entitled to participate in the Executive LTI Plan, a description of which is set out under the heading "Executive Long-term Incentive Plan" below. The total remuneration of the Chief Executive may be reviewed each financial year at the discretion of the board of Genesis Energy.

The Chief Executive is entitled on satisfaction of certain conditions, to a one-off retention and performance payment of \$300,000 (gross) following this Offer.

Mr Brantley will be employed as Chief Executive until his employment is terminated in accordance with his employment agreement. Pursuant to the employment agreement, the Chief Executive and Genesis Energy have mutual rights of termination on the provision of six months' written notice. Genesis Energy may also terminate the Chief Executive's employment on the grounds of redundancy, serious misconduct and ill health. In addition, Genesis Energy may terminate the Chief Executive's employment where the board considers it to be in the interests of Genesis Energy, in which case the Chief Executive would be entitled to a payment equivalent to six months' fixed remuneration over and above any other payment due upon termination.

Mr Brantley has also agreed to non-solicitation and non-inducement commitments (applying to Genesis Energy's customers, clients, contractors, staff and directors). These commitments apply for six months after the end of his employment as Chief Executive.

Executive Long-term Incentive Plan

A new long-term incentive plan is being implemented for the Executive Management team in conjunction with this Offer, to enhance the alignment between Shareholders and those executives most able to influence financial results after the Company has been listed on the NZX and ASX.

Under the new Executive LTI Plan, executives purchase Shares funded by an interest-free loan from the Company, with the Shares held on trust by the trustee of the Executive LTI Plan. The board has an absolute discretion to invite executives to participate in the Executive LTI Plan.

The Shares will be held on trust until the end of a three-year vesting period. In case of the first offer under the Executive LTI Plan, Shares will be held by the trustee until the conclusion of FY2017.

Any future offer of Shares under the Executive LTI Plan will be made at their market price at the time. The aggregate maximum dollar amount of Shares to be initially acquired for the purposes of the new plan is \$850,000, for which the trustee of the Executive LTI Plan will receive a guaranteed allocation under the Retail Offer.

Vesting of Shares with an executive at the conclusion of a three-year vesting period is dependent on continued employment through the three-year period, achievement of key targets within the PFI (for the first offer only), the Company's absolute total shareholder return being positive and the Company's total shareholder return, relative to a benchmark peer group, meeting certain criteria. If Shares vest, each executive is entitled to a cash amount which, after deduction of tax (but before other applicable salary deductions), is equal to the amount of their loan balance for Shares which have vested. That cash amount is applied towards repayment of their loan balance. Under the Executive LTI Plan, where total shareholder return measures are used, performance is measured against a benchmark peer group comprising all NZX50 members as at the start of the vesting period. If a member of that peer group ceases to have its securities quoted on the NZX Main Board, the entity is removed from the peer group. The Company's board has the discretion to replace any such entity with another entity that the board considers appropriate.

Vesting of Shares is dependent on two factors (for the first offer, PFI targets must also be met): first, the Company must achieve a positive absolute total shareholder return over the measurement period; and, secondly, the Company's performance relative to the performance of the benchmark peer group is measured, with a sliding scale to apply for the number of Shares to vest. If the Company's total shareholder return performance over the measurement period exceeds the 50th percentile total shareholder return of the benchmark peer group, 50% of an executive's Shares will vest. All of an executive's Shares will vest upon meeting the performance of the 75th percentile of the benchmark peer group, with vesting on a straight-line basis between these two points.

In the event that the total shareholder return performance in absolute terms is less than zero or, in relative terms, does not meet the peer group relative total shareholder return hurdle (being the 50th percentile total shareholder return of the benchmark group), or if the participant ceases to be employed by the Company other than for a qualifying reason, the Shares will be forfeited to the trustee without compensation and the relevant executive will receive no benefits under the plan. Where the total shareholder return exceeds the 50th percentile of the benchmark peer group but is below the 75th percentile, those Shares which have not vested will be forfeited

to the trustee without compensation. Where any Shares are forfeited to the trustee without compensation, the obligations of the employee with respect to the interest-free loan provided for the acquisition of the forfeited Shares will be assumed by the trustee, in consideration for the transfer of the relevant Shares to the trustee. The trustee may then sell those Shares, hold them on trust for future allocations under the Executive LTI Plan, or transfer them to the Company pursuant to a put option granted by the Company.

No Shares will vest if the Company's total shareholder return over the measurement period is less than the 50th percentile total shareholder return of the benchmark peer group.

As the ability of Genesis Energy to issue Shares in the future may be limited by the statutory requirement for the Crown to maintain a holding of at least 51% of the Shares, any future offer under this plan may need to be satisfied through on-market acquisitions of Shares by the trustee.

See *Section 6.3.2 General and Specific Assumptions* (Assumption 19 Employee Benefits) for more information about the assumptions in respect of the Executive LTI Plan.

Employee Share Ownership Plan

It is intended that an Employee Share Ownership Plan will be introduced during FY2015. This plan will provide eligible permanent employees of Genesis Energy with the opportunity to buy Shares at their market price, by way of salary deductions. Whilst the precise terms of the plan are still to be determined, it is expected that, upon the employees remaining employed by Genesis Energy for three years and certain performance hurdles being met, additional Shares would be granted to those employees at no extra cost.

The terms of the Employee Share Ownership Plan will be made available to all eligible employees, once those terms are confirmed.

4.3 RELATIONSHIP BETWEEN GENESIS ENERGY AND THE CROWN

THE CROWN AS A SHAREHOLDER OF GENESIS ENERGY

The Crown, acting by and through the Shareholding Ministers, is currently the sole Shareholder of Genesis Energy. After completion of the Offer, the Crown, acting by and through the Shareholding Ministers, will continue to be Genesis Energy's majority shareholder with a holding of at least 51% of the Shares in the Company.³⁷

Genesis Energy was an SOE under the State-Owned Enterprises Act 1986 until 7 March 2014, when it became a mixed ownership model company governed by the Public Finance Act. In broad terms, the Public Finance Act and the Constitution provide that the Crown must hold at least 51% of the Shares and no other person may have a Relevant Interest in more than 10% of the Shares. Equivalent ownership restrictions would apply to any further classes of shares issued by Genesis Energy and any other securities issued by Genesis Energy with voting rights.

See "Shareholding Restrictions" below for further information on the ownership restrictions.

Shareholder Decisions and Governance

Following completion of this Offer, the Crown intends that its shareholding in Genesis Energy (including any Shares retained by the Crown and reserved for future transfer, such as the Loyalty Bonus Shares) will continue to be held by and through the Shareholding Ministers and monitored by The Treasury.³⁷ If Parliament passes a resolution that Genesis Energy is a public organisation, then it will be subject to periodic financial reviews by a select committee established by Parliament.

As the holder of at least 51% of the Shares, the Crown generally will be able to control the outcome of matters put to Shareholders that require majority approval, including resolutions for the election and removal of directors. Further, the Crown's shareholding is likely to have significant influence over the outcome of special resolutions put to Shareholders that require the approval of a 75% majority (for example, resolutions approving changes to the Constitution or approving major transactions of Genesis Energy), especially given the number of shareholders in listed companies who typically do not exercise their respective voting rights.

In addition, the Chairman nominated by the board must be approved by the Minister of Finance.

See *Section 7.2 Statutory Information* for a more detailed description of the rights of Shareholders. The other rights that the Crown has as a Shareholder of the Company are the same as those of all other Shareholders.

Capital Raisings

Following this Offer, the Crown will be the largest Shareholder holding at least 51% of the Shares and intends to continue to be supportive of the Company and its plans. This does not imply any guarantee of the Shares by the Crown, or any commitment in respect of future capital contributions.

Due to the ownership restrictions in the Public Finance Act and the Constitution, any future equity capital raising that involves issuing any class of shares in, or other voting securities of, Genesis Energy will be able to proceed only if the Crown agrees to participate to the extent required to maintain an interest of at least 51% (or such greater amount required to take into account Shares retained or separately held by the Crown and reserved for future transfer, such as the Loyalty Bonus Shares).

The Crown's ongoing support of future equity capital raisings by the Company will be subject to:

- the board satisfying the Crown that it is in the best interests of the Company to raise equity;
- the Crown being satisfied that it is in its best interests to provide some of that equity;
- the Crown retaining discretion to limit the amount of its participation in the equity raising depending on the circumstances; and
- an appropriation (being an authorisation) from Parliament for the Crown to purchase Shares under the equity raising.

Any decision by the Crown on whether to make equity capital available to Genesis Energy will be made by the Government at the time and will be considered taking into account all relevant factors and circumstances, including competing capital requirements. The outcome of such decisions regarding capital allocation by the Crown may, therefore, be critical to any equity capital raising Genesis Energy wishes to undertake in the future.

See "Availability and Cost of Capital" in *Section 5.0 What are my Risks?* for a more detailed description of this risk to Genesis Energy's ability to raise capital.

No Guarantee

The Crown does not guarantee the Shares or any returns in respect of them or the Company or any obligations of the Company.

NZX Listing Rules and ASX Listing Rules

Transactions between the Crown and its associates and Genesis Energy that exceed certain materiality thresholds, as set out in the NZX Listing Rules or the ASX Listing Rules, will require the approval of Genesis Energy's Shareholders. The Crown and its associates will not be entitled to exercise their voting rights in favour of any resolution to approve such a transaction unless a waiver is granted by NZX and/or ASX (as the case may be).

NZX has granted and ASX has agreed to grant a waiver to permit the Company to enter into transmission agreements with Transpower without obtaining Shareholder approval, where those agreements exceed the relevant materiality thresholds. The waivers are described in *Section 7.2 Statutory Information* under the heading "Other material matters".

³⁷ In addition, Shares may be acquired by other entities who are associated with the Crown such as the managers of the New Zealand Superannuation Fund.

THE CROWN AS A SHAREHOLDER OF OTHER MIXED OWNERSHIP MODEL COMPANIES AND SOEs

The Crown is also currently the sole or majority shareholder of other participants in the New Zealand energy industry, including Mighty River Power, Meridian, Transpower and Solid Energy.

The business activities of these companies affect Genesis Energy's performance and are expected to continue to do so following the completion of this Offer.

Governance of SOEs

The principal objective of each of Transpower and Solid Energy, as an SOE and as required under the State-Owned Enterprises Act 1986, is to operate as a successful business.

In addition, each of Transpower and Solid Energy is a company registered under the Companies Act and has a board of directors that owes duties in accordance with that Act in the same way that company directors in the private sector do.

Transpower is currently, and is expected to continue to be, required to deal with Genesis Energy (and Mighty River Power and Meridian) on an arm's-length basis, notwithstanding the Crown's shareholding in each company.

Furthermore, the Commerce Act 1986, which prohibits certain anti-competitive behaviour, applies to SOEs in effectively the same way that it applies to private sector companies notwithstanding the fact that each SOE is wholly owned by the Crown. As a result, each of Genesis Energy, Meridian and Mighty River Power has been subject to the restrictions in the Commerce Act 1986 and the sale of Shares by the Crown pursuant to this Offer will not affect the application of those restrictions.

Information Provided to the Crown

Each SOE provides certain detailed information to The Treasury (on behalf of the Crown), including its business plan and other commercially sensitive information. This information is used for the purposes of monitoring the Crown's investment in the relevant company and providing advice to the Shareholding Ministers in relation to any required shareholder decisions.

Under the Public Finance Act, Genesis Energy is required to provide The Treasury certain limited information that is not publicly available to enable The Treasury to prepare the Government's consolidated financial statements. This information comprises monthly financial statements, and five-year forecasts that are submitted twice a year. Mixed ownership model companies are not expected to provide business plans to The Treasury.

The Treasury treats as confidential any confidential information provided to it by an SOE or mixed ownership model company that is not publicly available and, unless required by law, does not disclose it to third parties, including to other companies in which the Crown has an investment. The Crown and the Company have entered into a confidentiality agreement in respect of such information. The Treasury can be compelled by law to disclose information in certain circumstances, including pursuant to the Official Information Act 1982 which provides certain rights of access to information held by Government departments (although such access can be denied under that Act under certain grounds, including if its disclosure would be likely to unreasonably prejudice the commercial position of the person

who supplied it or to protect information that is subject to an obligation of confidence, provided the withholding of the information is not outweighed by the public interest in making it available).

Accordingly, confidential information that the Crown receives from any of Mighty River Power, Meridian or Transpower in its capacity as shareholder of those companies will not be available to the other companies in which it is a shareholder, including Genesis Energy, unless disclosure to them is required by law. However, in making decisions in relation to its shareholdings (including participation in future equity capital raisings), the Crown will have knowledge of that confidential information available to it, subject to the constraints of the Securities Markets Act 1988 and other relevant legislation.

In addition to the above, Genesis Energy will provide information to the Crown to satisfy the Crown's functions such as under the Statistics Act 1975.

THE CROWN AS A REGULATOR

Following completion of this Offer, the activities of Genesis Energy will continue to be regulated by the Crown and certain Government agencies. The relationships between the Crown and the relevant regulatory bodies are summarised below.

Electricity Authority and Commerce Commission

As independent Crown entities, the Electricity Authority and the Commerce Commission operate largely independently of the Government. Legislation specifically prohibits responsible Ministers for independent Crown entities from directing the entity to have regard, or give effect, to a Government policy unless the legislation establishing the entity specifically allows for it. In this regard:

- the Electricity Industry Act 2010 provides that the Electricity Authority must have regard to statements of Government policy concerning the electricity industry that are issued by the relevant Minister, although to date no such statements have been issued; and
- the Commerce Act 1986 requires the Commerce Commission to have regard to statements of the economic policies of the Government that are issued in writing from time to time.

However, responsible Ministers are not able to direct either the Electricity Authority or the Commerce Commission in relation to their statutorily independent functions or to require the performance or non-performance of a particular act, or the bringing about of a particular result, in respect of a particular person or persons.

Under the Crown Entities Act 2004, the Minister of State Services and the Minister of Finance may jointly direct Crown entities (including the Electricity Authority and the Commerce Commission) to comply with specified requirements for the purposes of supporting a 'whole of Government' approach and improving public services. A whole of Government direction may not be given in relation to a statutorily independent function or to require the performance or non-performance of a particular act, or the bringing about of a particular result, in respect of a particular person or persons.

Ministry of Business, Innovation and Employment (“MBIE”) and Ministry for the Environment

The MBIE and the Ministry for the Environment are Government departments and form part of the Crown. They provide policy advice on:

- energy issues (MBIE);
- consumer policy (MBIE); and
- the RMA, Renewable Generation and electricity transmission policy (Ministry for the Environment).

Energy Efficiency and Conservation Authority (“EECA”)

The EECA was established under the Energy Efficiency and Conservation Act 2000 and is a Crown agent under the Crown Entities Act 2004. The EECA is not an independent Crown entity in the same way that the Electricity Authority and Commerce Commission are and may be directed by its responsible Minister to give effect to a Government policy that relates to the EECA's functions and objectives.

Electricity and Gas Complaints Commissioner (“EGCC”)

This independent dispute resolution service for consumers was established by certain industry participants and is the approved scheme under the Electricity Industry Act 2010. The EGCC is not a Crown entity.

Gas Industry Company

The Gas Act 1992 provides that the gas industry will be co-regulated by the Government and an industry body. The Gas Industry Company was established as the gas industry's approved co-regulatory body and is owned by certain industry participants, including Genesis Energy. It is able to make recommendations to the Minister of Energy on a wide range of industry matters. The Gas Industry Company is not a Crown entity.

Environmental Protection Authority (“EPA”)

The EPA was established under the Environmental Protection Authority Act 2011 and is a Crown agent under the Crown Entities Act 2004. Like the EECA, the EPA is not an independent Crown entity and may be directed by its responsible Minister to give effect to a Government policy that relates to the EPA's functions and objectives, including national consenting under the RMA and management of the ETS.

WorkSafe New Zealand

WorkSafe New Zealand was established under the WorkSafe New Zealand Act 2013 and is a Crown agent under the Crown Entities Act 2004. Like the EECA and the EPA, WorkSafe New Zealand is not an independent Crown entity and may be directed by its responsible Minister to give effect to a Government policy that relates to its functions and objectives. WorkSafe New Zealand is a stand-alone workplace health and safety regulatory agency and provides policy advice on:

- safety standards in the petroleum sector (through the High Hazards Unit); and
- workplace safety and health.

THE CROWN AS A CUSTOMER

A number of Crown departments, agencies and entities are customers of Genesis Energy.

CONTRACTUAL RELATIONSHIPS BETWEEN GENESIS ENERGY AND THE CROWN

In connection with the establishment of ECNZ in 1988, the Crown and ECNZ entered into the Crown Sale Deed pursuant to which the Crown agreed to sell electricity generating assets to ECNZ. To enable ECNZ to be split up in 1999, Genesis Energy and ECNZ had earlier entered into an agreement pursuant to which ECNZ would sell certain assets to Genesis Energy, including those comprising the Tongariro Power Scheme.

Legal title to the land on which these assets are situated has been transferred to Genesis Energy, subject to certain exceptions as described in more detail below.

Except as outlined below, the Crown has granted Genesis Energy the benefit of all the rights of ECNZ under the Crown Sale Deed as they relate to the assets it purchased from ECNZ. The Crown Sale Deed originally included:

- a right to compensation from the Crown in the event that any tax, royalty, levy or impost was imposed upon Genesis Energy's use of water in respect of its hydro power stations and as a consequence Genesis Energy incurred costs or expenses (which were not reflected in increased prices for energy generally) or was deprived of revenue; and
- an obligation on the Crown to compensate Genesis Energy for any costs arising from resumption for use in a Treaty settlement of the land acquired by the Company from ECNZ that were not covered by compensation under the Public Works Act 1981.

These rights of compensation were never required to be claimed by Genesis Energy or by any of the other companies formed from the separation of ECNZ. As part of the preparatory work for the extension of the mixed ownership model, the Crown considered it desirable for policy reasons for Genesis Energy, Mighty River Power and Meridian to relinquish these rights to ensure that, with respect to these matters, all generation/retail companies are in the same position and taxpayer capital is not transferred to private investors with no benefit to the Crown. Consequently, these rights were relinquished.

Tongariro and Waikaremoana Power Schemes

At the time Genesis Energy acquired its portfolio of assets from ECNZ, ECNZ did not have legal title to the land interests comprising the Tongariro Power Scheme or all of the Waikaremoana Power Scheme. These land interests remained with the Crown, which had an obligation to vest the interests in ECNZ. ECNZ was under a similar obligation to vest the interests in Genesis Energy. Under a subsequent agreement between the Crown, ECNZ and Genesis Energy, Genesis Energy assumed ECNZ's rights and obligations as against the Crown regarding these interests. However, while Genesis Energy holds equitable and contractual rights, it does not have legal title to all of the relevant land. Genesis Energy has been pursuing the transfer of legal title to it and, to date, the majority of registrations for the Waikaremoana Power Scheme have been completed; however, only a small percentage of registrations for the Tongariro Power Scheme have been finalised. Genesis Energy and the Crown anticipate that the vesting of the majority of the titles will be completed by the end of 2014. However, completion is dependent on a number of factors including the cooperation of private landowners, Department of Conservation, the New Zealand Defence Force and iwi groups. The Crown has reconfirmed its commitment to the resolution of outstanding land title and related issues. See the information below under the heading “Land Memorials Regime” for information about the land memorials regime that applies to certain land interests.

SHAREHOLDING RESTRICTIONS

The Public Finance Act was amended in June 2012 to include restrictions on the ownership of certain types of securities issued by each mixed ownership model company (including Genesis Energy) and consequences for breaching those restrictions. The Constitution incorporates these restrictions and mechanisms for monitoring and enforcing them.

A summary of the restrictions on the ownership of Shares under the Public Finance Act and the Constitution is set out below. If the Company issues any other class of shares, or other securities which confer voting rights, in the future, the restrictions outlined below would apply also to those other classes of shares or voting securities.

51% Holding

The Crown must hold at least 51% of the Shares on issue.

Genesis Energy must not issue, acquire or redeem any Shares if such issue, acquisition or redemption would result in the Crown's holding falling below this 51% threshold.

10% Limit

No person (other than the Crown) may have a 'Relevant Interest' in more than 10% of the Shares on issue ("10% Limit").

The Company must not issue, acquire or redeem any Shares if it has actual knowledge that such issue, acquisition or redemption will result in any person other than the Crown, exceeding the 10% Limit.

Ascertaining whether a breach has occurred

If a holder of Shares breaches the 10% Limit or knows or believes that a person who has a Relevant Interest in Shares held by that holder may have a Relevant Interest in Shares in breach of the 10% Limit, the holder must notify the Company of the breach or potential breach.

The Company may require a holder of Shares to provide it with a statutory declaration if the board knows or believes that a person is, or is likely to be, in breach of the 10% Limit. That statutory declaration is required to include, where applicable, details of all persons who have Relevant Interests in any Shares held by that holder.

Determining whether a breach has occurred

The Company has the power to determine whether a breach of the 10% Limit has occurred. In broad terms, if:

- the Company considers that a person may be in breach of the 10% Limit; or
- a holder of Shares fails to lodge a statutory declaration when required to do so or lodges a declaration that has not been completed to the reasonable satisfaction of the Company,

then the Company is required to determine whether or not the 10% Limit has been breached and, if so, whether or not that breach was inadvertent. The Company must give the affected Shareholder the opportunity to make representations to the Company before it makes a determination on these matters.

Effect of exceeding the 10% Limit

A person who is in breach of the 10% Limit must:

- comply with any notice that they receive from the Company requiring them to dispose of Shares or their Relevant Interest in

Shares, or take any other steps that are specified in the notice, for the purpose of remedying the breach and reducing their holding below the 10% Limit; and

- ensure that they are no longer in breach within 60 days after the date on which they became aware, or ought to have been aware, of the breach. If the breach is not remedied within that time frame, the Company may arrange for the sale of the relevant number of Shares on behalf of the relevant holder. In those circumstances, the Company will pay the net proceeds of sale, after the deduction of any other costs incurred by the Company in connection with the sale (including brokerage and the costs of investigating the breach of the 10% Limit), to the relevant holder as soon as practicable after the sale has been completed.

If a Relevant Interest is held in any Shares in breach of the 10% Limit then, for so long as that breach continues:

- no votes may be cast in respect of any of the Shares in which a Relevant Interest is held in excess of the 10% Limit; and
- the registered holder(s) of Shares in which a Relevant Interest is held in breach of the 10% Limit will not be entitled to receive, in respect of the Shares in which a Relevant Interest is held in excess of the 10% Limit, any dividend or other distribution authorised by the board in respect of the Shares.

However, if the board determines that a breach of the 10% Limit was not inadvertent, or that it does not have sufficient information to determine that the breach was not inadvertent, then in that case the restrictions on voting and entitlement to receive any dividends or other distributions described in the preceding paragraphs will apply in respect of all of the Shares held by the relevant Shareholder (and not just the Shares in which a Relevant Interest is held in excess of the 10% Limit).

An exercise of a voting right attached to a Share held in breach of the 10% Limit must be disregarded in counting the votes concerned. However, a resolution passed at a meeting is not invalid where votes exercised in breach of the voting restriction were counted by the Company in good faith and without knowledge of the breach.

The board may refuse to register a transfer of Shares if it knows or believes that the transfer will result in a breach of the 10% Limit or where the transferee has failed to lodge a statutory declaration requested from it by the board within 14 days of the date on which Genesis Energy gave notice to the transferee to provide such statutory declaration.

Crown directions

The Crown has the power to direct the board to exercise certain of the powers conferred on it under the Constitution. For example, where the Crown suspects that the 10% Limit has been breached but the board has not taken steps to investigate the suspected breach, the Crown may require the Company to investigate whether a breach of the 10% Limit has occurred or to exercise a power of sale of the relevant Share that has arisen as described under the heading "Effect of exceeding the 10% Limit" above.

Trustee corporations and nominee companies

Trustee corporations and nominee companies (that hold securities on behalf of a large number of separate underlying beneficial holders) are exempt from the 10% Limit provided that certain conditions set out in the Public Finance Act are satisfied.

THE CROWN AS A TREATY PARTNER

The Crown is a party to the Treaty of Waitangi with Māori. Treaty obligations lie only with the Crown and not with companies or individuals. The manner in which the Crown might choose to respond to Treaty claims and the Crown's relationship with Māori, however, may have implications for Genesis Energy.

Background

The Treaty was entered into between the Crown and Māori in 1840. The New Zealand Courts have recognised the constitutional importance of the Treaty but have determined that the Treaty itself is not directly enforceable in New Zealand Courts. However, the Treaty is incorporated into a number of New Zealand statutes, including the RMA. Treaty obligations attach only to the Crown and do not bind private legal persons such as Genesis Energy, its directors or its Shareholders (other than the Crown).

The Waitangi Tribunal is a permanent commission of inquiry which can inquire into claims by any Māori which attest that the Crown has acted in breach of Treaty principles. Where the Waitangi Tribunal considers a claim to be well founded, it can make recommendations to the Crown on how to redress any breaches or recognise any rights. Generally, these recommendations are non-binding on the Crown. In very limited circumstances (and as outlined below) the Waitangi Tribunal can issue recommendations in respect of land that are binding on the Crown.

New Zealand Courts can apply Treaty principles in relation to actions by the Crown when legislation expressly allows them to do so. The Courts have also been willing to consider the principles of the Treaty when interpreting statutes and reviewing administrative actions of the Crown.

Crown Must Act Consistently with the Treaty

Section 45Q of the Public Finance Act provides that nothing in Part 5A of the Public Finance Act permits the Crown to act inconsistently with the principles of the Treaty.

Section 45Q of the Public Finance Act applies to all acts of the Crown in relation to its ownership of Shares. Accordingly, acts of the Crown in relation to its ownership of such Shares must not be inconsistent with the principles of the Treaty.

In broad terms, section 45Q would have implications for the proposed exercise of the relevant power or right by the Crown if that action would impair materially the Crown's ability to recognise rights of Māori protected under the Treaty, or the Crown's ability to provide redress for breaches of such rights.

It is possible that circumstances may arise in the future in which section 45Q is relevant and the Crown is required to exercise its rights, as the owner of Shares in the Company, in a manner which takes into account not only the Crown's commercial interests, but also its obligations as a Treaty partner under the Treaty. This would depend on the nature of the right being exercised and the factual context in which it was being exercised. However, the Crown considers that it is very unlikely that such circumstances will arise in practice.

Neither section 45Q, nor Treaty obligations generally, apply to Genesis Energy, its directors and its non-Crown Shareholders.

Historical Treaty Settlements

The Crown has accepted a moral obligation to resolve historical Treaty claims and seeks to negotiate settlements directly with claimant groups to enable it to do so. An historical Treaty claim is one that relates to actions or omissions prior to 21 September 1992. The Crown accepts that the moral obligation to observe Treaty principles also applies to Crown acts and omissions after that date.

In negotiating settlements, the Crown may provide financial and commercial redress, in recognition of the losses suffered as a result of Treaty breaches by the Crown, to the claimant group. The Crown may also offer cultural redress of various types, which is intended to recognise the claimant group's spiritual, cultural, historical or traditional associations with the natural environment, sites and areas within their field of interest. Private property is not used or acquired to effect such redress, without the owner's consent, except as provided for by the land memorials regime discussed below.

The Crown's current policy is that land owned by an SOE or by a mixed ownership model company is available for settlement only when a specific property is surplus to the requirements of the SOE or mixed ownership model company and the SOE or mixed ownership model company is a willing seller.

Land Memorials Regime

The land memorials regime was introduced in 1988 by amending the State-Owned Enterprises Act 1986 to require that memorials (a formal notation) be registered on certificates of title to all Crown land transferred to SOEs under the State-Owned Enterprises Act 1986. The purpose of these memorials was to allow the Crown to transfer land to SOEs, while also ensuring that land would remain available for future Treaty settlements. The effect of these memorials is that, in certain circumstances, the Waitangi Tribunal has the power to order the Crown to resume the land and return it to Māori ownership. The Waitangi Tribunal has only once (in 1998) used its power to issue interim orders regarding memorialised land to order the resumption of land. A settlement was then agreed before the Waitangi Tribunal interim orders became binding. The absence of binding Waitangi Tribunal orders over SOE land is because Treaty claims are generally settled by negotiations between the Crown and the claimants, or through the payment of settlement compensation having regard to the recommendation of the Waitangi Tribunal, and not through land resumption orders being imposed by the Waitangi Tribunal.

Memorials are registered on a number of the titles (where titles have been issued) to properties on which Genesis Energy's power stations are located and there is a possibility that this land could be resumed. In relation to those parcels of land in the Waikaremoana Power Scheme and the Tongariro Power Scheme to which Genesis Energy is yet to receive legal title, it is intended that memorials will be registered upon the transfer of legal title to Genesis Energy. Pending such transfer, the Waitangi Tribunal's powers of resumption also apply in respect of such land. There are existing Waitangi Tribunal claims which seek the resumption of Genesis Energy land as part of their statements of claim. Genesis Energy is aware that the Waitangi Tribunal, in a pre-publication report, has recommended the resumption of land in the Urewera National Park which could include a small parcel of land owned by Genesis Energy upon which is located a meteorological station for the

purposes of the Waikaremoana Power Scheme. If an application for resumption were pursued and the Waitangi Tribunal agreed to make a recommendation that the Crown resume the land, the Crown and the successful applicant would have 90 days to reach a settlement agreement (which may or may not include transfer of the land to the applicant) before the recommendation became binding on the Crown.

If the parties were not able to reach agreement before the 90-day period expired, and the recommendation became binding, the Crown would need to follow the acquisition process in the Public Works Act 1981. Under this process, the Crown would be required to pay Genesis Energy compensation which would be calculated based on an assessment of the price that the land and fixtures would be expected to realise if they were sold in the open market by a willing seller to a willing buyer (among other factors).

WAITANGI TRIBUNAL CLAIMS

The National Freshwater and Geothermal Resources Claim

In early 2012, a claim was lodged with the Waitangi Tribunal that broadly involved two key questions:

- what types of rights and interests (if any) do Māori have in freshwater and geothermal resources under the Treaty and would the Crown be in breach of the Treaty if it continued with the mixed ownership model?; and
- how might those rights (if any) be best redressed or recognised? (This question is still to be dealt with by the Tribunal.)

The first part of the claim was heard by the Waitangi Tribunal in 2012. The Waitangi Tribunal concluded that when the Treaty was signed, each iwi and hapū had the exclusive right to control access to, and use of, water while it was in their tribal area, except to the extent that the Treaty bargain provided for some sharing of the water with incoming settlers. The Treaty also gave the Crown the kāwanatanga (governance) right to manage water in the best interests of all. In addition, the Waitangi Tribunal considered that Māori have residual proprietary rights today in specific water bodies, although it has not yet examined the nature of such rights. The Waitangi Tribunal believed that the Crown has a Treaty obligation to protect those rights and this warranted a delay in the Crown's initial public offering of shares in Mighty River Power ("Mighty River Power Offer") until further consultation took place with Māori on a mechanism to recognise those rights.

Ultimately, the Supreme Court allowed the Mighty River Power Offer to proceed. In the Supreme Court, the Crown acknowledged that Māori have rights and interests in water and geothermal resources, and that recognition of those rights and interests must include mechanisms in relation to the ongoing use of those resources. These mechanisms may include decision-making roles in regard to protection, use, access and allocation, and charges or rentals for use. A second hearing of the Waitangi Tribunal will consider whether Māori rights and interests in respect of water and geothermal resources are adequately recognised and provided for and whether Crown policies are in breach of the Treaty.

See *Section 5.0 What are my Risks?* for further information relating to Waitangi Tribunal claims.

Land Claims

Lake Rotoaira

In 1972, the Crown and the Lake Rotoaira Trust ("LRT"), the owner of the bed of Lake Rotoaira, entered into a Deed ("1972 Deed") pursuant to which the LRT agreed not to seek compensation for fluctuations in the level of the lake. When electricity generation began in 1973, a consequence of the fluctuating lake levels was that certain land adjacent to Lake Rotoaira (whose owners are represented by the Lake Rotoaira Forest Trust (the "LRFT")) became inundated.

The LRT and LRFT claim that Genesis Energy does not have the rights required to legally operate the Tongariro Power Scheme because the 1972 Deed:

- was signed under duress as the trustees were being threatened with compulsory acquisition under the Public Works Act 1981; and
- does not extend to adjacent land that was inundated when lake levels rose.

The Trusts' position has been that the 1972 Deed needs to be renegotiated and a settlement reached in relation to the use of Lake Rotoaira for the generation of electricity. The recent Waitangi Tribunal report on the National Park District (Wai 1130) found the Crown breached the Treaty of Waitangi principle of partnership in its actions over Lake Rotoaira, and endorses the view that the Crown should set aside the 1972 Deed and should pay compensation to the claimants for the use of the lake as storage for the Tongariro Power Scheme. The Crown is currently in discussions with the entity mandated to negotiate Ngāti Tūwharetoa's historical Treaty of Waitangi claims regarding any historical claims arising from the 1972 Deed.

Irrespective of the recommendations made by the Tribunal in respect of the 1972 Deed, the Crown considers that Genesis Energy has sufficient legal rights to operate the Tongariro Power Scheme.

The LRT and LRFT first made these claims in discussions with the Crown in 2012.

The Tongariro Power Scheme is situated, in part, within the rohe (territory) of Ngāti Tūwharetoa whose Treaty claims have not yet been settled with the Crown.

Other claims

Other claimants who have not yet settled with the Crown might pursue resumption applications and, if the Waitangi Tribunal were to order the resumption of any of Genesis Energy's land, then the Crown would be required to resume the land, return it to Māori ownership, and pay compensation to Genesis Energy as if the resumption had occurred as a taking under the Public Works Act 1981. Because of the general pattern that historical Treaty claims are settled through negotiations, the Crown considers the likelihood of a resumption order adversely affecting the interests of Genesis Energy to be low.

Ngāti Ruapani

A claim has been lodged in the Waitangi Tribunal alleging that Ngāti Ruapani has proprietary interests in Lake Waikaremoana, and that such interests are compromised by the use of the lake by Genesis Energy for hydro-generation. The Waitangi Tribunal issued a decision on 28 February 2014 agreeing to hold an urgent hearing on whether the applicant's ability to seek redress for Treaty of Waitangi breaches is impaired by the sale of Shares in Genesis Energy.

The Crown has made the following commitments to Ngāti Ruapani:

- The sale of Shares in Genesis Energy will not compromise the Crown's ability or willingness to provide appropriate redress for the Treaty claims of Ngāti Ruapani.
- The Crown's ability and willingness to provide financial redress in a Treaty of Waitangi settlement with Ngāti Ruapani for conduct in breach of the principles of the Treaty of Waitangi will not be affected in any way by the Genesis Energy Share sale. Financial redress for breaches of the Treaty is and will remain an obligation on the part of the Crown, and not any SOE or Mixed Ownership Model company (including Genesis Energy).
- In the event of a negotiated Treaty of Waitangi settlement with Ngāti Ruapani which has implications for Genesis Energy's current water permits relating to Lake Waikaremoana, the Crown is willing to include in any deed of settlement with Ngāti Ruapani a commitment to introduce legislation which allows for review under the RMA of existing permits, as for example was provided for under the Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010. The Crown has noted that it could not agree to a Treaty settlement that is inconsistent with the continuing efficient operation of New Zealand's current power-generating capacity.

The Crown considers that the commitments set out above address the issues raised by the claimant in relation to the Genesis Energy Share sale.

Separately, a future hearing of the Waitangi Tribunal will consider claims in respect of Maori interests in national freshwater and geothermal resources. That hearing will address the substance of Ngāti Ruapani's claim to water resources. See *Section 3.0 Industry Overview* for more information about the national freshwater and geothermal resources claim.

Novel Legal Action

A novel claim may be raised by Māori against the Crown based on, for example, customary rights, constructive trust or a breach of fiduciary duty. If successful, such a claim may result in a remedy being awarded which impacts on the Company's generation activities. Such a claim may relate to an interest in land or to an interest in another resource such as water or air.

Such a novel claim may be similar in nature to those made to the Waitangi Tribunal by Ngāti Ruapani (as described above) or in the *Paki v Attorney-General* case which the Supreme Court has heard but on which it is yet to rule. In the case of *Paki v Attorney-General* the claimants are seeking a declaration that the Crown holds those parts of the bed of the Waikato River which adjoin former Pouakani land on trust for the Pouakani people (the descendants of the original Māori owners). The Whakamaru dam, an asset of Mighty River Power, is on a part of the Waikato River that is subject to this claim.

See *Section 5.0 What are my Risks?* and, in particular, under the heading "Litigation and Dispute Risks" for more information about the potential risks relating to these claims.

4.4 INDEPENDENT ENGINEER'S SUMMARY REPORT ON GENERATION ASSETS AND KUPE FACILITIES



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20 February 2014

Her Majesty the Queen in right of New Zealand
c/o- The Treasury
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Wellington 6011

Independent Engineer's Summary Report on the Genesis Energy Generating Assets and the Kupe Facilities - February 2014

This letter has been prepared at the request of Genesis Energy Limited (Genesis Energy) for inclusion in a Prospectus relating to the partial sale of Genesis Energy.

Beca Limited (Beca) is a provider of engineering and related consultancy services. In September 2013, Beca was retained by Genesis Energy to conduct an independent engineer's review of the Genesis Energy Generating Assets and the Kupe Facilities, described below, and to provide a written report (Report) on its findings.

Beca led this review, with support from its sub consultants, AMEC Americas Limited (AMEC) and S2V Consulting Pty Limited (S2V). Details of the qualifications of the key individuals involved in the review are set out later in this letter.

The purpose of this letter is to summarise the key opinions expressed in Beca's full Report of 20 February 2014.

Study Scope and Process

The scope of the Beca review was:

- A review of the condition of the following Genesis Energy assets:
 - Power generation assets comprising the Huntly Power Station, Tongariro Hydro Power Scheme, Waikaremoana Hydro Power Scheme, Tekapo Hydro Power Scheme and the Hau Nui Wind Farm; and
 - The Kupe gas production facilities, which include an unmanned offshore platform, onshore production station, gas pipelines and light crude handling, storage and export facilities, of which Genesis Energy is a part owner;
 - The assets described above are collectively referred to as the Genesis Energy System.
- A review and assessment of asset management plans and processes, operation and maintenance and capital plans and processes, and control systems as to their appropriateness and consistency with what would be expected of a prudent owner of the Genesis Energy System and to confirm whether they are appropriate to ensure the on-going viability of each facility;
- A review of material risks to the on-going operation of the existing generation; and
- To assess the ability of Genesis Energy to continue to operate the Genesis Energy System for the foreseeable future – through to and including the fiscal year 2025 (the Operating Period).

In accordance with the Beca scope of work, a number of matters were excluded from the review. These are detailed in full in the body of the Report. In broad terms, Beca did not review or make any assessment or determination regarding:

- Legal, regulatory, insurance, commercial, financial, environmental or fuel (water, wind, coal, natural gas) volatility issues;
- The suitability of Genesis Energy's generation technology;
- The likelihood of occurrence of any earthquake, volcanic eruption or other natural disaster;
- The impact of changes in the Socio-Economic-Political environment of New Zealand;
- The availability, access to, and management of fuel;
- Issues relating to transmission system constraints, interruptions and/or failures; and

- The energy markets in New Zealand.

Beca's Opinion

On the basis of our review, and the assumptions, qualifications and limitations set forth in this letter and the Report, in particular, Beca has assumed that the Genesis Energy System will continue to be operated and monitored in accordance with the asset management plans and operations and maintenance plans reviewed by Beca, and otherwise in accordance with good engineering practice, Beca offers the following opinions:

Condition of Assets

- The Genesis Energy System appears to be generally in a good state of repair for a system of its type and having regard to its age and the environment in which it operates.
- The Genesis Energy System appears to be generally well equipped with adequate physical facilities and processes to continue operating.
- Operating and maintenance practices reviewed by Beca are consistent with prudent industry practices as observed in developed countries.
- Genesis Energy maintenance records indicate that the Genesis Energy System appears in general to be adequately maintained, and is supported by projected maintenance and capital asset replacement plans. The Genesis Energy System appears suitable for continued power generation through the Operating Period.
- The Genesis Energy System should have a useful life beyond 2025. This is provided Genesis Energy continues to operate and maintain the Genesis Energy System (and all components thereof) in accordance with good engineering practice, employing preventive maintenance systems, capital replacement programmes and operating procedures that meet industry standards observed in developed countries, which are commensurate with the requirements for uninterrupted operation of the Genesis Energy System at projected levels of production and quality, and do not exceed the Genesis Energy System's (or any component thereof) practical operating limits.

Management, Organisation, and Personnel

The current Genesis Energy management staff and workforce appear to be knowledgeable and have demonstrated the capability to manage, operate and maintain the Genesis Energy System. Operating and maintenance practices at the Genesis Energy System are consistent with prudent industry practices as observed in developed countries and the Genesis Energy System management has demonstrated a proactive approach to problem solving and the optimisation of plant performance. Communication and coordination between the different working groups (eg engineering, operations, and commercial) appears to function quite well.

Genesis Energy is currently implementing an organisation restructure including adopting an Operator-Maintainer model which should result in better alignment with an overarching Asset Management System (AMS). Business Plans, operations, maintenance, and appropriate spending for fitness and availability of its generation assets.

Maintenance and Capital Programmes

Genesis Energy has comprehensive plans established that define rules for preventative maintenance, refurbishment and asset replacement, based on factors such as number of operations, number of years in service and condition assessments. Reliability and availability targets are recorded and reported to the Board on an on-going basis and drive the operational and capital expenditure strategy.

Genesis Energy has indicated the major maintenance and capital asset replacement programmes that are completed, currently underway or planned/proposed for the next several years. These planned maintenance and capital asset replacement programmes are consistent with what would be expected of a prudent asset owner, taking into account the age and condition of the assets.

Asset Management System

Genesis Energy has in place a number of systems to effectively manage the maintenance of its assets. However, in order to optimise operational and capital expenditure plans, directed at achieving desired business goals and outcomes, contemporary organisations develop and utilise an Asset Management System, often based upon established standards, such as PAS 55. These Asset Management Systems establish a framework of policy, strategy, objectives, plans, and functions that directly integrates and aligns asset management with the wider business management functions. Genesis Energy recognises the importance of this approach and is taking reasonable steps towards starting to establish an Asset Management System.



Genesis Energy Risks, Mitigation Processes and Strategies

Major Risks and Materiality Threshold

As instructed by Genesis Energy, Beca's review was limited to assessing risks reasonably likely to have a financial impact in excess of materiality thresholds set by Genesis Energy. These materiality thresholds were a Balance Sheet Materiality (BSM) threshold of greater than NZ\$45 million and a Profit and Loss Materiality (PLM) threshold of greater than NZ\$6.3 million.

Key risks associated with the ongoing operation of the Genesis Energy System are summarised as follows:

Natural Disaster

Natural disasters are not uncommon in New Zealand and while such disasters can never be mitigated entirely, we consider Genesis Energy has appropriate emergency response processes in place to mitigate these events in a manner consistent with a prudent asset owner, taking into account the age and condition of the Genesis Energy System. As an example, ash resulting from volcanic eruptions has, in the past, caused damage to generating equipment at the Tongariro Power Scheme. Genesis Energy's current emergency response plans include monitoring of volcanic activity at Tongariro, and diversion of flow from the generating equipment on detection of an eruption, in order to protect the generating equipment from damage. This emergency response would however result in the loss of generation from the scheme which, in the event of a large or prolonged eruption, is likely to breach the PLM threshold.

Dam Safety and Civil Structures

Genesis Energy has prepared specific Dam Safety Assurance Programmes (DSAPs) for its Tongariro and Waikaremoana medium and high Potential Impact Classification ("PIC") dams to comply with the New Zealand Dam Safety Scheme ("DSS") (under the Building Act and the Dam Safety Regulations) which are currently proposed to take effect on 1 July 2014. A DSAP is presently being developed for the Tekapo Scheme.

There are three dams in the Genesis Energy System that are shown as not meeting the Safety Evaluation Earthquake (SEE) criteria that are an assessment of the ability of dams and appurtenant structures to respond adequately to earthquakes:

- Tekapo Gate 16. A 2013 seismic assessment of Gate 16 has concluded that aspects of the structure do not meet the requirements of the Dam Safety Guidelines (DSG) for a medium PIC dam (ie SEE = 1 in 2,500 ARI). The report also addressed the effects of a 1 in 500 Annual Recurrence Interval (ARI) earthquake assuming that this was the Operating Basis Earthquake (OBE), and concluded that the gate did not meet the requirements for this scenario either. There appears to be some confusion about the PIC of this structure. A 2005 report describes it as a medium PIC, and a 2012 report and 2012 Annual Dam Safety Review (ADSR) classifying it as a low PIC. The extent of any remedial works required is unlikely to breach the BSM or PLM. Total loss of the gate would not breach the BSM value but would result in drawdown of Lake Tekapo and therefore loss of "fuel" for the scheme, thereby breaching the PLM value.
- The Tekapo A Headworks comprise the intake structure, tunnel, surge chamber and headgate. A 2013 seismic analysis report has concluded that the surge chamber does not meet the requirements of the DSG for a medium PIC dam and has a "significant risk" of failure under the SEE (1 in 2,500 ARI) and OBE (1 in 500 ARI). The report does not include an assessment of the tunnel, the headgate or the seismic stability of the slope below the tank and so the response of those features remains unknown and the total extent of remedial works required is uncertain. However, Genesis Energy has indicated that a capital sum has been earmarked for this work. If the tank, headgate or downstream section of the tunnel were to fail, Lake Tekapo would discharge freely through the tunnel as the intake gate cannot be closed against flow. While opening Gate 16 would reduce the total volume through the tunnel, the flow would likely result in significant damage to the power station and potentially breach of the upstream end of the canal. This would breach the BSM value and the loss of the lake storage would breach the PLM value.
- Poutu Dam has only been assessed to meet the criterion for a 1 in 1,000 year earthquake event, and an additional study to confirm its stability for the larger earthquake is the subject of a recommendation from the most recent Comprehensive Safety Review (CSR). Genesis Energy is currently considering this recommendation. Loss of the dam is unlikely to breach the BSM value but the effects on water supply to Lake Rotoaira will breach the PLM value.

The Tekapo canal has some uncertainty regarding the condition of the liner in the section from 0.9km to 7km. Genesis Energy is reviewing the situation and assessing the possible remedial actions. Should parts of this section need to be relined it will likely meet both the BSM and PLM thresholds.

Fire

Fire detection and protection systems vary significantly between hydro facilities. All have fire hydrant systems and automatic fire alarm systems. Smoke and heat detection are used extensively in most facilities. The area of greatest potential vulnerability (in terms of consequence, but with very low probability) is the limited suppression capability in common cable areas at some plants.

Extensive detection and suppression systems are in place at Huntly. A large uncontrolled fire at Huntly, while unlikely, is a risk, primarily related to fuel type. There is limited on-site fire fighting capability and volunteer fire brigades are at least 6 minutes away and the full-time brigade is 30 minutes away. A fire in the Rankine unit building or in Unit 5 building is likely to breach both BSM and PLM thresholds.

Equipment Failure

Genesis Energy has a maintenance refurbishment and capital asset replacement programme in place that is consistent with what would be expected of a prudent asset owner taking into account the age and condition of the assets.

Genesis Energy has identified key critical spares and maintains an inventory of most items to allow it to respond quickly to most equipment failures.

Across the generating assets the original power transformers have largely been or are planned to be replaced. Genesis Energy has initiated a transformer strategy that may provide for a common transformer configuration for some facilities to provide flexibility. The greatest remaining risk is with the Rangipo transformers which due to the underground nature of the plant are somewhat unique and difficult to access. Tekapo B has an existing spare transformer for its older single phase units that are planned to be replaced in the near term. The peaking Huntly Unit 6 transformer failed and is being repaired for return to service in Q1-Q2 2014.

Huntly is very reliant on Unit 5 and, as a "single shaft" unit, its output is reliant on the continued operation of the gas turbine, the steam turbine and the generator. While it is unlikely that these equipment items will fail, it is likely to take considerable time to replace/repair if it were to fail. This is particularly important in that its natural gas fuel, committed on a take or pay basis, would have to be used in the less efficient Huntly Rankine Units during a Unit 5 outage.

With regard to the wind energy generating assets which form part of the Genesis Energy System, it is unlikely that any interruption, including a catastrophic event, will meet the BSM or PLM threshold.

Genesis Energy holds a 31% stake in the Kupe Joint Venture; this would require a total capital investment in the Kupe facilities of NZ\$145 million to meet the BSM threshold and an operating outage of greater than 13 days to meet the PLM threshold. Given the inspection data available to date, the pipeline is not anticipated to be at high risk of damage / repair requirement. However, with the history of umbilical power cable and piggyback clamp issues, further damage or faults to the umbilical may result in wellhead platform and station shutdown and may breach both the BSM and PLM thresholds. We have assessed the risk of failure of the Kupe umbilical as moderate. The operator of the Kupe Joint Venture (Origin Energy) has ongoing studies identifying potential failure scenarios for the umbilical and providing a variety of short and long-term solutions for maintaining production from the Kupe Field.

Operator and Maintenance Personnel Error

Genesis Energy has demonstrated a proactive approach to problem solving and the optimising of station performance. On-going training programmes are a proactive means to address the aging workforce and natural attrition. It is unlikely that operator/maintenance error would result in the materiality thresholds being met in the absence of wilful misconduct.

Control Systems

Genesis Energy appears to be committed to the establishment and maintenance of control systems that are of low risk to the business.

The adoption of the same Distributed Control System type across the renewable energy stations and for the Huntly common services indicates a focus on standardisation, which typically offers benefits in regard to spares, maintenance, training, centralised control and overall system manageability.

Genesis Energy has competent specialist staff to manage, and in many cases to implement, the upgrades necessary to keep the control systems supported and reliable. Genesis Energy is also able to draw upon vendor expertise where required.



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Genesis Energy appears to have a proactive approach to cyber threat, as evidenced by the lead role of one of its engineers in New Zealand-wide groups concerned with sharing threat information and developing security standards.

Independent Engineer's Qualifications

The key members of the independent review team were:

Chris Styan, Senior Consultant, Dip. Tech (Electronics), BCIT

Rob Hills, Technical Director – Project Management, MEng, CEng (UK), MICE

Blair Seckington, Director Power Technology, BaSc (Mechanical), P.Eng (Ontario, Newfoundland)

Ian Shepanik, Senior Consultant, Professional Engineers Ontario (PEO)

Terry Littlewood, Technical Director - Electrical & Controls, B.E. (Electrical and Electronics)

Dr. James Burr, Technical Director - Geotechnical, BE (Civil) (1st class Hons), PhD (Geotechnical Engineering), CPEng, Category A Recognised Engineer (Dam Safety Regulations)

Ian Jackson, Technical Director - Asset Services, BSc (Hons), Higher Diploma In Aerospace Studies

Gordon Cowper, Executive Director, BEng (Hons, Mechanical)

Martin Burke, Senior Consultant, MEng (Hons) Chemical Engineering & Environmental Technology

Alberto Bazzoni, Senior Consultant, Master of Engineering (Mechanical and Material Science) NACE

Dr. Peter McCafferty, General Manager - Power, BEng (Hons) (Electrical and Electronic), PhD (Electrical and Electronic Engineering), MIET

Dr. Thomas Hyde, Director, BE (Chemicals and Materials), PhD (Chemical Engineering)

Pat Fail, Consultant, BE (Chemical), C.Eng, MChemE, FIPENZ.

Assumptions and Qualifications

The following is a list of principal assumptions made by Beca in developing the Report and preparing this letter:

- Beca has assumed that the Genesis Energy System will continue to be operated and maintained by staff as equally competent as Genesis Energy's present staff and workforce and in accordance with applicable legislation and regulations and the policies, standards and practices set out in the operating and maintenance plans reviewed by Beca.
- Beca has assumed that Genesis Energy will continue to operate and maintain the Genesis Energy System in accordance with good engineering practice, employing preventive maintenance systems, capital replacement programmes and operating procedures that meet Industry standards observed in developed countries, which are commensurate with the requirements for uninterrupted operation of the Genesis Energy System at projected levels of production and quality, and do not exceed the Genesis Energy System's (or any component thereof) practical operating limits.
- Beca has assumed the properties of fuel to the Genesis Energy System will remain consistent with that of fuel supplied to the Genesis Energy System during its recent operating period.
- Beca has assumed that Genesis Energy will continue with its capital asset replacement/rebuild programme for the Hydro Systems in accordance with the programme reviewed by Beca.

Site reviews were limited to physical visits of three to four hours to each of the sites (or assets within that particular site) in the Genesis Energy System. No internal inspections or independent testing was carried out on individual units or plant. Following each site visit, Beca reviewed, over a two week period, written information provided by Genesis Energy to Beca for that site. While additional information relevant to the Genesis Energy System may be known to individuals within Beca or its sub-consultants, such knowledge cannot be imputed to the team involved in the preparation of this Report and such knowledge (if any) did not form part of Beca's review.

Beca's review was completed on 28 November 2013. Neither the Report nor this letter address any information provided, or matter, fact or circumstance occurring after those dates in respect of the relevant parts of the Genesis Energy System.

In completing its review, Beca relied upon the accuracy and completeness of all information, data, projections and assumptions provided to Beca by, or on behalf of Genesis Energy. Beca did not audit or verify the accuracy or completeness of such information. To the extent the Information provided to Beca is inaccurate or incomplete, the opinions expressed by Beca in this letter may no longer be valid and should be reviewed.

This letter summarises Beca's work up to the dates stated in this letter and therefore changed conditions occurring after such dates may result in material differences in the opinions expressed by Beca in this letter.

While Beca believes the use of the assumptions detailed in this letter and the Report were reasonable for the purposes of the review, Beca makes no assurances with respect thereto and some assumptions may vary significantly due to unforeseen events and circumstances. To the extent that conditions differ from those assumed in the Report, opinions expressed by Beca in the Report and this letter may no longer be valid and should be reviewed.

This letter sets out Beca's professional opinion on the matters addressed in it based on Beca's review of the Genesis Energy Information and no statement in this letter should be construed as a statement of fact by Beca. Draft versions of this letter and the Report were provided to Genesis Energy together with a request to confirm that there are no material errors or omissions in the Report or the letter. Confirmation has been provided to and relied upon by Beca.

This letter and the Report were prepared for the sole use of Genesis Energy in accordance with the terms of engagement between Beca and Genesis Energy. Unless otherwise agreed by Beca in writing and to the maximum extent permitted by law, no other person is entitled to rely on this letter or the Report.

This letter addresses only Beca's key findings in the Report. This means that certain elements of the Report are not included in this letter, and such matters may be relevant to a more detailed understanding of the Beca work and findings (which is beyond the purpose of this letter).

Beca makes no recommendation or comment on and gives no guarantee in respect of the securities being offered under the Prospectus in which this letter is incorporated.

Yours faithfully

Thomas Hyde

Director

A handwritten signature in black ink, appearing to be 'TH', with a long horizontal flourish extending to the right.

on behalf of

Beca Ltd

4.5 INDEPENDENT EXPERT'S SUMMARY REPORT ON KUPE RESERVES AND RESOURCES

**Gaffney,
Cline &
Associates**

**INDEPENDENT EXPERT'S SUMMARY OF ITS ASSESSMENT OF KUPE RESERVES,
CONTINGENT RESOURCES AND PROSPECTIVE RESOURCES**

**Prepared for
GENESIS ENERGY**

7th MARCH, 2014

www.gaffney-cline.com

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The Directors
Genesis Energy Limited
660 Great South Road
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Auckland 1051

7th March, 2014

Her Majesty the Queen in right of New Zealand
c/o The Treasury
1 The Terrace
Wellington 6011

INDEPENDENT EXPERT'S SUMMARY OF ITS ASSESSMENT OF KUPE RESERVES, CONTINGENT RESOURCES AND PROSPECTIVE RESOURCES

INTRODUCTION

This letter has been prepared at the request of Genesis Energy Limited ("Genesis Energy" or "the Client") for inclusion in an offer document relating to the partial sale of Genesis Energy ("Prospectus"), and subsequent listing of its shares on the Main Board of NZX Limited ("NZSX") and the Australian Securities Exchange ("ASX") operated by ASX Limited ("IPO").

Gaffney, Cline & Associates (Consultants) Pte Limited ("GCA") is an international energy advisory provider. GCA was engaged to conduct an independent assessment of the "Reserves", "Contingent Resources" and "Prospective Resources" attributable to the petroleum interest owned by Genesis Energy in Petroleum Mining Lease (PML) 38146, located offshore New Zealand and known as the Kupe Asset (Figure 1). Details of the qualifications of the key individuals involved in the review are set out later in this letter, and considerations in respect of the estimation and classification of Reserves and Resources are provided in the Basis of Opinion section below.

GCA has completed its assessment and has provided a written report on its findings to Genesis Energy ("IER"). The effective date of its assessment is 31st December, 2013.

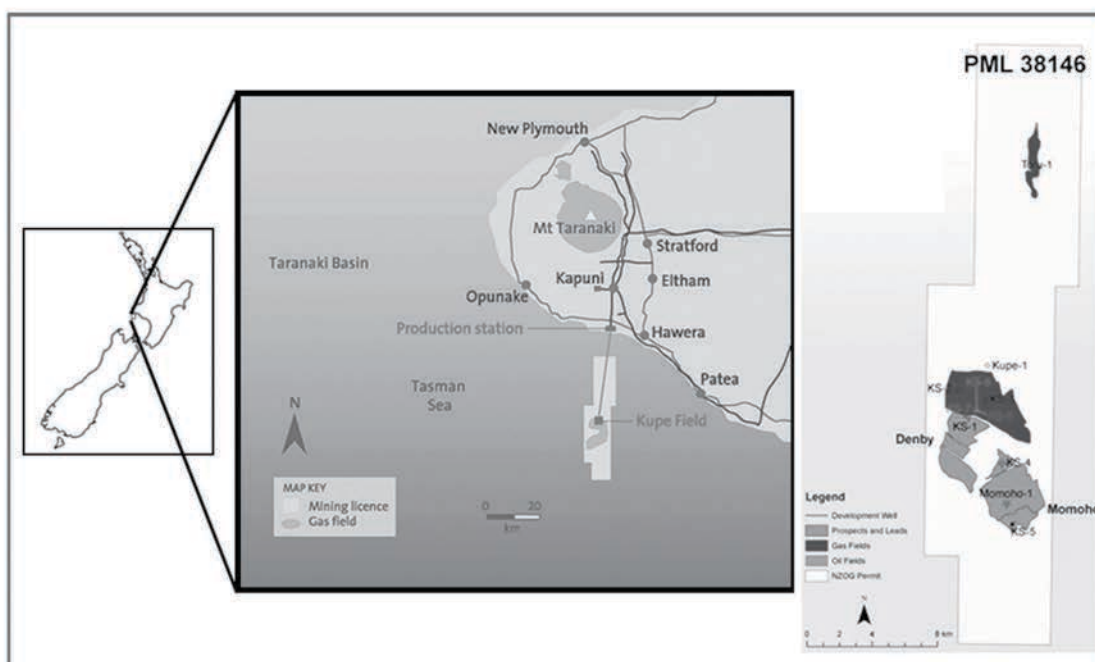
The purpose of this letter is to summarise GCA's assessment of the Reserves, Contingent Resources and Prospective Resources for the Kupe Asset.

This IER has been prepared in general accordance with Section 10 of the NZSX Listing Rules dated 5th October, 2012 and Chapter 5 of the ASX Listing Rules, effective from 1st December, 2013. "Section 10.11 HydroCarbon Reports" of the NZSX Listing Rules advises, under the "Possible Hydrocarbon Reserves" definition, that "the probability generally assigned to these reserves would be 25% but may be higher or lower". In the preparation of Possible Reserves estimates for this report, GCA has adhered to the Possible Reserves definitions under SPE PRMS guidelines (see Appendix II), which state "when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the Proved plus Probable plus Possible Reserves estimate". The findings summarised in this document are as at 31st December, 2013. It is noted that the NZSX Listing Rules dated 30th October, 2013 take effect on 1st January, 2014. However, there have been no amendments to Section 10.11 under the new rules.

GCA has followed an audit approach in the estimation of Reserves and Resources included in this report. Genesis Energy has made available to GCA a dataset of technical information including geological, geophysical and engineering data and reports together with financial data and the fiscal terms applicable to the permit. Technical information included seismic data in digital format, geological models, wireline logs, pressure measurements, fluid analysis reports, well test reports, production history by well, and production forecasting models. Various third-party technical reports and Reserves reports were also available for perusal. In carrying out this assessment GCA has relied on the accuracy and completeness of this information. Whenever significant discrepancies were discovered amongst different sources of information, GCA conducted its own independent estimates. This letter and the IER are, and remain, an independent opinion despite the data used having been provided by Genesis Energy, or on behalf of, or for, Genesis Energy. GCA notes that it has been advised that no Kupe Joint Venture party guarantees the shares offered in the Prospectus, endorses the IPO or warrants or guarantees the performance of the shares or any return on any investments made pursuant to the Prospectus. GCA similarly notes that its role has been that of an independent hydrocarbon Reserves and Resources estimator, and it neither guarantees the shares offered in the Prospectus, nor endorses the IPO or warrants or guarantees the performance of the shares or any return on any investments made pursuant to the Prospectus.

FIGURE 1

LOCATION OF PML 38146



Sources: Origin and NZOG

The reported hydrocarbon volumes are estimates based on professional engineering judgement and are subject to further revisions, upward or downward, as a result of future operations or as additional information becomes available. Deterministic and probabilistic methodologies were used to calculate the volumes stated herein. Reserves were estimated following a deterministic scenario approach, whereas Contingent Resources and Prospective Resources were estimated following a probabilistic approach.

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Industry Standard terms and abbreviations are contained in the attached Glossary (**Appendix I**), some or all of which may have been used in this letter and the IER.

This letter relates specifically and solely to the subject matter as defined in the scope of work agreed with Genesis Energy and is conditional upon the assumptions described herein. This letter must be considered in its entirety and must only be used for the purpose for which it was intended.

BASIS OF OPINION

This letter and the IER reflect GCA's informed professional judgment based on accepted standards of professional investigation and, as applicable, the data and information provided by the Client, the agreed scope of engagement, and the time permitted to conduct the evaluation.

In line with those accepted standards, neither this letter nor the IER in any way constitute or make a guarantee or prediction of results, and no warranty is expressed or implied that actual outcome will conform to the outcomes presented herein. GCA has not independently verified any information provided by or at the direction of the Client, and has accepted the accuracy and completeness of these data. GCA has no reason to believe that any material facts have been withheld from it, but does not warrant that its inquiries have revealed all of the matters that a more extensive examination might otherwise disclose.

The opinions expressed herein and in the IER are subject to and fully qualified by the generally accepted uncertainties associated with the interpretation of geoscience and engineering data and do not reflect the totality of circumstances, scenarios and information that could potentially affect decisions made by the IER's recipients and/or actual results. The opinions and statements contained in this letter and the IER are made in good faith and in the belief that such opinions and statements are representative of prevailing physical and economic circumstances.

This assessment has been conducted within the context of GCA's understanding of the effects of petroleum legislation and other regulations that currently apply to these properties. However, GCA is not in a position to attest to property title or rights, conditions of these rights including environmental and abandonment obligations, and any necessary licenses and consents including planning permission, financial interest relationships or encumbrances thereon for any part of the appraised properties.

In carrying out this study, GCA is not aware that any conflict of interest has existed. As an independent consultancy, GCA is providing impartial technical, commercial and strategic advice within the energy sector. GCA's remuneration was not in any way contingent on the contents of this report. In the preparation of this document, GCA has maintained, and continues to maintain, a strict independent consultant-client relationship with Genesis Energy. Furthermore, the management and employees of GCA have no interest in any of the assets evaluated or related with the analysis carried out as part of the IER.

Persons who prepared this letter and the IER are professionally-qualified with appropriate educational qualifications and levels of experience and expertise to perform the scope of work agreed with Genesis Energy and meet the requirements as set out in Section 10.11.3 of the NZSX Listing Rules and of a Qualified Petroleum Reserves and Resources Evaluator as defined in Chapter 5 of the ASX Listing Rules.

GCA has not undertaken a site visit and inspection because it understands that such visit has been conducted by a third party as part of the due diligence process related to the partial privatisation of Genesis Energy. As such, GCA is not in a position to comment on the operations or facilities in place, their appropriateness and condition and whether they are in compliance with the regulations pertaining to such operations. Further, GCA is not in a position to comment on any aspect of health, safety or environment of such operation.

In the preparation of this report, GCA used the Petroleum Resources Management System published by the Society of Petroleum Engineers / World Petroleum Council / American Association of Petroleum Geologists / Society of Petroleum Evaluation Engineers (SPE/WPC/AAPG/SPEE) in March, 2007 (SPE PRMS, see **Appendix II**).

There are numerous uncertainties inherent in estimating Reserves and Resources, and in projecting future production, development expenditures, operating expenses and cash flows. Oil and gas reserve engineering and resource assessment must be recognized as a subjective process of estimating subsurface accumulations of oil and gas that cannot be measured in an exact way. Estimates of oil and gas Reserves or Resources prepared by other parties may differ, perhaps materially, from those contained in this letter or within the IER. The accuracy of any Reserves estimate is a function of the quality of the available data and of engineering and geological interpretation. Results of drilling, testing and production that post-date the preparation of the estimates may justify revisions, some or all of which may be material. Accordingly, Reserves estimates are often different from the quantities of oil and gas that are ultimately recovered, and the timing and cost of those volumes that are recovered may vary from that estimated.

Oil and condensate volumes appearing in this letter have been quoted at stock tank conditions. Typically these volumes have been referred to in million barrels increments (MMstb). LPG volumes have been quoted in millions of tonnes (MMT) and gas volumes have been quoted in billions of standard cubic feet (Bscf) or Petajoules (PJ). For Reserves and Contingent Resources, these comprise volumes of sales gas, after an allocation has been made for fuel, flare, and process shrinkage losses. Standard conditions are defined as 14.696 psia and 60° Fahrenheit.

GCA has prepared an independent assessment of the Reserves and Resources based on data and interpretations provided by Genesis Energy (or on behalf of, or for, Genesis Energy).

Reserves are those quantities of petroleum that are anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status. All categories of Reserves volumes quoted herein have been estimated within the context of an economic limit test (pre-tax and exclusive of accumulated depreciation amounts) assessment prior to any NPV analysis.

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Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no evident viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

It must be appreciated that the Contingent Resources reported herein and in the Report are unrisks in terms of economic uncertainty and commerciality. There is no certainty that it will be commercially viable to produce any portion of the Contingent Resources.

Prospective Resources are those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

There is no certainty that any portion of the Prospective Resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the Resources. Prospective Resources volumes are presented as unrisks. It must be appreciated that Prospective Resources are risk assessed only in the context of identifying the stated 'Geological Chance of Success' (GCoS), a decimal fraction which pertains to the probability of achieving the status of a Contingent Resources (where the Geological Chance of Success is unity). This dimension of risk assessment does not incorporate the considerations of economic uncertainty and commerciality.

SUMMARY OF RESERVES, CONTINGENT RESOURCES AND PROSPECTIVE RESOURCES

PML 38146 occupies an area of 256.5 km² and expires on 26th June, 2031. Genesis Energy holds a 31% Net Working Interest in the permit. Cumulative sales gas, condensate, and LPG production from the asset was 76 PJ, 7.2 MMstb, and 316 MT respectively as at 31st December, 2013.

It is GCA's opinion that the estimates of total remaining recoverable hydrocarbon liquid and gas volumes that were announced for the Kupe Joint Venture in June, 2012 are reasonable and the Reserves and Resources classification and categorization is appropriate and consistent with the SPE PRMS definitions and guidelines for Reserves and Resources. (These announced Reserves estimates did not include the oil rim which is discussed below.)

GCA's estimates of the PML 38146 Reserves as at 31st December, 2013 are presented in **Table 1**. As required to define volumes that qualify as Reserves, Economic Limit Tests were conducted for the Proved, Proved Plus Probable and Proved Plus Probable Plus Possible Reserves estimates based on the low, best and high production forecasts provided by or for Genesis Energy, which GCA considered reasonable.

TABLE 1

**PML 38146 GROSS, NET WORKING INTEREST AND NET REVENUE INTEREST
RESERVES
AS AT 31st DECEMBER, 2013**

Reserves	Proved (1P)			Proved Plus Probable (2P)			Proved Plus Probable Plus Possible (3P)		
	Dev	Undev	Total	Dev	Undev	Total	Dev	Undev	Total
GROSS RESERVES									
Gas (PJ)	146.1	25.8	171.9	159.1	86.3	245.4	186.7	148.5	335.2
LPG (MMT)	0.64	0.09	0.73	0.69	0.35	1.04	0.82	0.62	1.44
Condensate (MMstb)	6.9	0.7	7.6	7.4	3.7	11.1	9.2	6.4	15.6
NET WORKING INTEREST RESERVES									
Gas (PJ)	45.3	8.0	53.3	49.3	26.8	76.1	57.9	46.0	103.9
LPG (MMT)	0.20	0.03	0.23	0.21	0.11	0.32	0.25	0.19	0.45
Condensate (MMstb)	2.2	0.2	2.4	2.3	1.1	3.4	2.8	2.0	4.8
NET REVENUE INTEREST RESERVES									
Gas (PJ)	41.3	7.3	48.6	44.5	24.1	68.6	51.5	41.0	92.5
LPG (MMT)	0.18	0.03	0.21	0.19	0.10	0.29	0.22	0.17	0.40
Condensate (MMstb)	1.9	0.2	2.1	2.1	1.0	3.1	2.5	1.8	4.3

Notes:

1. Gross Reserves represent 100% of the volumes estimated to be commercially recoverable from 1st January, 2014 onwards.
2. Net Working Interest Reserves are those Reserves volumes attributable to Genesis Energy, based on its 31% Net Working Interest (NWI) in the License before Royalties have been deducted.
3. Net Revenue Interest Reserves are those Reserves volumes attributable to Genesis Energy, based on its 31% NWI in the License after Royalties have been deducted.
4. "Dev" refers to Developed Reserves. "Undev" refers to Undeveloped Reserves.
5. Economic Limit Tests (ELT) have been conducted for the 1P, 2P and 3P estimates.
6. Totals in the table may not add up due to rounding.

Economic Limit Tests (ELTs) were run using a scenario which incorporates assumptions of future operating conditions, (oil, gas and LPG prices, capital and operating costs, and inflation/escalation as may apply thereto) consistent with advice from Genesis Energy as to historic oil, gas and LPG sales price realizations for Kupe production relative to the movements of such in international markets, and SPE PRMS requirements. The analysis was conducted assuming an effective assessment date of 31st December, 2013. In line with its standard practices, GCA has estimated the Reserves quoted herein based on its first quarter, 2014 Pricing Scenario, as shown in **Table 2** below.

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TABLE 2

GCA OIL PRICE SCENARIO

Year	Kupe (U.S.\$/Bbl)
2014	106.80
2015	100.88
2016	95.05
2017	94.28
2018	95.42
2019	97.37
Thereafter	+2.0% p.a.

GCA's estimates of the PML 38146 Contingent Resources as at 31st December, 2013 are presented in **Table 3**. These include gas resources from three gas discoveries within the permit (Kupe South-4, Momoho West and Toru) and oil resources coming from the potential development of the oil rim located in the Central Field Area (CFA). While GCA's audit enabled it to accept as reasonable the estimates, provided by or for Genesis Energy, with respect to all other Contingent Resource volumes GCA carried out its own estimate of Contingent Resources in respect of the CFA oil rim and this is set out in Table 3 below.

TABLE 3

**PML 38146 GROSS AND NET CONTINGENT RESOURCES
AS AT 31st DECEMBER, 2013**

CONTINGENT RESOURCES	Gross Contingent Resources			Net to Genesis		
	1C	2C	3C	1C	2C	3C
GAS RESOURCES (BSCF)						
Kupe South-4	3.5	6.3	11.1	1.0	1.8	3.1
Momoho West	1.2	2.5	4.9	0.3	0.7	1.4
Toru	11.9	17.1	23.9	3.3	4.8	6.7
TOTAL	16.6	25.9	39.8	4.6	7.2	11.1
OIL RESOURCES (MMSTB)						
CFA Oil Rim	1.0	2.4	5.1	0.3	0.7	1.4

Notes:

1. Gross Contingent Resources are 100% of the volumes estimated to be recoverable from the field without any economic cut-off being applied.
2. Contingent Resources Net to Genesis are those volumes attributable to Genesis Energy, based on its 31% NWI in the License and after Royalties have been deducted. The effect of Royalties on the volumetric estimates has been estimated at an approximate 10% reduction based on the economic analysis conducted for Reserves.
3. Contingent Resources estimates include volumes of wet gas assuming development of these accumulations through the existing Kupe offshore facility, as explained in Section 3 of the IER.
4. Gas estimates exclude any inert gases in the gas stream. CO₂ content in Toru gas estimated at 27% in volume terms.
5. Gas estimates exclude offshore fuel and flare gas, which is assumed as 6.5% of the raw gas volume.
6. The volumes reported here are "Unrisked" in the sense that "Chance of Development" (CoD) values have not been arithmetically applied to the designated volumes within this assessment. CoD, which is not stated herein, represents the probability that the Contingent Resources will be developed, which would warrant the re-classification of volumes as Reserves.
7. Net Contingent Resources are those volumes estimated to be recoverable from the field that are attributable to Genesis Energy.
8. Totals in the table are arithmetic additions and may not add up due to rounding.

GCA's assessment of the PML 38146 Prospective Resources as at 31st December, 2013 is presented in **Table 4**.

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TABLE 4

**SUMMARY OF PML 38146 GROSS AND NET PROSPECTIVE RESOURCES (BSCF)
AS AT 31st DECEMBER, 2013**

Prospect	Low (P90)	Best (P50)	High (P10)	GCoS
GROSS UNRISKED PROSPECTIVE RESOURCES				
Denby AB	1.0	4.0	17.5	0.46
Denby C	1.6	7.0	26.0	0.35
Denby D	1.2	4.5	16.0	0.26
Momoho East	1.0	11.0	125.0	0.17
Ngahue KB	7.0	16.0	36.0	0.51
Ngahue KC	5.0	11.0	28.0	0.42
Makaro KC	1.0	4.0	17.5	0.22
NET UNRISKED PROSPECTIVE RESOURCES				
Denby AB	0.3	1.1	4.9	0.46
Denby C	0.4	2.0	7.3	0.35
Denby D	0.3	1.3	4.5	0.26
Momoho East	0.3	3.1	34.9	0.17
Ngahue KB	2.0	4.5	10.0	0.51
Ngahue KC	1.4	3.1	7.8	0.42
Makaro KC	0.3	1.1	4.9	0.22

Notes:

1. Prospects are features that have been sufficiently well defined, on the basis of geological and geophysical data, to the point that they are considered viable drilling targets.
2. "Gross Unrisked Prospective Resources" are 100% of the volumes estimated to be recoverable from the field.
3. "Net Unrisked Prospective Resources" are those volumes attributable to Genesis Energy, based on its 31% NWI in the Licence and after Royalties have been deducted. The effect of Royalties on the volumetric estimates has been estimated at an approximate 10% reduction based on the economic analysis conducted for Reserves.
4. Estimates are inclusive of inert gases and fuel and flare volumes, given the lack of definition of preferred development options for these Resources at this stage.
5. The GCoS reported here represents an indicative estimate of the probability that drilling this Prospect would result in a discovery, which would warrant the re-classification of volumes as Contingent Resources. The GCoS value for Contingent Resources is, by definition, unity. These GCoS values have not been arithmetically applied to the designated volumes within this assessment. Thus the volumes are "Unrisked".
6. Prospective Resources also have an associated "Chance of Development" (CoD). CoD cannot be estimated reliably until the exploration well has determined the extent of the potential discovery and type of hydrocarbons and thus is not stated herein.
7. It is inappropriate to aggregate Prospective Resources without due consideration of the different levels of risk associated with each Prospect/Lead and the potential dependencies between them. Similarly, it is inappropriate to aggregate Prospective Resources with Reserves or Contingent Resources.

QUALIFICATIONS

GCA is an independent international energy advisory group of more than 50 years' standing, whose expertise includes petroleum reservoir evaluation and economic analysis.

The report is based on information compiled by persons who are, or were at the time, professional Associates of GCA and all of whom hold degrees in geoscience, petroleum engineering or related discipline. They include Mr Robert George, Mr. Brian Rhodes, Mr. David Ahye, Mr. Doug Peacock, Mr. Zis Katelis, Ms. Nila Murti, Mr. Adrian Starkey, Mr. Miguel Muruais, Ms. Maki Ikeda, Mr. Denis Dare and Mr. Paul McGhee.

Mr. George is Vice President of GCA, holds an MBA from the Open University (1992) and a B.Sc (Hons) in Earth Sciences (Leeds University, UK, 1972), is a member of the Society of Petroleum Engineers, the American Association of Petroleum Geologists, and Association of International Petroleum Negotiators, and has over 40 years industry experience. Mr. Rhodes was at the time of compilation of the report an Executive Director who holds a B.Sc (Hons) Geology (University of Dundee, UK, 1974), is a member of the Energy Institute, the Petroleum Exploration Society of Great Britain, the Society of Petroleum Engineers and the European Association of Geoscientists and Engineers, and has more than 39 years industry experience. Mr. Ahye is a Technical Director who holds a B.Sc (Hons) in Chemical Engineering (University of the West Indies, Trinidad and Tobago, 1975), is a member of the Society of Petroleum Engineers, the Society of Professional Well Log Analysts, the Geological Society of Trinidad and Tobago, the South East Asia Petroleum Exploration Society, and has more than 32 years industry experience worldwide. Mr. Peacock is a Technical Director who holds a B.Sc Geology Sciences (Leeds University, 1982) and M.Sc Petroleum Geology (Imperial College London, 1988), is member of the SPE Oil & Gas Reserves Committee (OGRC), South East Asia Petroleum Exploration Society, Society of Exploration Geophysicists, Petroleum Exploration Society of Great Britain, and has more than 29 years industry experience. Mr. Zis Katelis is a Principal Advisor who holds a B.Sc (Hons) in Geophysics (Monash University, Australia, 1989) with over 20 years of industry experience, and is a member of the Society of Petroleum Engineers and the South East Asia Petroleum Exploration Society. Ms. Murti is a Senior Advisor who has over 16 years industry experience. She holds a BSc in Geological Engineering (Gadjah Mada University, Indonesia, 1996) and an MSc in Geology (Royal Holloway College, University of London, UK, 2002), and is a member of the Indonesian Petroleum Association, the Indonesian Sedimentologists Forum, the Indonesian Geologists Association and the American Association of Petroleum Geologists. Mr. Starkey is a Principal Advisor who holds an M.Eng. (Hons) in Mechanical Engineering and an M.Sc. in Petroleum Engineering. He is a UK Chartered Engineer (C.Eng.) and is a member of the Society of Petroleum Engineers (SPE) with more than 20 years of experience in reservoir engineering and field development. Mr. Miguel Muruais is a Principal Consultant who has over 14 years of E&P industry experience and holds Masters Degrees in both Petroleum Engineering (Imperial College London, UK, 2000) & Energy Engineering (Universidad Politecnica de Madrid, Spain, 1998) and is a member of the Society of Petroleum Engineers. Ms. Ikeda is a Senior Consultant with over 7 years of industry experience. She holds an MSc in Chemistry and Earth Sciences (Diplome d'Ingenieur, Ecole Polytechnique, France, 2005) and MSc Petroleum Engineering (Stanford University, 2007) and is a member of the Society of Petroleum Engineers and the South East Asia Petroleum Exploration Society. Mr. Dare is a Technical Director who holds a BE (Honors, Chemical) University of Melbourne, 1970. He is a member of the Society of Petroleum Engineers; Fellow of the Institute of Chemical Engineers, UK (former director) & Member of the Australian Petroleum Production & Exploration Association (former director) and has 40 over years' industry experience worldwide. Mr. McGhee is a Senior Advisor with over 25 years industry experience. He holds a B.Sc Chemical Engineering (University College of Wales, UK, 1983), and is a member of the Society of Petroleum Engineers, an Associate Member of Institution of Chemical Engineers, and a member of the Association of International Petroleum Negotiators.

Yours sincerely,

GAFFNEY, CLINE & ASSOCIATES (CONSULTANTS) PTE LTD



Robert George
Vice President

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Genesis Energy

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APPENDIX I

GLOSSARY

List of Standard Oil Industry Terms and Abbreviations

ABEX	Abandonment Expenditure	Ft	Foot/feet
ACQ	Annual Contract Quantity	Fx	Foreign Exchange Rate
°API	Degrees API (American Petroleum Institute)	G	gram
AAPG	American Association of Petroleum Geologists	g/cc	grams per cubic centimetre
AVO	Amplitude versus Offset	Gal	gallon
AS	Australian Dollars	gal/d	gallons per day
B	Billion (10 ⁹)	G&A	General and Administrative costs
Bbl	Barrels	GBP	Pounds Sterling
/Bbl	per barrel	GDT	Gas Down to
BBbl	Billion Barrels	GIIP	Gas initially in place
BHA	Bottom Hole Assembly	GJ	Gigajoules (one billion Joules)
BHC	Bottom Hole Compensated	GOR	Gas Oil Ratio
Bscf or Bcf	Billion standard cubic feet	GTL	Gas to Liquids
Bscfd or Bcfd	Billion standard cubic feet per day	GWC	Gas water contact
Bm ³	Billion cubic metres	HDT	Hydrocarbons Down to
Bcpd	Barrels of condensate per day	hp	Horse power
BHP	Bottom Hole Pressure	HSE	Health, Safety and Environment
Blpd	Barrels of liquid per day	HSFO	High Sulphur Fuel Oil
Bpd	Barrels per day	HUT	Hydrocarbons up to
Boe	Barrels of oil equivalent @ xxx mcf/Bbl	H ₂ S	Hydrogen Sulphide
boepd	Barrels of oil equivalent per day @ xxx mcf/Bbl	IOR	Improved Oil Recovery
BOP	Blow Out Preventer	IPP	Independent Power Producer
bopd	Barrels oil per day	IRR	Internal Rate of Return
bwpd	Barrels of water per day	J	Joule (Metric measurement of energy) 1 kilojoule = 0.9478 BTU
BS&W	Bottom sediment and water	k	Permeability
BTU	British Thermal Units	KB	Kelly Bushing
bwpd	Barrels water per day	KJ	Kilojoules (one Thousand Joules)
CBM	Coal Bed Methane	kl	Kilolitres
CO ₂	Carbon Dioxide	km	Kilometres
CAPEX	Capital Expenditure	km ²	Square kilometres
CCGT	Combined Cycle Gas Turbine	kPa	Thousands of Pascals (measurement of pressure)
cm	centimetres	KW	Kilowatt
CMM	Coal Mine Methane	KWh	Kilowatt hour
CNG	Compressed Natural Gas	LKG	Lowest Known Gas
Cp	Centipoise (a measure of viscosity)	LKH	Lowest Known Hydrocarbons
CSG	Coal Seam Gas	LKO	Lowest Known Oil
CT	Corporation Tax	LNG	Liquefied Natural Gas
DCQ	Daily Contract Quantity	LoF	Life of Field
Deg C	Degrees Celsius	LPG	Liquefied Petroleum Gas
Deg F	Degrees Fahrenheit	LTi	Lost Time Injury
DHI	Direct Hydrocarbon Indicator	LWD	Logging while drilling
DST	Drill Stem Test	m	Metres
DWT	Dead-weight ton	M	Thousand
E&A	Exploration & Appraisal	m ³	Cubic metres
E&P	Exploration and Production	Mcf or Mscf	Thousand standard cubic feet
EBIT	Earnings before Interest and Tax	MCM	Management Committee Meeting
EBITDA	Earnings before interest, tax, depreciation and amortisation	MMcf or MMscf	Million standard cubic feet
EI	Entitlement Interest	m ³ d	Cubic metres per day
EIA	Environmental Impact Assessment	mD	Measure of Permeability in millidarcies
EMV	Expected Monetary Value	MD	Measured Depth
EOR	Enhanced Oil Recovery	MDT	Modular Dynamic Tester
EUR	Estimated Ultimate Recovery	Mean	Arithmetic average of a set of numbers
FEED	Front End Engineering and Design	Median	Middle value in a set of values
FPSO	Floating Production, Storage and Offloading	MFT	Multi Formation Tester
FSO	Floating Storage and Offloading	mg/l	milligrams per litre

MJ	Megajoules (One Million Joules)	R _w	Resistivity of water
Mm ³	Thousand Cubic metres	SCAL	Special core analysis
Mm ³ d	Thousand Cubic metres per day	cf or scf	Standard Cubic Feet
MM	Million	cf or scfd	Standard Cubic Feet per day
MMBbl	Million of barrels	scf/ton	Standard cubic foot per ton
MMBTU	Millions of British Thermal Units	SL	Straight line (for depreciation)
Mode	Value that exists most frequently in a set of values = most likely	s _o	Oil Saturation
Mscfd	Thousand standard cubic feet per day	SPE	Society of Petroleum Engineers
MMscfd	Million standard cubic feet per day	SPEE	Society of Petroleum Evaluation Engineers
MMstb	Million standard barrels	ss	Subsea
MMT	Million tonnes		
MT	Thousand tonnes	Stb	Stock tank barrel
MW	Megawatt	STOIIP	Stock tank oil initially in place
MWD	Measuring While Drilling	s _w	Water Saturation
MWh	Megawatt hour	T	Tonnes
NGL	Natural Gas Liquids	TD	Total Depth
N ₂	Nitrogen	Te	Tonnes equivalent
NPV	Net Present Value	THP	Tubing Head Pressure
OBM	Oil Based Mud	TJ	Terajoules (10 ¹² Joules)
OCM	Operating Committee Meeting	Tscf or Tcf	Trillion standard cubic feet
ODT	Oil down to	TCM	Technical Committee Meeting
OPEX	Operating Expenditure	TOC	Total Organic Carbon
OWC	Oil Water Contact	TOP	Take or Pay
p.a.	Per annum	Tpd	Tonnes per day
Pa	Pascals (metric measurement of pressure)	TVD	True Vertical Depth
p.a.	Per annum	TVDss	True Vertical Depth Subsea
Pa	Pascals (metric measurement of pressure)	USGS	United States Geological Survey
P&A	Plugged and Abandoned	US\$	United States Dollar
PDP	Proved Developed Producing	VSP	Vertical Seismic Profiling
PI	Productivity Index	WC	Water Cut
PJ	Petajoules (10 ¹⁵ Joules)	WI	Working Interest
PSDM	Post Stack Depth Migration	WPC	World Petroleum Council
Psi	Pounds per square inch	WTI	West Texas Intermediate
Psia	Pounds per square inch absolute	wt%	Weight percent
Psig	Pounds per square inch gauge	1H05	First half (6 months) of 2005 (example of date)
PUD	Proved Undeveloped	2Q06	Second quarter (3 months) of 2006 (example of date)
PVT	Pressure volume temperature	2D	Two dimensional
P10	10% Probability	3D	Three dimensional
P50	50% Probability	4D	Four dimensional
P90	90% Probability	1P	Proved Reserves
Rf	Recovery factor	2P	Proved plus Probable Reserves
RFT	Repeat Formation Tester	3P	Proved plus Probable plus Possible Reserves
RT	Rotary Table	%	Percentage

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APPENDIX II

ABBREVIATED 2007 SPE PRMS GUIDELINES AND DEFINITIONS

**Society of Petroleum Engineers, World Petroleum Council, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers
Petroleum Resources Management System
Definitions and Guidelines ⁽¹⁾
March 2007**

Preamble

Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet-to-be-discovered accumulations; resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

International efforts to standardize the definition of petroleum resources and how they are estimated began in the 1930s. Early guidance focused on Proved Reserves. Building on work initiated by the Society of Petroleum Evaluation Engineers (SPEE), SPE published definitions for all Reserves categories in 1987. In the same year, the World Petroleum Council (WPC, then known as the World Petroleum Congress), working independently, published Reserves definitions that were strikingly similar. In 1997, the two organizations jointly released a single set of definitions for Reserves that could be used worldwide. In 2000, the American Association of Petroleum Geologists (AAPG), SPE and WPC jointly developed a classification system for all petroleum resources. This was followed by additional supporting documents: supplemental application evaluation guidelines (2001) and a glossary of terms utilized in Resources definitions (2005). SPE also published standards for estimating and auditing reserves information (revised 2007).

These definitions and the related classification system are now in common use internationally within the petroleum industry. They provide a measure of comparability and reduce the subjective nature of resources estimation. However, the technologies employed in petroleum exploration, development, production and processing continue to evolve and improve. The SPE Oil and Gas Reserves Committee works closely with other organizations to maintain the definitions and issues periodic revisions to keep current with evolving technologies and changing commercial opportunities.

The SPE PRMS document consolidates, builds on, and replaces guidance previously contained in the 1997 Petroleum Reserves Definitions, the 2000 Petroleum Resources Classification and Definitions publications, and the 2001 "Guidelines for the Evaluation of Petroleum Reserves and Resources"; the latter document remains a valuable source of more detailed background information.

These definitions and guidelines are designed to provide a common reference for the international petroleum industry, including national reporting and regulatory disclosure agencies, and to support petroleum project and portfolio management requirements. They are intended to improve clarity in global communications regarding petroleum resources. It is expected that SPE PRMS will be supplemented with industry education programs and application guides addressing their implementation in a wide spectrum of technical and/or commercial settings.

It is understood that these definitions and guidelines allow flexibility for users and agencies to tailor application for their particular needs; however, any modifications to the guidance contained herein should be clearly identified. The definitions and guidelines contained in this document must not be construed as modifying the interpretation or application of any existing regulatory reporting requirements.

The full text of the SPE PRMS Definitions and Guidelines can be viewed at:

www.spe.org/specma/binary/files/6859916Petroleum_Resources_Management_System_2007.pdf

¹ These Definitions and Guidelines are extracted from the Society of Petroleum Engineers / World Petroleum Council / American Association of Petroleum Geologists / Society of Petroleum Evaluation Engineers (SPE/WPC/AAPG/SPEE) Petroleum Resources Management System document ("SPE PRMS"), approved in March 2007.

RESERVES

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.

Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further subdivided in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their development and production status. To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented. To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

On Production

The development project is currently producing and selling petroleum to market.

The key criterion is that the project is receiving income from sales, rather than the approved development project necessarily being complete. This is the point at which the project "chance of commerciality" can be said to be 100%. The project "decision gate" is the decision to initiate commercial production from the project.

Approved for Development

A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.

At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity's current or following year's approved budget. The project "decision gate" is the decision to start investing capital in the construction of production facilities and/or drilling development wells.

Justified for Development

Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.

In order to move to this level of project maturity, and hence have reserves associated with it, the development project must be commercially viable at the time of reporting, based on the reporting entity's assumptions of future prices, costs, etc. ("forecast case") and the specific circumstances of the project. Evidence of a firm intention to proceed with development within a reasonable time frame will be sufficient to demonstrate commerciality. There should be a development plan in sufficient detail to support the assessment of commerciality and a reasonable expectation that any regulatory approvals or sales contracts required prior to project implementation will be forthcoming. Other than such approvals/contracts, there should be no known contingencies that could preclude the development from proceeding within a reasonable timeframe (see Reserves class). The project "decision gate" is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.

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Proved Reserves

Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. The area of the reservoir considered as Proved includes:

- (1) the area delineated by drilling and defined by fluid contacts, if any, and
- (2) adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data.

In the absence of data on fluid contacts, Proved quantities in a reservoir are limited by the lowest known hydrocarbon (LKH) as seen in a well penetration unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved reserves (see "2001 Supplemental Guidelines," Chapter 8). Reserves in undeveloped locations may be classified as Proved provided that the locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially productive. Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations. For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.

Probable Reserves

Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.

It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate. Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria. Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.

Possible Reserves

Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves

The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate. Possible Reserves may be assigned to areas of a reservoir adjacent to Probable where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of commercial production from the reservoir by a defined project. Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.

Probable and Possible Reserves

(See above for separate criteria for Probable Reserves and Possible Reserves.)

The 2P and 3P estimates may be based on reasonable alternative technical and commercial interpretations within the reservoir and/or subject project that are clearly documented, including comparisons to results in successful similar projects. In conventional accumulations, Probable and/or Possible Reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from Proved areas by minor faulting or other geological discontinuities and have not been penetrated by a wellbore but are interpreted to be in communication with the known (Proved) reservoir. Probable or Possible Reserves may be assigned to areas that are structurally higher than the Proved area. Possible (and in some cases, Probable) Reserves may be assigned to areas that are structurally lower than the adjacent Proved or 2P area. Caution should be exercised in assigning Reserves to adjacent reservoirs isolated by major, potentially sealing, faults until this reservoir is penetrated and evaluated as commercially productive. Justification for assigning Reserves in such cases should be clearly documented. Reserves should not be assigned to areas that are clearly separated from a known accumulation by non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results); such areas may contain Prospective Resources. In conventional accumulations, where drilling has defined a highest known oil (HKO) elevation and there exists the potential for an associated gas cap, Proved oil Reserves should only be assigned in the structurally higher portions of the reservoir if there is reasonable certainty that such portions are initially above bubble point pressure based on documented engineering analyses. Reservoir portions that do not meet this certainty may be assigned as Probable and Possible oil and/or gas based on reservoir fluid properties and pressure gradient interpretations.

Developed Reserves

Developed Reserves are expected quantities to be recovered from existing wells and facilities.

Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

Developed Producing Reserves

Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves

Developed Non-Producing Reserves include shut-in and behind-pipe Reserves

Shut-in Reserves are expected to be recovered from:

- (1) completion intervals which are open at the time of the estimate but which have not yet started producing,
- (2) wells which were shut-in for market conditions or pipeline connections, or
- (3) wells not capable of production for mechanical reasons.

Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future re-completion prior to start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

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Undeveloped Reserves

Undeveloped Reserves are quantities expected to be recovered through future investments:

- (1) from new wells on undrilled acreage in known accumulations,
- (2) from deepening existing wells to a different (but known) reservoir,
- (3) from infill wells that will increase recovery, or
- (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to
 - (a) recompleting an existing well or
 - (b) installing production or transportation facilities for primary or improved recovery projects.

CONTINGENT RESOURCES

Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.

Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

Development Pending

A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.

The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g. drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time frame. Note that disappointing appraisal/evaluation results could lead to a re-classification of the project to "On Hold" or "Not Viable" status. The project "decision gate" is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.

Development Unclassified or on Hold

A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.

The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are on hold pending the removal of significant contingencies external to the project, or substantial further appraisal/evaluation activities are required to clarify the potential for eventual commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a reasonable expectation that a critical contingency can be removed in the foreseeable future, for example, could lead to a reclassification of the project to "Not Viable" status. The project "decision gate" is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.

Development Not Viable

A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time due to limited production potential.

The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions. The project "decision gate" is the decision not to undertake any further data acquisition or studies on the project for the foreseeable future.

PROSPECTIVE RESOURCES

Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

Potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.

Prospect

A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.

Project activities are focused on assessing the chance of discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.

Lead

A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.

Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.

Play

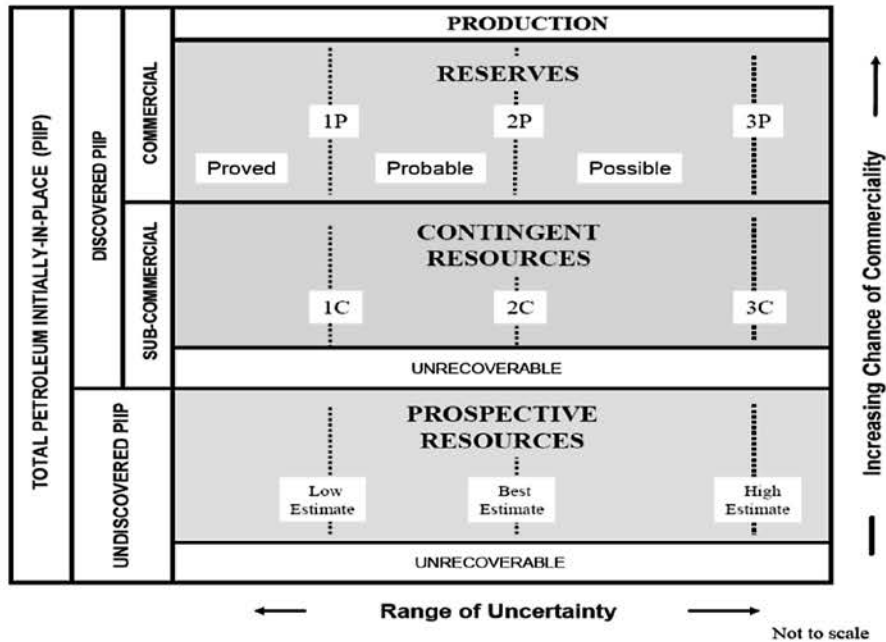
A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.

Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific leads or prospects for more detailed analysis of their chance of discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

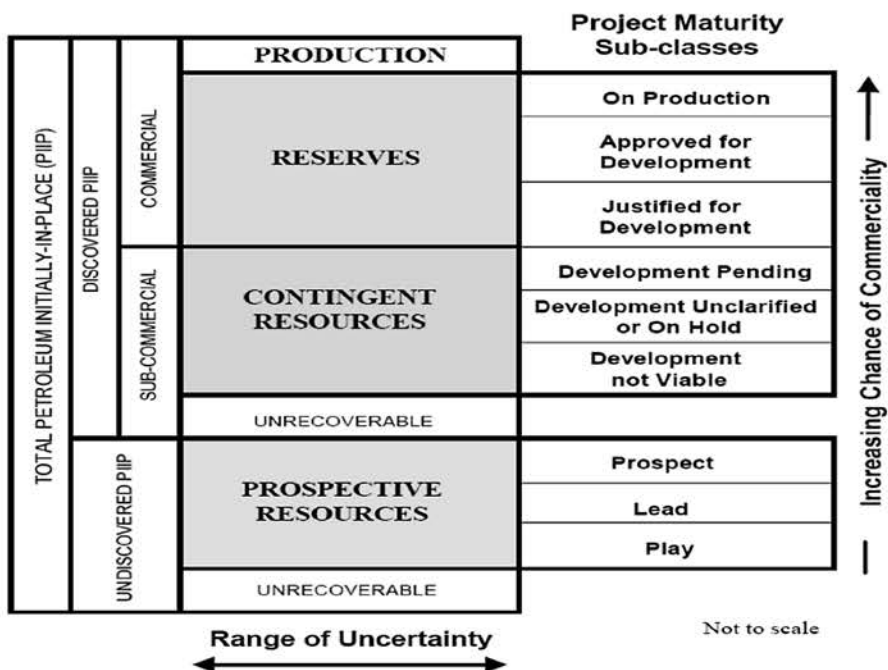
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Associates

RESOURCES CLASSIFICATION



PROJECT MATURITY





SECTION FIVE

WHAT ARE MY RISKS?

IN THIS SECTION

- 5.1 Genesis Energy's Principal Risks
- 5.2 Genesis Energy's Specific Risks
- 5.3 General Investment Risks
- 5.4 Consequences of Insolvency

RISKS

Any investment in the share market has risks associated with it, and this investment is no exception. Risks specific to Genesis Energy and other general market risks are set out in this section. These risks, if they were to occur, could materially adversely affect the financial position or performance of Genesis Energy through loss of assets, reduced revenue, increased costs, loss of customers, damage to reputation, or a combination of these factors and could reduce or eliminate the value of your Shares or the returns on them.

You should consider such risk factors together with the other information in this Prospectus. In particular, you should read *Section 4.1 Business Description* and *Section 4.2 Board, Management and Corporate Governance* for further information on how Genesis Energy manages risks facing its business.

The risk factors set out below are not the only ones faced by Genesis Energy. There may be additional risk factors of which Genesis Energy is currently unaware, or that Genesis Energy currently deems not material but which may subsequently become key risk factors for the Company.

5.1 GENESIS ENERGY'S PRINCIPAL RISKS

The risks set out under this heading are those which have been identified as the principal risks that could reduce or eliminate the value of your Shares or the returns on them.

Adverse Prices and Volumes

Retail electricity sales – the volume and price at which Genesis Energy is able to sell electricity to customers can materially influence Genesis Energy's financial performance. Volume and price may be adversely affected by competitor behaviour (such as discounted pricing) and customer behaviour (such as reduced demand due to increased energy efficiency). They can also be adversely affected by factors that affect longer-term wholesale electricity prices, which are referred to below. These include generation capacity being increased before it is required in the market, a significant gas discovery, a reduction in demand in the industrial sector, adverse conditions in the New Zealand economy, adverse regulatory changes or overall warming of the climate.

Wholesale electricity prices – the wholesale price at which Genesis Energy sells electricity it generates, or buys electricity it sells to customers, may be unfavourable in the short, medium or longer term. The following factors (alone or in combination with others) could have a significant or material adverse effect on Genesis Energy's financial performance:

- **Medium-term wholesale price drivers:** Adverse changes sustained over a period of months in hydrological and climatic conditions, and power station availability;
- **Longer-term wholesale price drivers:** The wholesale price over time can have a significant impact on both generation volumes and revenues and the cost of purchasing electricity to supply Genesis Energy's customers. The level of customer demand relative to supply from generators is a key determinant of electricity prices over the longer term. A fall in demand, or excess generation supply, may adversely affect wholesale and retail prices, potentially for a sustained period. These may arise from a range of factors including adverse changes in the

level of activity in the industrial sector, competitor behaviour, regulatory changes, a significant gas discovery, population growth, economic conditions, technological advances in the more efficient use and generation of electricity (including by customers, potentially as a consequence of regulatory subsidisation of competing technologies) and weather. In a competitive market, such longer term changes in wholesale prices influence retail prices.

Tiwai Point aluminium smelter – the Tiwai Point aluminium smelter accounted for approximately 13% of New Zealand electricity demand in 2012. If New Zealand Aluminium Smelters closes its Tiwai Point aluminium smelter or significantly reduces its electricity consumption, Genesis Energy may be adversely affected. This is because a closure or significant reduction in electricity consumption could result in a reduction in wholesale electricity prices, and in electricity prices generally. The size of these price reductions, both in the short term and ongoing, and any consequential adverse effects on Genesis Energy's financial performance, would depend on many variables which are referred to in *Section 3.1 The Electricity Sector* and this section. Genesis Energy understands that the earliest date at which any such reduction could take effect would be 1 January 2015, but there is no certainty as to whether or when, or the level at which, any such reduction could occur and, therefore, the nature and extent of any impact on Genesis Energy is not known.

Regulatory Changes

Labour-Green proposed market reform – on 18 April 2013 the New Zealand Labour Party and the Green Party of Aotearoa New Zealand announced separate proposals for electricity sector regulatory reform which would, if implemented, involve significant changes to the electricity industry. It is uncertain whether either party will have the political opportunity to implement its respective proposals. While the implementation, timing and final details of these proposals are uncertain, their implementation, as currently proposed, would have a material adverse effect on Genesis Energy.

Transmission pricing methodology – Genesis Energy uses the national grid to transmit electricity. The Electricity Authority is currently reviewing the transmission pricing methodology, which determines the basis for setting transmission charges related to the operation and development of the national grid and how these costs will be allocated to users of the grid. The changes proposed by the Electricity Authority, if implemented, may materially increase Genesis Energy's costs and also adversely affect the income expected from existing arrangements. It is unclear what proportion of this additional cost would be able to be passed through to consumers. The Electricity Authority is currently consulting on its proposal. However, the outcome of this consultation process remains uncertain and it is unclear what, if any, changes will be made to the transmission pricing methodology and what the timing of any changes will be. The Electricity Authority does not expect to release its second issues paper on this subject prior to the second half of 2014. Genesis Energy anticipates that any changes to the transmission pricing methodology arising from this review would be unlikely to be implemented before 2016.

Regulatory change to the electricity market (excluding Labour-Green proposed market reform) – there is a risk, separate from the reforms proposed by the Labour Party and the Green Party, that the Government or regulators (including the Electricity Authority) may seek to regulate or influence the structure or operation of the wholesale and retail markets or introduce measures that may increase Genesis Energy's costs or restrict the type or extent of its operating activities. This could include a moratorium or other significant set of restrictions on building or operating Thermal Generation plant, which could have an adverse impact on the future use or development of the Huntly site and other Thermal Generation prospects.

Charge on use of water – the Government is in the process of developing reforms for freshwater and resource management systems (although it is not clear if or when such reforms will take effect). Genesis Energy could be adversely affected by these reforms if they impose restrictions or conditions on its generation activities (both hydro and thermal) or if they impose a pricing regime on water or additional costs on its generation activities that the Company is not able to pass on to customers.

Infrastructure Failure or Operating Limitations

Catastrophic events – a single (or multiple) catastrophic event(s) (such as a significant earthquake, volcanic eruption, landslide, fire, flood, explosion, act of terrorism or other disaster) could result in losses considerably greater than Genesis Energy's material damage and business interruption insurance limit, which is currently \$880 million, in respect of Genesis Energy's assets, other than its Kupe interests. Genesis Energy has separate insurance arrangements in place in respect of its interests in the assets associated with the Kupe oil and gas field, which is currently covered for losses up to \$617 million.

Maui pipeline outages – Genesis Energy relies on third party service providers to deliver gas to its large industrial customers, and to the Huntly Power Station for use as fuel in its Thermal Generation units. Prolonged outages in the Maui pipeline could significantly affect Genesis Energy's ability to generate electricity and also affect delivery of gas to customers.

Kupe infrastructure failure – Kupe's infrastructure could be affected by a single (or multiple) catastrophic event(s) (such as a significant earthquake, volcanic eruption, landslide, fire, flood, explosion, act of terrorism or other disaster or adverse weather conditions (including serious storms)), or suffer from prolonged failure of structures or systems, which could in turn adversely affect Genesis Energy's earnings. Also, a catastrophic plant failure could result in an oil spill or other uncontrolled discharge of oil or gas (or other substances) into the environment. Significant costs and liabilities could be incurred by Genesis Energy, as a participant in the Kupe Joint Venture, in remediating any environmental damage resulting from such a spill and any such event could have adverse effects on Genesis Energy's reputation.

Failure of key plant – Genesis Energy relies upon key equipment and technology at each of its power stations. If material items of equipment or technology suffer failures requiring unplanned power station outage and replacement or repair, the Company's generation production may be reduced and significant capital expenditure may be required to replace or repair such assets. Genesis Energy holds spare parts for many important components, however, the Company does not hold spares for all of its equipment. In particular, a failure in Unit 5 at the Huntly Power Station (including the transformer) could have a significant adverse effect on Genesis Energy's generation output and on the revenue that Genesis Energy would otherwise have derived.

Operational failure – an operational failure, which includes operator error, made in the operation of one or more of Genesis Energy's power stations or related infrastructure could have a significant adverse effect on the Company, the electricity market and/or the environment or cause harm to Genesis Energy's people.

Electricity transmission infrastructure (hardware) failure – Genesis Energy is reliant on third parties for the transmission and distribution of electricity. This exposes the Company to the risk of planned or unexpected transmission or distribution failures (such as a transmission failure in the national grid operated by Transpower or a failure at a line operated by a distribution company). The electricity transmission and distribution systems in New Zealand are susceptible also to a range of unpredictable natural hazards such as floods, heavy snowfalls, earthquakes, cyclones and solar flares.

Financial Losses from Contracts

Adverse changes in respect of Kupe revenue – revenue derived by Genesis Energy from the sale of oil, gas and LPG produced from the Kupe oil and gas field is linked to external market prices. Changes in these prices, as well as in the international price of oil and methanol and movements in foreign exchange rates, could affect Genesis Energy's revenue and its profit margin.

Thermal fuel risks – Genesis Energy has gas purchase contracts in place with various suppliers (including for natural gas produced from Kupe). As a result of the volume and long-term take or pay nature of such contracts, a significant quantity of this contracted gas is in excess of the Company's requirements for generation and gas retailing.

The Company's Long gas position had an adverse impact on Genesis Energy's financial performance from mid FY2010 to FY2013. It is also forecast to have an adverse impact during the Prospective Period. These impacts have been incorporated into the historical and prospective financial information set out in *Section 6.0 Financial Information*.

The financial impact on Genesis Energy of having a Long gas position from 1 July 2015 is unknown as it will depend on a range of factors including the extent of its Long gas position and market conditions at the time.

Genesis Energy expects that the extent of its Long gas position will reduce between 2015 and 2020, and be eliminated by 2021.³⁸

³⁸ The year in which the Long gas position peaks, and the profile for its reduction over the period 2015 to the end of 2020, will depend on a range of factors, including the actual volumes of gas used for electricity generation and retail sales, whether the Company varies the quantity of contracted gas purchases, and whether contingent reserves become firm at one of the gas fields from which the Company purchases gas.

Other Principal Risks

Treaty of Waitangi – national freshwater and geothermal resources claim – a second hearing of the Waitangi Tribunal will consider whether Māori rights and interests in relation to water and geothermal resources are adequately recognised and provided for and whether Crown policies are in breach of the Treaty of Waitangi. The Government will need to consider whether any recommendations of the Waitangi Tribunal should result in a change of Government policy in relation to the management of freshwater in New Zealand or an acceleration of its current proposed reforms. These reforms are likely to include greater consideration being given to iwi interests before council decisions on freshwater planning are made. Such reforms or changes in Government policy may impose restrictions, conditions or additional costs on Genesis Energy's access to freshwater and those additional costs may not be able to be passed on to customers. In addition, other claims by Māori to interests in land or other resources may, if successful, adversely affect Genesis Energy.

Treaty of Waitangi – land claims and memorials – land of which Genesis Energy is either the legal or equitable owner may be subject to claims from Māori. The titles (where titles have been issued) to some of the properties on which Genesis Energy's power stations are located are subject to memorials under the State-Owned Enterprises Act 1986. These memorials mean that, in certain circumstances, the Waitangi Tribunal has the power to order the return of the land to Māori ownership. In relation to the land in the Waikaremoana Power Scheme and the Tongariro Power Scheme to which Genesis Energy is yet to receive legal title, it is intended that memorials will be registered upon the transfer of legal title to Genesis Energy. Pending such transfer, the Waitangi Tribunal powers of resumption also apply in respect of such land. There is a risk that, if land used by the Company were to be resumed and returned to Māori ownership, the compensation paid to the Company under the relevant legislation may not be sufficient to cover the full extent of the losses incurred by the Company.

Reputation – Genesis Energy's business is large, complex and highly specialised which presents a number of reputational risks. The Company could be adversely affected should it, or the industry generally, suffer from adverse publicity. The effect on Genesis Energy could be a reduction in sales or increase in costs, which may affect financial performance.

5.2 GENESIS ENERGY'S SPECIFIC RISKS

The following commentary contains a description of the risks that affect Genesis Energy.

This description forms the basis for the assessment of the Principal Risks outlined above, and it provides additional background on those risks.

Importantly, this description is not restricted to those Principal Risks. It outlines other material risks to which investors should have regard in considering whether to invest in Genesis Energy.

The risks described below are not set out in any particular order of priority.

General Description of Wholesale Electricity Market Risks

Genesis Energy is exposed to wholesale electricity prices both as a seller of the electricity it generates and as a buyer of the electricity it supplies to its customers. A large proportion of the Company's generation costs and the prices it charges its customers are fixed, while wholesale electricity prices are set by the market and can be volatile.

Volatility in the wholesale price of electricity has an impact on generation volumes offered to the market, electricity revenues, Derivatives and fuels consumed, with lower wholesale electricity prices tending to drive lower Thermal Generation as well as reducing the cost of purchasing electricity to supply customers. The opposite tends to happen when wholesale electricity prices increase. The most important factors driving variability in wholesale electricity prices are supply and demand of electricity, with supply being particularly affected by the availability of water for hydro generation.

While wholesale prices are strongly influenced by hydrological conditions throughout New Zealand, many other supply and demand factors are also relevant, including climatic conditions, power station availability, transmission constraints, competitor and customer behaviour, regulatory changes, commercial and industrial demand, and wider market demand and supply conditions.

High wholesale prices create a risk that Genesis Energy may have to purchase electricity at prices that are higher than are those it charges its customers, while low wholesale prices create a risk that the revenue the Company receives for selling the electricity it generates does not cover its costs.

While the operation of the wholesale market is monitored by the Electricity Authority and it has the authority to intervene in respect of pricing issues or other matters it deems as having an adverse effect on the market, wholesale prices are uncapped which means that, potentially, the financial effects on Genesis Energy can be significant.

Genesis Energy manages its portfolio of generation and sales to customers so that it generally has the ability to generate more electricity than it sells to customers; however, the position may be reversed for a number of reasons including dry periods or drought conditions, cost of fuel, planned or unplanned outages at its power stations or unusually high demand, which may occur as a result of unusual weather conditions.

The following factors (alone or in combination with others) could have adverse effects on Genesis Energy's financial performance:

Short-term Wholesale Electricity Market Risks

Short-term risks include those that can occur within periods as short as half an hour or a few days. Failure to properly manage risks associated with buying and selling electricity in the wholesale market could have adverse impacts on any wholesale market participant, including Genesis Energy. Particular factors that can affect the Company's exposure to short-term wholesale electricity prices include:

Location/basis activity:

- **"Normal" basis activity and transmission constraints** – the New Zealand wholesale electricity market sets prices at different Nodes representing different geographic places around New Zealand. The price at the various Nodes can vary significantly. As a result, the prices at which Genesis Energy is able to sell electricity into the wholesale market and purchase from the wholesale market (to sell to its customers) will vary across its portfolio (reflecting the location of generation relative to its customers and competitor behaviour). This variation can adversely affect the Company's financial performance.
- **Net pivotal risk** – the risk of a separation in the prices at which electricity is bought and sold may be exacerbated by planned and unplanned transmission constraints, including the opportunity for generators to exert pricing power or become 'Locally Net Pivotal'. It may not be possible or economic to mitigate risk prior to or during a constraint.

Any inability of, or reluctance by, the Electricity Authority to limit the pricing power of Locally Net Pivotal generators or reset prices could adversely affect Genesis Energy. This risk is also potentially applicable to the frequency-keeping and reserves market. Transpower's recent upgrades to the national grid, as described in *Section 3.1 The Electricity Sector*, are likely to reduce the degree and frequency of this risk.

Transmission constraints

Historically, capacity constraints and outages in the HVDC link between the North and South Islands have been key drivers of price separation between the North Island and the South Island. Transpower has recently completed a project to upgrade the HVDC link (as described in *Section 3.1 The Electricity Sector*) which should reduce the degree and frequency of transmission constraints between islands, but the effectiveness of the improved link in reducing price differences is yet to be tested under adverse conditions. Transmission constraints which can have particularly adverse impacts on Genesis Energy being able to dispatch generation or which cause wholesale market prices to increase are located at Bunnythorpe, Roxburgh, Rangipo to Tangiwai, and Karapiro. Transpower has programmed work to improve transmission in the Bunnythorpe and Southland areas.

Wholesale electricity market counterparty credit risk or market failure

Genesis Energy could be adversely affected if major wholesale electricity market counterparties were to default on market payments, particularly if a retailer defaulted when customers were still using power without being billed. In such situations, Genesis Energy would have provided electricity into the market but not received full payment, notwithstanding the prudential requirements of wholesale electricity market participants. If another participant in the wholesale electricity market were to default, there would be a contagion risk that such default could cause other parties to default.

Medium-term Wholesale Electricity Market Risks

Certain combinations of adverse conditions sustained over a period of months, including hydrological and climatic conditions and power station availability, can have significant adverse impacts on Genesis Energy. An example would include a sustained period of higher-than-average water inflows, combined with higher-than-average temperatures (such as may occur during later winter and spring). Conditions in take or pay gas purchase contracts may result in the Company burning gas in its Rankine Units from time to time when it would not otherwise choose to do so.

Longer-term Wholesale Electricity Market Risks

The level of customer demand relative to supply from generators is a key determinant of electricity prices over the longer term. A fall in demand, or excess generation supply, may adversely affect wholesale and retail prices, potentially for a sustained period. The wholesale price over time can have a significant impact on both generation volumes and revenues and the cost of purchasing electricity to supply Genesis Energy's customers.

Factors affecting demand

Demand can be affected by a number of factors, including a decrease in electricity consumption in the industrial sector (including at the Tiwai Point aluminium smelter), competitor behaviour, adverse regulatory changes, population growth, adverse conditions in the New Zealand economy, technological advances in the more-efficient use of electricity (including by customers, potentially as a consequence of regulatory subsidisation of competing technologies) or an overall warming of the climate (see *Section 6.1.2 Main Drivers of Genesis Energy's Financial Performance* for more detail on this issue), all of which could affect electricity prices.

Factors affecting supply

Supply may increase in advance of any material increase in demand, resulting in downward pressure on wholesale electricity prices or affecting the competitiveness of Genesis Energy's portfolio of generation assets. Supply may increase as a consequence of a number of factors, including additions of generation capacity before it is required in the market, market participants not retiring higher cost generation plant in response to sustained significant reductions in demand, capacity-increasing advances in power station technology or the continued operation of assets previously signalled as 'end-of-life'. Additional factors affecting supply include:

- **Tiwai point** – a closure of the Tiwai Point aluminium smelter owned by NZAS, or a significant reduction in electricity consumption by the smelter could result in a surplus of electricity in the market, which, in turn, could result in reductions in the wholesale and retail prices for electricity.
- **New generation build** – competitors building additional generation capacity before it is required in the market could result in lowering wholesale and retail electricity prices. Some generation plant is configured so that it must run, irrespective of demand, and this can negatively affect wholesale electricity pricing.
- **Distributed generation** – the introduction of distributed generation, such as residential solar panels, particularly if encouraged by Government or regulatory subsidies.
- **Gas or oil discovery** – a significant gas discovery or an oil discovery in which gas is a substantial by-product could result in increased production from new or existing thermal power stations.

Fuel Security and Supply Risks

Genesis Energy's generation is dependent on the availability and access to fuel, including water for hydro generation and gas and coal for the Thermal Generation units at the Huntly Power Station. The risks to Genesis Energy include that it would be unable to generate expected levels of electricity due to either temporarily or permanently reduced availability of or access to fuel, or increased costs to secure the necessary fuel.

Lower levels of generation or increased generation costs may arise from a number of factors, including:

Adverse hydrological conditions

Hydrological conditions in New Zealand are unpredictable and as such there is a risk that actual conditions are not consistent with Genesis Energy's expectations, which may result in situations where Genesis Energy has optimised its generation portfolio in anticipation of circumstances which do not eventuate. These conditions reflect the issues outlined in the paragraph headed "General Description of Wholesale Electricity Market Risks" (see above).

Gas supply disruption

There are three categories of risk relating to the supply of gas to Genesis Energy:

- **Disruption to gas supply (Maui pipeline outage)** – Genesis Energy is reliant on the continued operation of the Maui gas pipeline for the supply of gas to the Huntly Power Station and to large industrial customers. A prolonged outage of the pipeline could significantly affect generation capability at the Huntly Power Station and adversely impact on Genesis Energy's financial performance (particularly if such an outage occurred at, or coincided with, a period of high electricity demand and firm wholesale prices). Also, a serious or prolonged outage could affect the Company's ability to satisfy the demand of its gas customers (both wholesale and retail). There has been one unplanned outage on the Maui gas pipeline in the last six years. This outage lasted for six days.
- **Disruption of gas supply from Kupe production station** – a major or catastrophic failure at the Kupe oil and gas field could have a significant adverse impact on Genesis Energy's ability to source natural gas. Refer to "Kupe Risks" for more information about the risks that are specific to Kupe.
- **Disruption of gas supply from other fields** – a major or catastrophic plant failure at gas fields other than Kupe (from which Genesis Energy purchases gas) could have adverse effects on Genesis Energy's earnings.

Resource consents and other environmental approvals

Genesis Energy is required to obtain and maintain resource consents in accordance with the RMA for the operation and related activities of all of its generation assets and development activities.

Resource consents and their conditions are subject to review under the RMA; such reviews consider whether there has been any change in circumstances or adverse effect and, as they expire, new consents must be obtained to allow ongoing operation of assets. Genesis Energy relies on resource consents and other environmental approvals to construct and operate its generation sites, and to operate within the surrounding affected catchments (rivers and lakes). Each consent or approval is issued subject to conditions, which must be complied with and which may be reviewed under certain circumstances.

Consents that expire may not be re-consented, or may be re-consented on terms that are less favourable to Genesis Energy. Over time, the planning framework against which any resource consent is assessed may become less favourable making it harder to re-consent or leading to a tougher operating regime. Any changes to resource consents that arise out of the re-consenting process could restrict or stop generation, or new consented operating conditions may be commercially unfavourable.

There is also a risk that Genesis Energy may breach the conditions of its consents or not hold all required consents for its activities. The consequences of such breaches or failure to hold consents can include abatement notices by the relevant authority or enforcement orders by the Environment Court requiring that the non-compliant or non-consented activities cease, remedial work be undertaken or compensation be paid. Breaches of relevant consents or enforcement orders may result in Genesis Energy being prosecuted.

In early 2013, Genesis Energy presented submissions to the Environment Canterbury Hearings Committee in relation to the proposed Canterbury Land and Water Regional Plan as that plan affects the Tekapo Power Scheme. Genesis Energy sought the classification of the water-related activities associated with the Tekapo Power Scheme as a controlled activity in the regional plan. In their recommendations, the Hearing Commissioners declined to provide controlled activity status on the basis of their interpretation of the RMA. The Canterbury Regional Council adopted the Hearing Commissioners' recommendations on 18 January 2014.

The Canterbury Regional Council decision does not affect the legal right to undertake currently authorised operations of the Tekapo Power Scheme. However, while the decision stands, it has the potential to result in more onerous regulatory processes and costs for future resource consents or plan processes, along with the uncertainty of outcome with an activity classification that does not guarantee the grant of consent. There is also the potential for this decision to influence regulatory decision-making elsewhere in the country and affect Genesis Energy's other hydro power schemes. Genesis Energy has decided to appeal the Regional Council's decision to the High Court.

Multiple users accessing the same resource

Genesis Energy uses water, coal and gas to generate electricity. The Company may face increasing competition from other users for these resources which might cause a shortfall in the quantity or quality of the fuel supply available or an increase in the costs to Genesis Energy in obtaining that fuel supply.

Freshwater, in particular, is a scarce resource and Genesis Energy may face increased competition from other users of water (for example, from the agricultural sector for use in irrigation) as well as challenges from various stakeholders that have, or claim to have, an interest in water (for example, local iwi).

Genesis Energy's hydro generation outputs and associated revenue may also be affected by water-management agreements and similar arrangements that may be entered into with other catchment users including other generators who, in certain circumstances relating to flood management, have rights to require Genesis Energy to divert or hold water and to cease generation.

Government regulation of resource use and access

The Government, local councils or other regulatory bodies may impose restrictions, conditions or additional costs on Genesis Energy for accessing or using water, gas, coal and other fuel sources. Examples include: the ETS; imposing limits on minimum flows or maximum nutrient levels in rivers which host hydro generation schemes; and imposing charges or royalty payments on users of water.

Future plan changes may also adversely affect activities which are currently permitted without resource consents. National or regional water policies could be changed to allocate more water to agricultural users or to meet specified iwi interests or for other purposes, thus reducing the available flow from various water supplies for Genesis Energy.

The Government is in the process of developing a package of reforms for freshwater and resource management systems. Genesis Energy could be adversely affected by these reforms if they impose restrictions or conditions on its generation activities (both hydro and thermal), or if they impose pricing regimes on water or other additional costs on its generation activities that the Company is not able to pass on to customers.

Thermal fuels risks

Genesis Energy has a long-term gas purchase contract for the purchase of the other Kupe Joint Venture partners' respective shares of the natural gas produced from the Kupe oil and gas field. In addition, it has gas purchase contracts in place with other suppliers. A feature of Genesis Energy's natural gas supply contracts are 'take or pay' provisions which mean that the Company is required to pay for all the gas volumes it has contracted to purchase, whether or not it takes the gas.

Genesis Energy has contracted to purchase more natural gas than is required for the operation of its existing Thermal Generation plant and retail customers' usage (this is called being 'Long on gas'). Genesis Energy applies a range of measures to manage its Long gas position, including electing to burn natural gas in its Thermal Generation plant instead of coal, onselling natural gas to industrial and commercial customers, offering more Thermal Generation into the wholesale electricity market than it would have done otherwise, and continuing to focus on growing retail gas sales volumes.

Genesis Energy's Long gas position had an adverse impact on the Company's financial performance from mid FY2010 to FY2013. It is also forecast to have an adverse impact in the Prospective Period. These impacts have been incorporated into the historical and prospective financial information set out in *Section 6.0 Financial Information*.

The financial impact on Genesis Energy of having a Long gas position from 1 July 2015 is unknown as it will depend on a range of factors, including the extent of its Long gas position and market conditions at the time.

Genesis Energy expects that the extent of its Long gas position will reduce between 2015 and 2020, and be eliminated by 2021.³⁹

³⁹ The year in which the Long gas position peaks, and the profile for its reduction over the period 2015 to the end of 2020, will depend on a range of factors, including the actual volumes of gas used for electricity generation and retail sales, whether the Company varies the quantity of contracted gas purchases, and whether contingent reserves become firm at one of the gas fields from which the Company purchases gas.

Legislative and Regulatory Risks

Genesis Energy is subject to the risk that changes (or, in some cases, proposals for change, whether implemented or not) to legislation or regulation (including electricity and gas industry regulation, and new or changed environmental regulation) may adversely affect its sales, costs, relative competitive position, development initiatives or other aspects of its financial or operational performance. Also, such changes may force other undesired changes to Genesis Energy's business model, and/or the perception of the regulatory environment within which the Company operates.

Specific issues in relation to potential legislative or regulatory change that may adversely affect Genesis Energy include the following:

Transmission pricing methodology and allocation of HVDC charges

Genesis Energy supplies electricity to the national grid. The Electricity Authority is currently reviewing the transmission pricing methodology, which determines the basis for setting transmission charges related to the operation and development of the national grid and how these costs will be allocated to users of the grid. The changes proposed by the Electricity Authority, if implemented, may materially increase Genesis Energy's costs and also adversely affect the income expected from existing arrangements. The Electricity Authority is currently consulting on its proposal.

The Electricity Authority is currently consulting on a proposal to change the methodology for allocating the costs and related user charges for Transpower's HVDC transmission line. Genesis Energy could have additional costs imposed on it if the methodology for the allocation of costs associated with running and maintaining the HVDC transmission line is changed. It is unclear what, if any, proportion of these additional costs would be able to be passed on to consumers.

The Electricity Authority is currently consulting on these proposals. However, the outcome of the consultation processes remains uncertain and it is unclear what changes will be made to the transmission pricing methodology or the HVDC charges and the timing of any such changes. Genesis Energy expects that any changes arising from these proposals would be unlikely to be implemented before 2016.

Wholesale and retail market structure

There is a risk, separate from the reforms proposed by the Labour and Green parties, that a future Government may seek to regulate the wholesale and retail markets or introduce measures that may increase Genesis Energy's costs or restrict the type or extent of its operating activities.

Electricity market operation

The Electricity Authority is tasked with monitoring changes in the electricity market which may have a direct impact on customers, and has broad powers to conduct enquiries into market events in order to understand causes and determine if a change to market rules or some form of market facilitation measure is required. Changes to market rules may increase Genesis Energy's costs or restrict the manner in which Genesis Energy operates.

The Electricity Authority will periodically investigate specific wholesale market events where there have been significant price events and may seek to reset wholesale electricity prices. Initiatives of this type could adversely affect Genesis Energy's ability to obtain an economic return on its generation assets including, in particular, the Rankine Units at Huntly. The Electricity Authority will also have, at any time, a number of industry working groups investigating issues which affect the industry as a whole and could result in proposals for new or additional regulation.

Retail electricity pricing

The Government may seek to regulate retail electricity prices or introduce other measures that may decrease retail electricity prices, increase Genesis Energy's costs, restrict activity or otherwise increase business risk without Genesis Energy having the ability to reflect the increased risk in price or margin.

Gas industry regulation

Gas transmission and distribution services are subject to regulatory controls, which are separate from those applicable to the electricity industry. Genesis Energy may be adversely affected by changes in those regulatory regimes.

Freshwater reform

The Government is in the process of developing a package of reforms for freshwater and resource management systems. Genesis Energy could be adversely affected by these reforms if they impose restrictions or conditions on its generation activities (both hydro and thermal) or if they impose a pricing regime on water or other additional costs on its generation activities that the Company is not able to pass on to customers.

Emissions Trading Scheme

As outlined in "Emissions Trading Scheme" in *Section 3.1 The Electricity Sector*, the Government has implemented restrictions on the types of emission units that may be used for compliance purposes under the ETS. Also, the Government has announced its decision not to commit New Zealand to the legally binding second Kyoto Protocol commitment period from 2013. The Government has expressed its intention to meet New Zealand's existing Kyoto targets as part of the first commitment period while continuing to do its fair share in reducing emissions, but future domestic policy and the associated price of international Kyoto units is subject to change and is therefore uncertain.

Additional costs imposed by the ETS can affect wholesale electricity prices. Future amendments to the ETS which affect wholesale electricity prices could adversely affect contracts into which Genesis Energy has entered that are tied to the future wholesale electricity price. There is also a risk that a future Government could intervene in the ETS and the established market for carbon units, for example, by implementing a regulated price for carbon or restricting the use of tradeable units. Any such initiative could, if implemented, have a material impact on the price of using coal and gas as fuel and, as a result, the cost of Thermal Generation.

There could also be an impact on the Kupe gas production facilities where emission units are required to cover flaring of gas, use of the gas by the facility itself, and mining for gas.

Non-compliance

Failure to comply with applicable legislation or regulation can also result in fines, injunctions, penalties, requirements for remedial works, the total or partial suspension of regulatory approvals, or other sanctions that may have adverse effects on Genesis Energy.

Moratorium on Thermal Generation

A future Government could potentially introduce a moratorium on the construction of new Thermal Generation plant (this was introduced by the then-Labour-led Government in 2008 but was repealed by the National-led Government later that year). Any such initiative could have an adverse impact on the future use or development of the Huntly site and other Thermal Generation development prospects.

Resource Management Act reform

Reform of the RMA could change the planning framework against which any future resource consents are assessed, making it harder to obtain consents (or replacement consents), or leading to a more restrictive operating regime.

Labour – Green Proposed Market Reform

On 18 April 2013 the New Zealand Labour Party and the Green Party of Aotearoa New Zealand, announced separate proposals for electricity sector regulatory reform. It is uncertain whether either party will have the political opportunity to implement its respective proposals. While the implementation, timing and final details of these proposals are uncertain, their implementation, as currently proposed, would have a material adverse effect on Genesis Energy, as well as on other market participants. Specific features of the proposals include the following:

- A single buyer of wholesale electricity would have the power to set wholesale prices, with the objective of achieving reductions in current wholesale prices. Although the single buyer would be required to ensure that generators receive a "fair return" on their assets, it is unclear how this would be calculated.
- The New Zealand Labour Party's proposal includes separation between retail and generation activities. The Labour Party's proposal also indicates that there would be ongoing monitoring of whether ownership separation between these two activities is required. Ownership separation would, if implemented, have a material consequence for Genesis Energy in the sense that it could require the Company's assets and operations to be split, or some activities to be sold or put into separate ownership. This could materially affect the value of shares in Genesis Energy.

See *Section 3.0 Industry Overview* for further information on the Labour–Green Proposed Market Reform.

Power Station Availability Risks

Genesis Energy's ability to generate electricity is dependent on the continued efficient operation of its power stations. The viability, efficiency or operability of the Company's power stations could be adversely affected by a range of factors, including:

Plant failure

Genesis Energy relies upon various pieces of equipment and technology at each of its power stations. If material items of equipment or technology (including, for example, turbines, control gates or boilers), suffer failures requiring unplanned power station outages and require replacement or repair, the Company's generation production may be reduced and significant capital expenditure may be required to replace or repair such assets.

Specifically, a failure in Unit 5 at the Huntly Power Station, which is a single-shaft turbine, could have a significant adverse effect on Genesis Energy's generation output and on the revenue that the Company would otherwise have derived. The significance of Unit 5 is noted in *Section 4.1 Business Description*.

Genesis Energy holds spare parts for a number of the components in Unit 5, however, the Company does not hold a replacement transformer for Unit 5 (sourcing and installing a replacement could take between 12 and 24 months). Accordingly, in the event of a failure of the Unit 5 transformer, Genesis Energy may not be able to generate electricity using Unit 5 for a sustained period of time. The degree of the impact would depend on, among other things, the duration of the outage, conditions in the market at the time, the availability of electricity hedges from competitors, the availability of other generation units at Huntly to make up for the reduced output from Unit 5 and the ability of insurance proceeds to mitigate generation output shortfalls.

Advanced generation technology

Genesis Energy makes long-term investments in its power stations. If significant advances in technology occur, these power stations may be rendered relatively less competitive or obsolete, because of the reduced marginal cost of a new-entrant plant. In addition, changes in technology or unexpected issues arising from Genesis Energy's ongoing asset management and maintenance programme may increase costs for the Company or reduce its generation production.

Tekapo canal remediation

Remediation work was carried out on the Tekapo canal in early 2013 and further remediation work was undertaken between January and February 2014. During this time, the canal was dewatered and the Tekapo Power Scheme did not generate electricity. Other sections of the canal may, in the medium term, also require remedial work to be effected. Any additional project of this type could require material capital expenditure.

Tekapo A and B remediation

A generation unit at the Tekapo A power station is being refurbished and a generation unit at the Tekapo B power station is undergoing a control and instrumentation upgrade while the canal is out of operation for the 2013/2014 remediation work outlined above. These projects will not be finished by the time the canal is brought back into operation, which could mean that the Tekapo Power Stations will be unable to generate electricity after the scheduled completion of the canal remediation works until the upgrade is complete.

Huntly plant cooling

The Rankine Units at the Huntly Power Station require water from the Waikato River for cooling purposes. The cooling water gains heat as a result of the cooling process prior to it being discharged back into the Waikato River. A cooling tower is located at the Huntly Power Station. This is operated as and when required to remove heat from the cooling water, in order for discharged cooling water to meet temperature limits imposed under resource consents. The cooling capacity of the cooling tower effectively enables the operation of a Rankine Unit when generation from that Unit would otherwise be restricted.

Extreme dry periods that cause the level of the Waikato River to drop have potential to restrict cooling water flow across the cooling water intake structure for the Huntly Power Station. In such extraordinary circumstances sufficient cooling water to allow the Rankine Units to operate fully or at all may not be available and the ability of the Rankine Units to generate electricity would be reduced or prevented. The effect of this risk on Genesis Energy depends, among other things, on the ability of other thermal plant to cover load, the duration of the constraint, whether it coincides with a 'dry' period in the South Island or constraints on the HVDC link between the North Island and South Island.

Regulatory risks, such as the potential establishment in the future of national 'bottom lines' for water quality, may affect Genesis Energy's ability to discharge cooling and process water into the Waikato River.

Other Operational Risks

Genesis Energy's business is large, complex and highly specialised which presents a number of other operational risks, including:

Health and safety

There is a risk that an incident could lead to a fatality or serious harm to an employee, a contractor, a joint venture/third party employee or a member of the public. Genesis Energy operates in a technically challenging environment with extremely large electrical and mechanical assets, including underground, inside large structures, on tall wind and hydro structures and in close proximity to large volumes of water and high-voltage electricity. Employees are exposed to hazards and risks when working on operating assets and on construction sites and in remote locations as well as in its contact centres and office sites. If such an incident were to occur, this may affect Genesis Energy's reputation and may, in turn, lead to losses of customers and revenue.

Operational failure

An operational failure, which includes operator error, made in the operation of one or more of Genesis Energy's power stations or related infrastructure could have a significant adverse effect on the Company should damage to plant result. In addition, it could expose Genesis Energy to losses on the electricity market should the matter relate to energy trading (or to fines or penalties), or it may affect Genesis Energy's reputation if it results in harm to the environment, or affects the safety of its employees, contractors, joint venture/third party employees, customers or the general public which may, in turn, lead to a loss of customers and revenue.

Information technology and telecommunications system or asset failure

Genesis Energy relies upon various information technology and telecommunications systems and assets to operate its business. If some or all of these systems or assets were compromised, were to suffer unexpected failure or were to require upgrading earlier than had been planned, the Company's financial performance or the safety of its employees, joint venture/third party employees, customers and the general public could be adversely affected. From time to time Genesis Energy undertakes projects relating to the upgrade and/or replacement of its information technology systems. Any delay or failure in the implementation of such projects could have an adverse effect on the Company's financial performance.

Information technology security

There is a risk that the security of critical information technology systems or data could be compromised. If such a compromise did occur, it may interrupt or disable critical systems. Genesis Energy could incur costs to stop the attack, repair the systems and mitigate any business interruption. Genesis Energy's reputation would likely suffer due to reduced service, potential environmental damage, potential risk to public safety, and perception of poor data security and the Company may be exposed to subsequent fines and penalties and loss of customers.

Reliance on third party providers

There is a risk that goods and services that are required for plant maintenance, repair and operation are difficult to procure, or will not be delivered on time or to the necessary quality or expected cost which may affect the operation of plant. In addition, Genesis Energy relies on certain key suppliers in various areas of its business. A failure by any one of those suppliers to perform their services may have an adverse effect on the operations of the Company and its financial performance.

Acts of vandalism or protest

Genesis Energy's operations may be adversely affected by acts of vandalism or protest at one or more of its sites which may have an adverse effect on the operations of the Company and its financial performance.

Retail Electricity Sales Risk

Electricity retail prices and sales volumes determine the revenue earned by Genesis Energy from selling electricity to end-consumers. A relatively small change in volumes and prices can substantially affect customer margins. These changes are influenced by many of the same factors that affect wholesale market prices over the longer term (as described above). They can also be influenced by:

Competitor and customer behaviour

Competitor behaviour, such as discounted pricing campaigns or the entry of new competitors, may put downward pressure on retail electricity prices and may also reduce Genesis Energy's market share or require the Company to increase its sales and marketing costs in order to maintain sales volumes. Competitor behaviour can be affected also by changes in customer behaviour, including reductions in demand (for example, a reduction in consumption by the Tiwai Point aluminium smelter), the displacement of demand by technology change or large business customers choosing to buy electricity directly on the wholesale spot market rather than to enter into fixed price contracts.

In recent years, the retail market has seen an increase in competition, which has resulted in higher levels of customer switching. These higher levels affect the cost of acquiring and maintaining Genesis Energy's customer base.

Customer credit or concentration

Genesis Energy could be adversely affected if a large group of customers were to default on payment for electricity provided, if CFD counterparties defaulted on payments favourable to Genesis Energy or if energy customers default on other payment obligations to Genesis Energy. In such situations, the Company would generally have provided the electricity, gas or LPG (or cover under the CFDs) to customers prior to the default becoming evident and this could make the recovery of costs difficult.

Genesis Energy may also face increased costs relating to its sales to customers under existing regulation: for example, the Customer Compensation Scheme, which requires the Company to compensate residential customers during official electricity conservation campaigns.

Electricity Buy-side and Sell-side Contract Risks

Genesis Energy buys and sells electricity contracts on the New Zealand Electricity Futures and Options market operated by the ASX, and enters into CFDs and other Derivatives, including options, with competitors and customers directly (see *Section 3.1 The Electricity Sector* under the heading "Electricity Derivative Contracts" for further information). Genesis Energy faces the risk that prices at the time the contracts come into effect differ from the contracted prices and this could result in the Company suffering loss under those contracts and, as market prices are uncapped, that loss could be material.

The electricity contracts market is competitive and the prices, terms or availability of contracts may change unfavourably because of a number of factors, including the behaviour of competitors.

Gas and LPG Sales Risks

The volumes and prices at which Genesis Energy is able to sell natural gas and LPG to customers can materially influence the Company's financial performance and are impacted by some of the same factors as those that affect wholesale and retail market prices for electricity (as described above). These include changes in demand, competitor behaviour and customer credit or concentration as well as increases in supply as a result of a new gas discovery or oil discovery in which gas is a substantial by-product.

In addition, changes in the international prices for methanol can affect the prices that Genesis Energy receives when it sells natural gas to third parties.

Tiwai Point Aluminium Smelter

A particular factor which has the potential to affect electricity demand relates to NZAS (majority owned by Rio Tinto), the operator of the Tiwai Point aluminium smelter and the largest single user of electricity in New Zealand, which accounted for approximately 13% of New Zealand electricity demand in 2012. The level of future electricity consumption by the Tiwai Point aluminium smelter is uncertain.

In August 2013, Meridian and NZAS agreed to various amendments to their electricity contract relating to the supply of electricity to the Tiwai Point aluminium smelter (the “Tiwai Contract”), which is described in more detail in *Section 3.1 The Electricity Sector*. As amended, the Tiwai Contract expires on 31 December 2030; however, NZAS may terminate the Tiwai Contract earlier by giving between 12 and 18 months’ notice to Meridian. The earliest termination date is 31 December 2016. From 1 January 2017, Meridian may, in certain circumstances where NZAS has reduced consumption, terminate the Tiwai Contract either on seven days’ notice or after one year. In addition, NZAS may elect to reduce the base CFD quantity from 572 MW per hour to 400 MW per hour by giving one year’s notice to Meridian during a window which exists between 1 January 2014 and 31 December 2015.

If NZAS were to significantly reduce its electricity consumption, or to cease consumption altogether, the resultant drop in demand could lead to a sustained reduction in wholesale electricity prices (at the location specified in the Tiwai Contract) and in electricity prices generally. The size of these price reductions, both short term and ongoing, would depend on many variables, including: the volume and time frame of any phase-down from NZAS; the rate of residual New Zealand electricity demand growth; the impacts of any decreased demand at the Tiwai Point aluminium smelter and the resulting change in power flows on the transmission system; the transmission system’s ability to accommodate those changes; the timing of any transmission infrastructure being available; and the response by generators and electricity market participants.

See *Section 3.1 The Electricity Sector* for more detail on the Tiwai Point aluminium smelter, its consumption and contractual arrangements.

Catastrophic Events

A single (or multiple) catastrophic event(s) such as a major earthquake, volcanic eruption, landslide, fire, flood, explosion, act of terrorism or other disaster, could adversely affect or cause a failure of any or all of Genesis Energy’s power stations or other operations, or a failure of the gas or electricity transmission or distribution systems.

A catastrophic event at, or affecting, one of Genesis Energy’s power stations could result in significant damage to the plant, or affect the Company’s ability to generate from that plant for a period of time. Such events include ash fallout from a volcanic eruption (which could damage assets or prevent hydro generation due to the corrosive nature of ash when mixed with water) and a fire at the Huntly Power Station, the control of which is beyond the limited on-site firefighting capabilities. There is also a risk that structures at certain of Genesis Energy’s hydro generation plants could be displaced or fail as a result of landslips or earthquakes, which could cause damage to the relevant power station.

Such an event could also affect major consumers of electricity (including Genesis Energy’s customers), have an adverse effect on the markets in which the Company operates or result in losses being incurred by third parties for which potentially Genesis Energy may be liable.

Genesis Energy currently insures for material damage and business interruption losses of up to \$880 million in respect of the Company’s assets, other than its Kupe interests. It is possible that the insurance will not provide sufficient cover under situations where a single catastrophic event occurs or multiple catastrophic events occur in succession, or where insurers contest or delay paying an insurance claim. Genesis Energy has separate insurance arrangements in place in respect of its interests in the assets associated with the Kupe oil and gas field, which is currently covered for losses of up to \$617 million.

Kupe Risks

Genesis Energy derives a material proportion of its earnings from the sale of oil, gas and condensate produced at the Kupe oil and gas field as a result of its participation in the Kupe Joint Venture. Participation in this joint venture raises risks which are different from those faced by Genesis Energy in its electricity business. Particular risks are:

Joint venture risk

Genesis Energy participates in the Kupe Joint Venture with three other participants. Those participants may have economic or other business interests or goals which are inconsistent with Genesis Energy’s and they may take actions contrary to the interests or goals of Genesis Energy.

Reserves risk

The operating 'life' of Kupe is dependent on the extent of the oil, gas and condensate reserves contained within the field. There are numerous uncertainties inherent in estimating quantities of oil, gas and condensate reserves, including factors that are beyond the control of Genesis Energy and its joint venture partners.

Estimates of those quantities of economically recoverable oil and gas are based on a number of factors and assumptions such as geological interpretations, historical production from the properties, comparisons with production from other producing areas, the assumed effects of regulation, and assumptions regarding future oil, gas and condensate prices and future operating costs, all of which may vary from actual results. Accordingly, all estimates of production from the Kupe oil and gas field are uncertain and classifications of reserves are only attempts to define the degree of uncertainty involved.

There is a risk that actual production from reserves may vary from that predicted and that such variances could be material and could have adverse effects on Genesis Energy's revenue (in respect of oil, gas and condensate sales) and costs (in respect of natural gas and LPG supply).

Adverse changes in respect of Kupe revenue

The revenue derived by Genesis Energy from the sale of oil, gas and LPG produced at Kupe is linked to external market prices (including, in the case of gas, the international price for methanol and the Producers Price Index). There is a risk that changes in the prices of oil, gas, LPG and methanol could affect the revenue derived by Genesis Energy and its profit margin. In addition, the revenue derived from the sale of oil and some of the revenue derived from the sale of LPG is denominated in foreign currencies. Genesis Energy is exposed to movements in the exchange rates between those currencies and the New Zealand dollar in regard to any revenues where forward cover has not been taken. See further comments under the heading "Exchange rate and currency risk" below.

See *Section 6.1.2 Main Drivers of Genesis Energy's Financial Performance* for more information on this issue.

Infrastructure risk

Kupe's assets comprise three well heads, an unmanned offshore platform, a 30 km pipeline and subsea utilities umbilical cable to an onshore production station near Hawera, oil storage facilities at New Plymouth and an onshore gas pipeline. Any of Kupe's assets could be affected by a single (or multiple) catastrophic event (such as a significant earthquake, volcanic eruption, landslide, fire, flood, explosion, act of terrorism or other disaster or adverse weather conditions (including serious storms)).

Any of the platform, the umbilical cable, the pipeline and the processing plant (or any distribution systems) could suffer also from a significant and/or prolonged failure of structures or systems. Such events could adversely affect or cause failure of the equipment used to produce and process outputs from the Kupe oil and gas field, which could in turn adversely affect Genesis Energy's earnings. If any such events caused disruption to the supply of natural gas, the Company could face similar risks to those described above in the paragraph headed "Gas supply disruption".

A catastrophic plant failure (such as a well head blow out, pipeline or umbilical cable rupture, or some other form of plant failure) could result in an oil spill or other uncontrolled discharge of oil or gas (or other substances) into the environment. Significant costs and liabilities could be incurred by Genesis Energy, as a participant in the Kupe Joint Venture, in remediating any environmental damage resulting from such an event. Genesis Energy's reputation could be adversely affected also as a result of any oil spill, other uncontrolled discharges into the environment or other adverse event associated with the Kupe oil and gas field.

Investment risk

There is a risk that, from time to time, additional capital will be required to expand or upgrade Kupe's facilities. This could include the drilling of new wells. Such activities are capital intensive and there is no guarantee that any additional revenue or profit would be derived by Genesis Energy from new wells or other upgrade projects.

Consenting and permitting risk

Any future investment, including the expansion of Kupe's facilities or the drilling of new wells, in the Kupe oil and gas field may require additional resource consents, petroleum mining permits or other consents, permits or concessions. There is a risk that such consents or permits may not be forthcoming, or that any conditions attached to such consents or permits are unfavourable to the Kupe Joint Venture.

Operation

The Kupe oil and gas field is operated by Origin Energy on behalf of the Kupe Joint Venture participants. Genesis Energy does not have direct control of the operations. The failure of the operator to perform its role properly may have an adverse effect on the operations of the field. Prolonged outages or downtime in production from the Kupe oil and gas field could have a material adverse effect on Genesis Energy's earnings.

Regulatory reform risk

There is a risk that regulatory reform or future Government interventions could have an adverse effect on the operation of the Kupe oil and gas field (including by way of increased royalties, amending regulatory regimes relating to offshore oil and gas operations, and changes in Government policies).

Electricity Growth and Development Risks

It is not expected that significant additional electricity generation capacity will be required in New Zealand over the next three to five years. However, the Company maintains a diverse portfolio of longer term generation growth prospects to increase capacity or to displace higher-cost generation in the future. The execution of these options is dependent on a number of factors including ensuring that Genesis Energy obtains acceptable resource consents in a timely manner, obtains the necessary land access or use rights and secures sufficient funding at an acceptable cost.

There can be no assurance that any acquisitions and other growth initiatives will achieve the targeted returns on investment or that current development options will not require greater capital than expected in order to be successful, or to proceed at all.

Any growth initiatives could adversely affect Genesis Energy's financial results if operating expenditure or capital expenditure does not result in the anticipated increase in sales or profits. Additionally, if Genesis Energy engages in new types of development activity, it could be exposed to new risks or heightened levels of pre-existing risks.

Acquisitions could adversely affect Genesis Energy's financial results for a number of reasons, including where the Company fails to identify material risks or liabilities associated with the relevant business before acquisition, key staff and clients are not retained or the acquisition fails to achieve the anticipated benefits due to unexpected difficulties in integrating operations with Genesis Energy.

Risks Associated with Land Tenure

Crown ownership

A large number of land interests necessary for the operation of the Genesis Energy power schemes, predominantly at the Tongariro Power Scheme and the Waikaremoana Power Scheme, are held in Crown or ECNZ ownership (although Genesis Energy has beneficial rights in those land interests). A process is under way involving Genesis Energy and the Crown which is intended to result in Genesis Energy being granted legal title to these land interests. It is not certain that registered rights to all of this land will be formally transferred to Genesis Energy and, accordingly, there is a risk that the Company will not have legal title to all of its real property assets.

Remediation risks

Genesis Energy has remediation obligations in respect of certain land used for operations and in respect of some of its sites (as a result of past and present operations on those sites). As a joint venture participant, it also has remediation obligations in respect of the Kupe oil and gas field. There is a risk that the cost of such remediation works could exceed the cost for which Genesis Energy has provided.

Transmission and Distribution Infrastructure Risks

Electricity transmission infrastructure (hardware) failure

Genesis Energy is reliant on third parties for the transmission and distribution of electricity. This exposes the Company to the risk of planned or unexpected transmission or distribution failures. Such failures could include a transmission failure in the national grid operated by Transpower or a failure at a line operated by a distribution company, such as the power outage in central Auckland in February and March 1998.

The electricity transmission and distribution systems in New Zealand are also susceptible to a range of unpredictable natural hazards such as floods, heavy snowfalls, earthquakes, cyclones and solar flares.

Gas transmission

Genesis Energy is reliant on third parties for the transmission and distribution of gas; this also exposes the Company to the risk of transmission or distribution failures. A prolonged failure of a gas pipeline could have a material impact on Genesis Energy's ability to supply wholesale customers with natural gas and on its ability to generate electricity from the Huntly Power Station.

The gas transmission and distribution systems in New Zealand are susceptible to a range of unpredictable natural hazards such as floods, earthquakes, land subsidence and volcanic activity.

Key Relationship Risks

Major contracts with customers or suppliers might be terminated or not renewed upon expiry. Replacement contracts with new customers or suppliers may be on less favourable terms. If any of these relationships deteriorate as a result of changes in key individuals (either in Genesis Energy or in its partners) or for any other reason, this may have an adverse effect on the financial performance of Genesis Energy.

Treaty of Waitangi and Other Claims

Claims by Māori to interests in land or other resources, under the Treaty or otherwise, in areas where Genesis Energy carries out generation activities may, if successful, require the Company to have regard to the terms of the settlement and may adversely affect Genesis Energy to the extent that the Crown's settlement of such claims directly or indirectly imposes restrictions, conditions or additional costs on the Company's generation activities. Specific issues include:

The national freshwater and geothermal resources claim

A second hearing of the Waitangi Tribunal will consider whether Māori rights and interests in relation to water and geothermal resources are adequately recognised and provided for and whether Crown policies are in breach of the Treaty. The Government will need to consider whether any recommendations of the Waitangi Tribunal should result in a change of Government policy in relation to the management of freshwater in New Zealand or an acceleration of its current proposed reforms.

These reforms are likely to include greater consideration being given to iwi interests before council decisions on freshwater planning can be made. Such reforms or changes in Government policy may impose restrictions, conditions or additional costs on Genesis Energy's access to freshwater with any additional costs not able to be passed on to customers.

Land claims and memorials

Land of which Genesis Energy is either the legal or equitable owner may be subject to claims from Māori. The titles (where titles have been issued) to some of the properties on which Genesis Energy's power stations are located are subject to memorials under the State-Owned Enterprises Act 1986. These memorials mean that, in certain circumstances, the Waitangi Tribunal has the power to order the return of the land to Māori ownership. In relation to the land in the Waikaremoana Power Scheme and the Tongariro Power Scheme to which Genesis Energy is yet to receive legal title, it is intended that memorials will be registered upon the transfer of legal title to Genesis Energy. Pending such transfer, the Waitangi Tribunal's powers of resumption also apply in respect of such land. These memorials may be removed at the recommendation of the Waitangi Tribunal once all iwi with interests in the land have settled their outstanding Treaty claims.

Ngāti Ruapani

A claim has been lodged in the Waitangi Tribunal alleging that Ngāti Ruapani has proprietary interests in Lake Waikaremoana, and that such interests are compromised by the use of the lake by Genesis Energy for hydro-generation. The Waitangi Tribunal issued a decision on 28 February 2014 agreeing to hold an urgent hearing on whether the applicant's ability to seek redress for Treaty of Waitangi breaches is impaired by the sale of Shares in Genesis Energy.

The Crown has committed to Ngāti Ruapani that, in the event of a negotiated Treaty of Waitangi settlement with Ngāti Ruapani which has implications for Genesis Energy's current water permits relating to Lake Waikaremoana, the Crown is willing to include, in any deed of settlement with Ngāti Ruapani, a commitment to introduce legislation which allows for review under the RMA of existing permits, as for example was provided for under the Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010. The Crown has noted that it could not agree to a Treaty settlement that is inconsistent with the continuing efficient operation of New Zealand's current power-generating capacity. There is, nevertheless, a risk that the conditions of Genesis Energy's water permits relating to Lake Waikaremoana may be changed in the future (as a result of this commitment) in a manner that has an adverse impact on Genesis Energy's operations at Lake Waikaremoana and, therefore, on the Company's associated costs and/or earnings. There is also a risk that similar commitments may be made by the Crown to other iwi in relation to water permits held by Genesis Energy (either in respect of Lake Waikaremoana or Genesis Energy's other generation sites).

Litigation and Dispute Risks

Genesis Energy may, from time to time, be the subject of complaints, litigation, inquiries or audits initiated by customers, employees, commercial partners, suppliers, landlords, Government agencies, regulators or other third parties alleging or investigating matters such as asset ownership, resource use, product quality and supply issues, injury, health, employment, environmental, safety or operational concerns, nuisance, negligence, failure to comply with applicable laws and regulations or failure to comply with contractual obligations.

Any such matter, even if successfully addressed without direct adverse financial effect, could have an adverse effect on Genesis Energy's reputation and divert its financial and management resources from more beneficial uses. If Genesis Energy were found to be liable under any such claims this could have a material adverse effect on the Company's future financial performance. Specific claims and proceedings currently existing that may adversely affect Genesis Energy include:

Lake Rotoaira

Lake Rotoaira Trust (as registered owner of Lake Rotoaira) and Lake Rotoaira Forest Trust ("LRFT") (as registered owner of certain lands adjacent to Lake Rotoaira that have been inundated as a result of the construction and operation of the Tongariro Power Scheme) have each claimed that Genesis Energy does not have sufficient rights to legally carry out activities in relation to the operation of the Tongariro Power Scheme and, specifically, in respect of the use of Lake Rotoaira and adjacent inundated lands.

The trusts are seeking to revisit the basis on which Lake Rotoaira and the adjacent inundated lands are used for electricity generation and seek settlement in relation to their claims, including payment in respect of Genesis Energy's use of Lake Rotoaira and the adjacent inundated lands. As at the date of this Prospectus, no legal proceedings have been brought by LRT or LRFT.

Genesis Energy considers the claims made by LRT and LRFT do not have any legal basis to prevent Genesis Energy using Lake Rotoaira and the adjacent inundated lands in connection with the operation of the Tongariro Power Scheme, or to require Genesis Energy to pay a charge to LRT or LRFT. However, if either or both of the trusts were to succeed in a legal claim, Genesis Energy could be required to reduce the level of Lake Rotoaira or divert water away from Lake Rotoaira (which could reduce or prevent the flows of water out of Lake Rotoaira and into the Tokaanu Intake and could reduce or prevent generation of electricity at the Tokaanu Power Station) and/or to make a payment to one or both of the trusts for the use of Lake Rotoaira and the adjacent inundated lands.

The quantum of the effect of the loss of generation from Tokaanu Power Station in the Tongariro Power Scheme or of any payment is not known to Genesis Energy and cannot be accurately determined by it. Genesis Energy and LRT and LRFT have been in discussions since 2012 and continue to engage to determine whether there is an opportunity for a commercial arrangement between Genesis Energy and the trusts in relation to the future use of Lake Rotoaira and the inundated lands in connection with the generation of electricity.

The Waitangi Tribunal recently released its report on the National Park District Inquiry. In the report, the Tribunal made a number of findings and recommendations which apply to the Tongariro Power Scheme and Lake Rotoaira. In particular, the Tribunal found that the Crown was to determine if it, or Genesis Energy, would be responsible for ongoing payments for water storage at Lake Rotoaira. The amount of any payment (if it is actually determined that Genesis Energy is required to make such a payment) is not yet known. In addition, any successful claim by the trusts, or the process being undertaken by the Waitangi Tribunal, could result in a new regulatory environment in which Genesis Energy must operate the Tongariro Power Scheme.

Lake Taupo

Tūwharetoa Māori Trust Board (“TMTB”) is the trustee owner of the beds of Lake Taupo and adjoining tributaries (the “Lake”) and has from time to time asserted that Genesis Energy does not have sufficient rights to legally carry out its activities in connection with the operation of the Tongariro Power Scheme (including the discharge of water from the Tokaanu Power Station into the Lake) and that these activities infringe its rights as owner of the lake bed and constitute a use for which it is entitled to charge Genesis Energy. As at the date of this Prospectus, no legal proceedings have been brought by TMTB.

Genesis Energy considers that TMTB does not have any legal basis to prevent Genesis Energy from using the Lake in connection with the operation of the Tongariro Power Scheme or to require Genesis Energy to pay a charge to TMTB. However, if TMTB were to bring legal proceedings and to succeed in that claim, Genesis Energy could be required to make a payment to TMTB for its activities on the Lake and/or to cease carrying out its activities on the Lake.

The quantum of the effect of the loss of generation from Tokaanu Power Station or of any payment is not known to Genesis Energy and cannot be accurately determined by it.

Customary right and other claims

While Māori generally have pursued their claims under the Treaty of Waitangi or through negotiation with the Crown, Māori customary interests in land or in the use of resources which existed at the time of execution of the Treaty of Waitangi will be recognised by common law unless they have been extinguished. In addition, as outlined under the heading “Waitangi Tribunal Claims” in *Section 4.3 Relationship between Genesis Energy and the Crown*, it is possible that other claims could be brought by Māori against the Crown or Genesis Energy based on, for example, constructive trust, breach of fiduciary duty, or other remedies. Any such claim could result in a remedy being awarded which impacts on the Company’s generation activities. Such a claim may relate to an interest in land, or to an interest in another resource such as water or air.

Shareholding Risks

Crown shareholding

Following completion of this Offer, the Crown must hold at least 51% of the Shares and will be prohibited from reducing its holding below that level by the Public Finance Act. Also, the Crown must hold at least 51% of any other class of shares (voting or non-voting) or other securities in Genesis Energy that confer voting rights. This will ensure that the Crown remains the Company’s majority Shareholder. Consequently, the Crown will have the ability to control the election of directors and the potential outcome of most matters submitted to a vote of the Shareholders. A sale, or a perception that such a sale may occur, of the Crown’s Shares in the future could adversely affect the market price of Shares. If the Crown sells less than 49% of its Shares under this Offer, the Government would be able to subsequently sell down a further holding of the Crown’s Shares. However, under current legislation the Crown will not be able to sell its holding of Shares to below 51%. Over time, the interests of the Crown will be influenced by a number of factors and may not coincide with the interests of Genesis Energy or other Shareholders.

10% shareholding cap

The holding of Shares in the Company will be governed by the Public Finance Act and Constitution, which provide that no person, other than the Crown, may have a Relevant Interest in more than 10% of any class of shares in Genesis Energy or any class of voting securities of Genesis Energy. This may affect the market price of Shares by making the Shares less appealing to certain investors. It may also affect the demand for Shares because large Shareholders may not be able to purchase more Shares without breaching the 10% Limit on Shares.

Effect of section 45Q of the Public Finance Act

All acts of the Crown in relation to its ownership of Shares are, by virtue of section 45Q of the Public Finance Act, required to be carried out in a manner that is consistent with the principles of the Treaty. It is possible, therefore, that circumstances may arise in the future in which section 45Q is relevant and the Crown is required to exercise rights that it has as the owner of Shares in a manner that takes into account not only the Crown’s commercial interests, but also its obligations as a Treaty partner under the Treaty of Waitangi. This would depend on the nature of the right being exercised and the factual context in which it was being exercised.

See *Section 4.3 Relationship between Genesis Energy and the Crown* for further information in relation to these issues.

Insurance Risk

Insured or uninsured catastrophic events such as acts of God, fires, floods, earthquakes, widespread health emergencies, pandemics, epidemics, wars and strikes, could affect the value or the availability of Genesis Energy’s assets and the ability of the Company to sustain operations, provide essential products and services or recover operating costs. Some events of this type, and some assets, are uninsurable or Genesis Energy has chosen not to insure against them. For example, Genesis Energy is not insured for acts of terrorism.

Should damage be sustained as a result of these risks, Genesis Energy’s business and financial performance may be adversely affected. The Company currently insures for material damage and business interruption losses of up to \$880 million in respect of Genesis Energy’s assets, other than its Kupe interests. Genesis Energy has separate insurance arrangements in place in respect of its interests in the assets associated with the Kupe oil and gas field, which is currently covered for losses of up to \$617 million.

When Genesis Energy undertakes its annual renewal of insurance policies, typically in each November, it may face higher-than-expected costs of insurance, it may not be economically viable to take out insurance at current levels or insurance capacity may not be available at any price. It is anticipated that this situation would be greatly exacerbated should a significant natural disaster occur in New Zealand.

Availability and Cost of Capital

A deterioration of Genesis Energy's financial condition, a reduction in the Company's credit rating or instability in local and global capital markets could increase Genesis Energy's cost of borrowing or eliminate its ability to raise additional debt or replace existing debt as it matures.

Genesis Energy may be constrained in its ability to execute its strategy if sufficient capital is not available due to the status of its balance sheet or its shareholding structure.

In Genesis Energy's case, the Crown's shareholding and the provisions of the Public Finance Act add some further aspects to this risk. The ability of Genesis Energy to raise capital may be limited by the legal restriction under the Public Finance Act that no person, other than the Crown, may have a Relevant Interest in more than 10% of any class of shares or any class of voting securities of Genesis Energy. Furthermore, under that Act, any future equity capital raising that involves issuing shares, or securities with voting rights, in Genesis Energy will be able to proceed only if the Crown agrees to participate to the extent required to maintain its interest of at least 51%, as required by the Public Finance Act (see *Section 4.3 Relationship between Genesis Energy and the Crown* for further details).

At the date of this Prospectus, the Crown has made no commitments regarding possible future capital contributions. Any decision by the Crown on whether to make equity capital available to Genesis Energy will be made by the Government at the time and will be considered taking into account all relevant factors and circumstances, including competing capital requirements. Such competing capital requirements may include actual or expected requests for capital from Meridian or Mighty River Power. In addition, an appropriation from Parliament is required for the Crown to purchase Shares under an equity raising.

No proceeds of this Offer will be made available to Genesis Energy.

Credit Rating Risk

Reduction in rating (assuming no change in criteria)

Genesis Energy has a BBB+ credit rating, which includes a one notch uplift on the Company's stand-alone rating while the Crown owns more than 50% of the Company. Should S&P reduce this rating, then Genesis Energy's cost of funding would be likely to increase and, in addition, various "prudential support" obligations in major contracts entered into by the Company could be invoked to require Genesis Energy to provide bonds or other credit support to key counterparties.

Change in S&P criteria adverse to Genesis Energy

S&P could, from time to time (and as it has done previously) also change its rating criteria, which may result in a downgrade of Genesis Energy's credit rating or credit outlook.

Exchange rate and currency risk

Genesis Energy manages exchange rate and currency risk through its treasury policy. This policy requires the Company to hedge exposure for up to two years ahead with the first 12 months being hedged 50% to 80% and the second 12 months hedged 25% to 50%.

Accounting and Taxation Risks

Genesis Energy could be adversely affected by changes to its accounting and taxation treatment, including changes in, or to the application of, NZ IFRS and other accounting standards or taxation laws and regulations. This may affect the Company's reported financial position and/or reported financial performance. There is a risk that dividends from Genesis Energy may not be fully imputed as forecast in the PFI (see assumption 36 in *Section 6.3.2 General and Specific Assumptions*). This may be the case, for example, if less taxable profit is earned or if a change in Genesis Energy's shareholding were to cause imputation credits to be forfeited.

Reputation Risks

Genesis Energy has a large, complex and highly specialised business which presents a number of reputational risks. The Company could be adversely affected should it, or the industry generally, suffer from adverse publicity. The effect on Genesis Energy could be a reduction in sales or an increase in costs, which may affect financial performance. Specific issues that could give rise to reputation risk include:

- errors by directors, management, contractors or related industry operators that negatively reflect on Genesis Energy;
- errors by Genesis Energy in its customer connections or disconnections, billing or general customer communications;
- any adverse environmental impact caused by, or perceived to have been caused by, Genesis Energy's operations;
- a health and safety incident occurring on premises or land under the operational control of Genesis Energy or being caused by Genesis Energy or its contractors; and
- a reduction in corporate citizenship standards that reflect poorly on Genesis Energy's reputation.

As a large electricity generator and retailer, Genesis Energy manages a number of operations where care must be taken to ensure the safety of customers and the general public where Genesis Energy's operations can create a safety risk to customers or the public. Specific risks include:

- disconnecting the supply of electricity to a medically dependent consumer leading to harm or, potentially, to the death of that customer;
- errors by Genesis Energy's subcontractors working on electrical equipment in and adjacent to customers' houses, putting the safety of customers and their property at risk;
- recreational use by the public of waterways which are adjacent to or part of Genesis Energy's areas of operation such as structures or canals; these can be dangerous places owing to the volume of water and the generation of electricity; and
- risks associated with rapid increases in water volumes in catchment areas to which the public has access. Genesis Energy releases large volumes of water into such catchment areas on a regular basis.

Personnel Risks

Genesis Energy employs more than 900 people in varying roles across power stations and office environments. With continued growth and development, the Company faces increased complexity in governing and operating its business. The risks associated with Genesis Energy's directors and employees include the loss of key personnel, the unavailability of specific expertise and a shortage of competent staff, a loss of industrial or institutional knowledge, industrial action, the risk of an outbreak of a pandemic disease and fraud or theft.

Potential Effects of Climate Change

Growing concerns over the effects of climate change could lead to stricter regulation of Genesis Energy's greenhouse gas emissions and natural resource use, which could increase its operating costs and reduce profitability. The Company could also be affected by the physical results of climate change. Many climate change models predict an increase in extreme weather patterns and temperatures which could adversely affect Genesis Energy's infrastructure and fuel supplies.

5.3 GENERAL INVESTMENT RISKS

Economic Risk

Like any other investment, returns from Shares are influenced by the levels of economic activity and uncertainty. For example, a contraction in the New Zealand or global economy may negatively affect the performance of Genesis Energy by reducing demand for electricity, affecting customers' ability to pay for electricity (and influence related Government intervention on behalf of customers) and affecting input costs and other underlying fundamentals and increasing the cost of debt funding.

Taxation Risks

A change to the existing rate of company income tax, or other amendments to tax law or practice in New Zealand may affect the Company's returns. A change to tax law applying to Shareholders personally could affect their individual returns.

ASX Listing Risk

Failure to achieve admission to list on the ASX will not, of itself, prevent the sale of Shares under this Offer from proceeding. In that situation, there will be no active trading market in the Shares on the ASX, thereby potentially decreasing the overall liquidity of the Shares.

General Market Risks

Prior to this Offer, there has been no public market for the Shares. There can be no assurance that an active trading market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the NZX Main Board or, if listed, on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which a person or entity is able to sell their Shares. Future issues of Shares may dilute your interest in the Company and affect the trading price of Shares.

Factors such as changes in the New Zealand or international regulatory environment, New Zealand and international equity and debt markets, New Zealand dollar and foreign currency movements, and the New Zealand and global economies could cause the market price of the Shares to fluctuate after the Offer.

The market prices of stocks have historically been variable, including in response to changes in capital markets or the economy.

5.4 CONSEQUENCES OF INSOLVENCY

In the event of the insolvency of Genesis Energy, you will not be liable to pay any money to any person. All creditors (secured and unsecured) of Genesis Energy will rank ahead of your claim as a Shareholder in Genesis Energy, if the company is liquidated. After all such creditors have been paid, any remaining assets will be available for distribution among all Shareholders who rank equally. Any distribution made on liquidation of the Company may be less than the amount of your investment or you may not receive any amount.

FINANCIAL INFORMATION

References to “Genesis Energy” in this section refer to the Group.

This section should be read in conjunction with the risk factors set out in *Section 5.0 What are my Risks?* and other information contained in this Prospectus.

The financial information is presented in New Zealand dollars and is rounded to the nearest million (to one decimal place), which may result in some discrepancies between the sum of components and totals within tables, and also in certain percentage calculations.

If you do not understand the information in this section, you should consult a financial adviser.

IN THIS SECTION

- 6.1 Introduction to Genesis Energy's Financial Information
- 6.2 Overview of Genesis Energy's Financial Information
- 6.3 Prospective Financial Information
- 6.4 Historical Operational and Financial Information
- 6.5 Auditor's Report



6.1 INTRODUCTION TO GENESIS ENERGY'S FINANCIAL INFORMATION

This Prospectus contains a detailed description and analysis of a relatively complex industry (see *Section 3.0 Industry Overview*) and business (see *Section 4.0 About Genesis Energy*). You are strongly encouraged to read that detail, particularly the parts that cover risks in *Section 5.0 What are my Risks?*

Certain information included in this section (including EBITDAF) is non-GAAP financial information. You can find an explanation of why Genesis Energy uses this measure of financial performance later in this section. A reconciliation of Net Profit to EBITDAF, and Free Cash Flow, is also included later in this section.

6.1.1 HOW GENESIS ENERGY MAKES MONEY

The following provides a simplified overview of how Genesis Energy makes money as an introduction to assist in reading the detail in the rest of this section.

Genesis Energy's financial information reflects the performance of its integrated energy portfolio, through which Genesis Energy seeks to:

- sell electricity, natural gas and LPG to its retail customers (residential, SME and C&I) and wholesale customers at competitive prices;
- minimise the costs associated with providing strong customer service and product innovation;
- buy and trade electricity and natural gas for its customers;
- efficiently generate electricity from its renewable and thermal power stations which is sold into the national wholesale electricity market;
- optimally source coal, natural gas and LPG used to generate electricity or to on-sell to its wholesale and retail customers;
- maximise the benefit from its share of the outputs produced by the Kupe oil and gas field; and
- operate head office corporate services efficiently and with greater cost control.

Genesis Energy's Integrated Portfolio

Genesis Energy aims to generate, and contract electricity at the lowest wholesale cost to meet customer demand, operating its power stations having regard to the Company's existing long-term fuel arrangements. The Company aims to maximise the value of its excess Thermal Generation capacity during periods of higher wholesale electricity prices.

Genesis Energy has a mixture of Thermal Generation and Renewable Generation. This gives it the ability to use Renewable Generation to generate electricity at a lower cost when water is available and optimise profits by selling electricity into the wholesale electricity market. Alternatively, it can use coal and gas to fuel its Thermal Generation units to take advantage of periods of higher wholesale electricity prices. At any given time, a mixture of Renewable Generation and Thermal Generation is likely to be running but a weighting of the generation portfolio towards one form of generation changes depending upon wholesale electricity prices.

In wet periods when wholesale electricity prices are generally low, the Company seeks to cover its portfolio requirements for electricity at a lower cost through the wholesale electricity market and/or electricity futures market instead of running its own more expensive Thermal Generation.

When wholesale electricity prices are high, the increased fuel costs incurred by the Company from higher Thermal Generation volumes and the increased costs of purchasing electricity on the wholesale electricity market are offset by higher revenues from generation sold on the wholesale electricity market.

6.1.2 MAIN DRIVERS OF GENESIS ENERGY'S FINANCIAL PERFORMANCE

Genesis Energy is a relatively complex business (see *Section 4.0 About Genesis Energy*) with a number of important drivers of financial performance. The following factors can have a significant impact on annual financial performance and net cash flows, but are not an exhaustive list of all relevant factors. This should be read in conjunction with *Section 6.2.2 Explanation of Trends in Financial Performance* as well as *Section 5.0 What are my Risks?*

Retail Market Conditions

Customer retail sales prices and sales volumes determine the revenue earned by Genesis Energy from selling electricity and gas to end customers. A change in retail competition, national demand and average temperatures can lead to material changes in sales volumes, prices and operating costs, and can have an impact on profit margins. A relatively small change in volumes and prices can substantially affect margins. Refer to the assumptions "Customer electricity and gas revenue" and the related sensitivity analysis for further information.

Wholesale Price of Electricity

Volatility in the wholesale price of electricity over a period of months or longer affects generation volumes Genesis Energy offers to the market, and electricity revenues, Derivatives and fuels consumed. Lower wholesale electricity prices tends to drive lower Thermal Generation as well as lowering the cost of purchasing electricity by Genesis Energy to supply customers. The opposite tends to happen when wholesale electricity prices increase. The most important factors driving variability in wholesale electricity prices are supply and demand of electricity, with supply being particularly affected by the availability of water for hydro generation (which has a relatively lower operating cost of generation), discussed further below.

The wholesale price over time can have a significant impact on both generation volumes and revenues and the cost of purchasing electricity to supply Genesis Energy's customers.

The prevailing wholesale price is affected by both supply and demand factors:

1. **Supply** – because over half of New Zealand's electricity comes from hydro generation, typically the most important factor in any given year affecting overall capacity to supply is hydrological conditions throughout New Zealand. Other factors can also affect electricity supply, and therefore wholesale electricity price, including planned and unplanned power station outages, the commissioning of new power stations (and decommissioning of existing stations), the supply and cost of other generation (such as geothermal), the cost of fuels (such as gas and coal), transmission constraints and the decisions of power station operators to increase or decrease their generation, in particular

the operation of higher cost Peaking plants at times of high demand.

2. **Demand** – the main short term factor affecting residential demand for electricity is seasonal conditions. Cold weather generally leads to higher consumption due to increased use of electric heating in homes. The limited penetration of air conditioning in New Zealand means high summer temperatures do not affect electricity demand as much as in some other countries. Commercial and industrial demand is affected by economic conditions generally and also conditions within energy intensive industries such as heavy manufacturing, pulp and paper and aluminum smelting. In this regard, the level of demand from the aluminum smelter at Tiwai Point, which is the largest consumer of electricity in New Zealand, can significantly affect overall demand and therefore wholesale prices.

Generation Output

The volume of Genesis Energy's generation output affects the revenue it earns from selling electricity into the wholesale market. For Genesis Energy this is primarily driven by:

- variable wholesale electricity prices (referred to above) which affect the economics of Thermal Generation (which is a relatively more expensive form of generation);
- variable hydrological conditions at the hydro power stations of Genesis Energy and its competitors; and
- availability and utilisation of generation assets (that is, planned and unplanned outages).

Coal and gas fired generation at the Huntly Power Station costs more to run, relative to other forms of generation such as hydro, and is influenced by wholesale electricity prices and the availability and cost of coal and gas (see *Section 4.1 Business Description* for further information on the Huntly Power Station). Genesis Energy will typically increase Thermal Generation from all units when wholesale prices are higher, as the higher price compensates for the higher cost of fuel.

Genesis Energy's hydro generation is affected by water inflows and lake storage levels. The level of water in the storage lakes above Genesis Energy's hydro power stations depends on the amount of rain and/or snow melt in the catchment area for each lake. The impact of hydrological conditions on Genesis Energy's hydro power stations typically varies between Genesis Energy's hydro schemes, due to their geographic dispersion and locations in distinct hydrological catchments.

Genesis Energy's generation production can also change due to outages in its power stations. Most outages are planned well in advance to carry out scheduled maintenance or mid-life upgrades, however, unplanned outages can also occur, for example due to equipment failures.

Kupe Production Volumes and Prices

Kupe provides Genesis Energy with a diversified source of revenue, which is not affected by changing hydrological conditions. Genesis Energy shares in the outputs from, and the cost of operations of, the Kupe oil and gas field. Kupe contributed 32% of total Genesis Energy EBITDAF in FY2013, and is forecast to contribute approximately one third of total Genesis Energy EBITDAF in FY2014 reducing to approximately one quarter in FY2015.

Kupe oil, natural gas and LPG production is driven by long-term natural gas contracts (as discussed in *Section 4.0 About Genesis Energy*) which provide for fixed annual production levels, although

volumes can vary (by 10 to 15%) due to a range of factors including natural decline in reserves, actual production rates and shipping schedules. Reflecting its 31% interest in the Kupe Joint Venture, Genesis Energy receives 31% of the natural gas, oil and LPG produced. Genesis Energy has also entered into long-term contracts with the other Kupe Joint Venture parties to purchase the remainder of the natural gas currently produced.

Genesis Energy on-sells some of the natural gas (except for the natural gas used in the generation of electricity) and the oil and the LPG. The revenue derived by Genesis Energy from the sale of oil, natural gas and LPG produced at Kupe is linked to external market prices (including, in the case of gas, the international price for methanol and the Producers Price Index). Therefore changes in the Producers Price Index and market prices affect the revenue derived by Genesis Energy and its profit margin. In addition, the revenue derived from the sale of oil and some of the revenue derived from the sale of LPG is denominated in foreign currencies and therefore movements in the exchange rate between those currencies and the New Zealand dollar also influences profit margins. Genesis Energy hedges a proportion of its oil revenues to reduce the impact of spot price fluctuations on oil revenue.

Credit Rating

Genesis Energy targets a long-term credit rating⁴⁰ of BBB+ from Standard & Poor's (Australia) Pty. Ltd ("S&P"). Genesis Energy's BBB+ rating (with a stable outlook) was re-affirmed by S&P on 23 December 2013. Genesis Energy's BBB+ long-term credit rating is one notch higher than its stand alone credit profile rating (BBB) to reflect S&P's view of the benefit of the Company's status as a Government-owned entity. S&P has noted that the one notch higher rating is likely to be maintained while the Crown owns more than 50% of Genesis Energy.

On the S&P long-term rating scale, the stand alone 'BBB' rating indicates that the entity has adequate capacity to meet its financial commitments, but adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to meet its financial commitments than a higher rated entity.

Seasonality

Electricity consumption follows daily and seasonal patterns. Demand is typically lower in warm months and can increase by more than 30% during winter months. Fluctuations in seasonal weather patterns have a significant impact on supply of, and demand for, electricity and therefore on financial performance.

Non-cash Accounting Adjustments

Adjustments to the value and treatment of assets on Genesis Energy's balance sheet can have a material impact on reported results. Typically, the most significant of these changes are:

1. Fair value adjustments to financial Derivative contracts:

Genesis Energy trades Derivatives covering electricity, oil, foreign exchange and interest rate contracts to manage its exposure to adverse movements in market prices and to provide 'dry year insurance' to other participants in the New Zealand electricity market. The fair value of these Derivatives changes from year to year. Such changes can be significant and are recognised in the Comprehensive Income Statement.

⁴⁰ A long-term credit rating is an expression of the general creditworthiness and credit quality of an entity based on an analysis of quantitative and qualitative metrics and refers to an entity's ability and willingness to honour its existing debt responsibilities. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency.

- 2. Valuation of generation plant and equipment:** Genesis Energy's generation plant and equipment are subject to an annual impairment test and periodic revaluations. Examples of factors that may cause valuation changes are a change in long-term outlook for wholesale electricity prices or a materially different cost to maintain assets than previously expected.
- 3. Changes in Kupe depletion:** the oil and gas assets associated with Kupe are subject to depletion which is expensed annually and based on the amount of units produced during the period and the useful life of the oil and gas field. This can change with an updated assessment of the recoverable volumes from the field, as occurred in July 2012. The Kupe Joint Venture's reserves estimates as at 30 June 2012 were reviewed by an independent expert, who found them to be reasonable. The independent expert provided updated reserves estimates as at 31 December 2013 (see *Section 4.5 Independent Expert's Summary Report on Kupe Reserves and Resources*).

Specific to FY2014 there is a provision for onerous contracts which is also a non-cash accounting adjustment.

Other Key Drivers of Financial Performance

When estimating how much Genesis Energy is likely to earn in any given year, consideration should also be given to:

- regulatory changes to the electricity and gas industries;
- transmission and distribution costs associated with transporting electricity and natural gas and the ability to recover these costs

- from customers;
- costs to serve, which are costs associated with servicing its energy customer base such as connection/disconnection costs, call centre operations, marketing and metering;
- the wholesale costs of natural gas and LPG to supply its natural gas and LPG customers;
- the price Genesis Energy can on-sell to wholesale customers gas or coal it has contracted for;
- operating and maintenance costs of its generation plant and the Kupe oil and gas field;
- costs associated with running Genesis Energy's corporate offices and administrative functions like finance, legal and IT;
- depreciation, depletion and amortisation costs;
- net finance expenses; and
- taxation.

Capital Expenditure

In addition to ongoing and relatively consistent capital expenditure to maintain its assets, Genesis Energy has periodically made large investments in new capital assets. Given that demand for additional electricity generation capacity in New Zealand is not expected to grow significantly in New Zealand over the next three to five years, the Company does not expect to invest in any major new generation projects in the Prospective Period. Genesis Energy therefore expects to have more cash available to be reinvested in the Company or to pay down debt or to be returned to Shareholders.

6.2 OVERVIEW OF GENESIS ENERGY'S FINANCIAL INFORMATION

6.2.1 OVERVIEW OF FINANCIAL INFORMATION

Presented in this section are selected historical and prospective financial information and operating metrics and a description of the non-GAAP financial information used in this Prospectus. This is provided as an introductory overview, in addition to the financial information disclosure required under the Securities Regulations.

The historical financial information included in this section has been extracted from Genesis Energy's audited financial statements and unqualified audit opinions were received for each of those financial statements other than the financial statements for H1 2013 which have not been audited. The financial information is covered more fully in *Section 6.3 Prospective Financial Information* and *Section 6.4 Historical Operational and Financial Information*.

Overview of Consolidated Income Statement

Genesis Energy Limited and Subsidiaries

\$million	FY2011 Historical	FY2012 Historical	FY2013 Historical	FY2014 Prospective	FY2015 Prospective	H1 2013 Historical	H1 2014 Historical
Operating Revenue	1,834.5	2,264.8	2,070.2	2,040.6	2,165.9	1,031.3	973.1
Operating Expenses	(1,541.8)	(1,877.5)	(1,733.8)	(1,735.4)	(1,802.4)	(835.4)	(822.5)
EBITDAF	292.7	387.3	336.4	305.2	363.4	195.9	150.6
Depreciation, depletion and amortisation	(144.3)	(152.1)	(135.0)	(157.8)	(150.2)	(67.0)	(81.2)
Other expenses ⁴¹	(117.8)	(26.8)	23.3	(13.7)	(9.4)	7.8	(6.5)
Profit before net finance expense and income tax	30.5	208.4	224.8	133.7	203.8	136.7	62.8
Net finance expense ⁴²	(48.6)	(88.6)	(78.5)	(71.1)	(70.5)	(38.0)	(34.1)
Income tax credit (expense)	1.5	(33.4)	(41.8)	(20.8)	(37.9)	(27.9)	(9.0)
Net Profit	(16.6)	86.4	104.5	41.8	95.4	70.8	19.7

⁴¹ Other expenses includes impairment of non-current assets, revaluation of generation assets (when they occur), change in fair value of financial instruments and other gains and losses.

⁴² Finance revenue less finance expense.

Overview of Consolidated Balance Sheet

Genesis Energy Limited and Subsidiaries

As at: \$million	30 June 2011 Historical	30 June 2012 Historical	30 June 2013 Historical	30 June 2014 Prospective	30 June 2015 Prospective	31 Dec 2012 Historical	31 Dec 2013 Historical
Cash and cash equivalents	21.1	24.8	22.7	24.5	24.5	44.3	48.4
Other current assets	345.1	453.2	370.8	366.6	329.1	307.6	297.1
Total current assets	366.2	478.1	393.5	391.1	353.6	352.0	345.5
Property, plant and equipment	2,627.4	2,580.7	2,800.1	2,782.0	2,733.8	2,603.5	2,777.9
Oil and gas assets	462.8	429.1	391.9	341.1	295.4	409.4	362.1
Intangible assets	121.4	118.2	122.6	118.2	109.6	122.7	123.2
Other non-current assets	99.0	24.1	43.2	52.6	54.8	72.8	58.8
Total non-current assets	3,310.6	3,152.1	3,357.8	3,294.0	3,193.7	3,208.5	3,322.0
Total assets	3,676.8	3,630.2	3,751.2	3,685.1	3,547.2	3,560.4	3,667.5
Borrowings	411.5	16.5	412.9	11.3	114.7	15.3	135.7
Other current liabilities	285.6	318.4	254.7	270.7	252.7	243.1	227.0
Total current liabilities	697.1	334.9	667.6	282.0	367.4	258.3	362.6
Borrowings	806.2	1,003.0	612.0	1,007.5	834.2	930.0	871.0
Other non-current liabilities	461.5	495.7	521.9	524.5	521.1	494.8	524.3
Total non-current liabilities	1,267.7	1,498.7	1,133.9	1,531.9	1,355.4	1,424.8	1,395.3
Total liabilities	1,964.8	1,833.6	1,801.5	1,813.9	1,722.8	1,683.1	1,757.9
Share capital	540.6	540.6	540.6	540.6	540.6	540.6	540.6
Reserves	1,171.4	1,256.0	1,409.1	1,330.6	1,283.9	1,336.7	1,369.0
Total equity	1,712.0	1,796.6	1,949.7	1,871.2	1,824.5	1,877.3	1,909.6
Total equity and liabilities	3,676.8	3,630.2	3,751.2	3,685.1	3,547.2	3,560.4	3,667.5
Net Assets⁴³	1,712.0	1,796.6	1,949.7	1,871.2	1,824.5	1,877.3	1,909.6

⁴³ Net Assets is calculated as total assets less total liabilities. Non current property, plant and equipment and oil and gas assets are the most significant asset items meaning depreciation and depletion and capital expenditure (together with revaluations, when they occur) have the most significant effect on Net Asset movements in the Balance Sheet. In the Prospective Period Net Assets reduce primarily with depreciation, depletion and amortisation exceeding forecast capital expenditure. In FY2013 there was a revaluation increase in generation assets of \$155.6 million.

Overview of Consolidated Cash Flows

Genesis Energy Limited and Subsidiaries

\$million	FY2011 Historical	FY2012 Historical	FY2013 Historical	FY2014 Prospective	FY2015 Prospective	H1 2013 Historical	H1 2014 Historical
Net cash inflows from operating activities ⁴⁴	245.6	363.3	298.3	293.3	344.9	217.9	164.6
Net cash (outflows) from investing activities ⁴⁵	(867.9)	(69.5)	(172.6)	(97.6)	(64.1)	(93.2)	(32.5)
Net cash inflows (outflows) from financing activities ⁴⁵	618.0	(290.1)	(127.9)	(193.9)	(280.8)	(110.6)	(106.4)
Net increase (decrease) in cash & cash equivalents	(4.4)	3.7	(2.2)	1.8	–	14.2	25.7
Opening cash and cash equivalents	25.5	21.1	24.8	22.7	24.5	30.2	22.7
Closing cash and cash equivalents	21.1	24.8	22.7	24.5	24.5	44.3	48.4

Per Share Metrics

Genesis Energy Limited and Subsidiaries

\$million	FY2011 Historical	FY2012 Historical	FY2013 Historical	FY2014 Prospective	FY2015 Prospective	H1 2013 Historical	H1 2014 Historical
Earnings per Share (cents) ⁴⁶	(1.7)	8.6	10.5	4.2	9.5	7.1	2.0
Dividends per Share (cents) ^{46, 47}	–	–	11.4	12.8	16.0	5.7	6.4

Selected Operational Metrics (Unaudited)⁴⁸

Genesis Energy Limited and Subsidiaries

	FY2011 Historical	FY2012 Historical	FY2013 Historical	FY2014 Prospective	FY2015 Prospective	H1 2013 Historical	H1 2014 Historical
Electricity Customers (#) ⁴⁹	525,748	529,342	543,774	541,920	541,920	531,587	534,597
Electricity Market Share (%) ⁵⁰	26.8%	26.6%	27.2%	n/a	n/a	26.7%	26.8%
Gas Customers (#)	112,218	111,578	115,003	118,949	120,140	111,018	115,613
Gas Market Share (%) ⁵⁰	43.5%	42.7%	43.7%	n/a	n/a	42.4%	43.7%
Total Customers (excluding LPG) ^{49, 51}	637,966	640,920	658,777	660,869	662,060	642,605	650,210
LPG Customers (#)	5,239	7,610	9,708	12,708	13,848	8,359	10,739
Total Customers (#) ^{49, 51}	643,205	648,530	668,485	673,577	675,908	650,964	660,949
Electricity Sales – FPVW (GWh)	4,787	4,909	4,902	4,754	4,873	2,588	2,529
Electricity Sales – TOU (GWh)	918	520	452	743	821	209	346
Electricity Sales – Retail (GWh)	5,705	5,429	5,354	5,497	5,694	2,797	2,875
Electricity Purchases (GWh)	6,086	5,781	5,693	5,814	6,018	2,960	3,018

⁴⁴ Net cash inflows from operating activities approximates EBITDAF with movements over the historical years and the Prospective Period reflecting movements in EBITDAF and working capital.

⁴⁵ Net cash outflows from investing activities primarily relates to spend on capital expenditure with cash outflows from financing primarily relating to repayment of borrowings and dividends.

⁴⁶ Based on the number of Shares expected to be on issue on the Allotment Date being 1 billion Shares.

⁴⁷ No dividends were declared in FY2011 and FY2012 to assist the Company with funding the purchase of the Tekapo Power Scheme (which was acquired in June 2011). There is no assurance that prospective dividends will be paid.

⁴⁸ Operating metrics have not been audited and may differ from those reported in Genesis Energy's annual reports due to different sources (see specific footnotes) or due to changes in measurement.

⁴⁹ Customer numbers based on Customer Connections and excludes vacants and TOU customers, and is sourced from Genesis Energy records. This data may differ from Customer Connections data sourced from the Electricity Authority that appears elsewhere in this Prospectus due to differences in the way Customer Connections are measured.

⁵⁰ Market shares based on records from the Electricity Authority (includes active accounts only) and Gas Industry Co. N/a for the Prospective Period.

⁵¹ Customer numbers are per product. Note that some customers purchase more than one product and therefore could fit into more than one category.

	FY2011 Historical	FY2012 Historical	FY2013 Historical	FY2014 Prospective	FY2015 Prospective	H1 2013 Historical	H1 2014 Historical
Avg. Retail Electricity Purchase Price (\$/MWh) – LWAP ⁵²	56.50	96.44	76.88	68.57	79.10	66.53	53.98
Retail Gas Sales (PJ) ⁵³	4.6	5.4	5.0	6.3	6.9	2.9	3.1
Thermal Generation (GWh)	4,387	5,654	4,991	4,097	4,114	2,273	1,875
Renewable Generation (GWh)	2,138	2,813	2,221	2,570	2,845	1,513	1,468
Total Generation (GWh)	6,526	8,467	7,212	6,667	6,959	3,786	3,343
Avg. Price Received for Generation (\$/MWh) – GWAP	67.16	91.10	75.59	71.95	82.18	64.77	54.55
LWAP/GWAP (%)	84%	106%	102%	95%	96%	103%	99%
Time weighted average wholesale electricity price at the Huntly Node (\$/MWh)	54.20	85.77	73.40	58.20 to 68.20	65.50 to 75.50	63.52	53.30
Gas Purchases (PJ)	45.8	44.1	38.6	45.7	44.8	18.5	20.5
Gas Used in Internal Generation (PJ)	27.9	23.1	21.0	23.7	25.5	9.8	11.8
Coal Purchases (PJ)	21.5	19.4	21.5	12.0	8.8	11.6	7.1
Coal Used in Internal Generation (PJ)	11.1	28.1	24.2	11.2	9.4	11.6	4.5
Coal Stockpile (kT)	1,532	1,059	877	910	883	1,003	994
Kupe Gas Sales (PJ)	5.5	5.9	5.6	6.9	6.5	2.7	3.5
Kupe Oil Sales (kbbbl)	562.7	531.3	509.1	497.9	446.4	217.5	255.1
Generation Emissions (ktCO ₂) ⁵⁴	2,494	3,781	3,329	2,312	2,214	1,537	1,036
Generation Carbon Intensity (tCO ₂ /GWh) ⁵⁵	382	447	462	347	318	406	310

Explanations of Non-GAAP Financial Information

Genesis Energy's financial statements have been prepared in accordance with NZ GAAP. As such, they comply with NZ IFRS, as well as IFRS.

In order to assist readers of Genesis Energy's financial statements to better understand Genesis Energy's financial performance, Genesis Energy uses three non-GAAP financial measures, being EBITDAF, Free Cash Flow and Net Debt.

Because they are not defined by NZ GAAP, IFRS, or any other body of accounting standards, Genesis Energy's calculation of these measures may differ from similarly titled measures presented by other companies. These measures are intended to supplement the NZ GAAP measures presented in Genesis Energy's financial information and not as a substitute for those measures.

EBITDAF

EBITDAF is earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, revaluations (when they occur), changes in fair value of financial instruments and other gains and losses.

EBITDAF is a non-GAAP profit measure that has been reported in historical financial statements and therefore is shown in the financial information presented in the PFI. Genesis Energy's management uses EBITDAF to evaluate operating performance of Genesis Energy without the impact of a range of non-cash items (depreciation, depletion, amortisation, impairment, revaluations (when they occur), fair value movements of financial instruments and other gains or losses) or the effects of Genesis Energy's capital structure and tax position.

Genesis Energy considers EBITDAF allows better comparison of operating performance with other electricity industry companies than do NZ GAAP measures that include these items, although caution should be exercised as other companies may calculate EBITDAF differently. EBITDAF should not be considered in isolation or as a substitute for NZ GAAP measures, such as Net Profit and cash flow measures.

⁵² Excludes settlements from electricity Derivatives.

⁵³ Excludes gas sold to wholesale customers (comprising large industrial and petrochemical customers).

⁵⁴ This represents Generation Emissions not emission obligations (see *Section 3.1 The Electricity Sector* for information about the ETS).

⁵⁵ Based on Total Generation (GWh).

Reconciliation of Net Profit to EBITDAF and to Free Cash Flow

\$million	FY2012 Historical	FY2013 Historical	FY2014 Prospective	FY2015 Prospective
Net Profit	86.4	104.5	41.8	95.4
Income tax expense	33.4	41.8	20.8	37.9
Net finance expense	88.6	78.5	71.1	70.5
Impairment of non-current assets	12.4	6.6	9.5	13.5
Change in fair value of financial instruments	11.3	(30.5)	3.9	(4.1)
Other expenses ⁵⁶	3.1	0.6	0.3	–
Depreciation, depletion and amortisation	152.1	135.0	157.8	150.2
EBITDAF	387.3	336.4	305.2	363.4
Less finance expense	(91.4)	(79.3)	(71.5)	(70.5)
Less income tax expense	(33.4)	(41.8)	(20.8)	(37.9)
Less stay-in business capital expenditure ⁵⁷	(51.7)	(59.8)	(60.1)	(61.2)
Free Cash Flow	210.8	155.5	152.8	193.8
Dividends declared	nil ⁵⁸	114.0	128.0 ⁵⁹	160.0 ⁵⁹
Dividends declared as a % of Free Cash Flow	n/a	73.3%	83.8%	82.6%

Free Cash Flow

Free Cash Flow is calculated as EBITDAF less finance expense less income tax expense less stay-in business capital expenditure.⁵⁷

Free Cash Flow is a non-GAAP financial measure presented only to enable potential investors to consider Genesis Energy's prospective dividends declared pay-out ratio.

The dividends declared as a ratio of Free Cash Flow highlights how much of Free Cash Flow has been, or is expected to be, converted into dividends.

Net Debt

\$million	As at 30 June 2012 Historical	As at 30 June 2013 Historical	As at 30 June 2014 Prospective	As at 30 June 2015 Prospective
Current borrowings	16.5	412.9	11.3	114.7
Term borrowings	1,003.0	612.0	1,007.5	834.2
Total borrowings	1,019.5	1,024.9	1,018.8	948.9
Less cash and cash equivalents	(24.8)	(22.7)	(24.5)	(24.5)
Net Debt	994.7	1,002.2	994.3	924.4

Net Debt is defined as the value of current and non-current borrowings less cash and cash equivalents. Net Debt is a metric commonly used by investors as a measure of Genesis Energy's indebtedness that takes account of liquid financial assets. The above table sets out the calculation of Net Debt.

The Net Debt position is forecast to improve in FY2015 post the Tekapo canal remediation project capital expenditure completing in FY2014.

⁵⁶ "Other expenses" consists of revaluation of generation assets (when they occur) and other gains and (losses).

⁵⁷ "Stay-in business capital expenditure", which relates to on-going asset management and life-cycle maintenance and re-investment programme expenditure and includes capital expenditure on maintaining options for future development but excludes oil and gas rehabilitation and Tekapo canal remediation project capital expenditure.

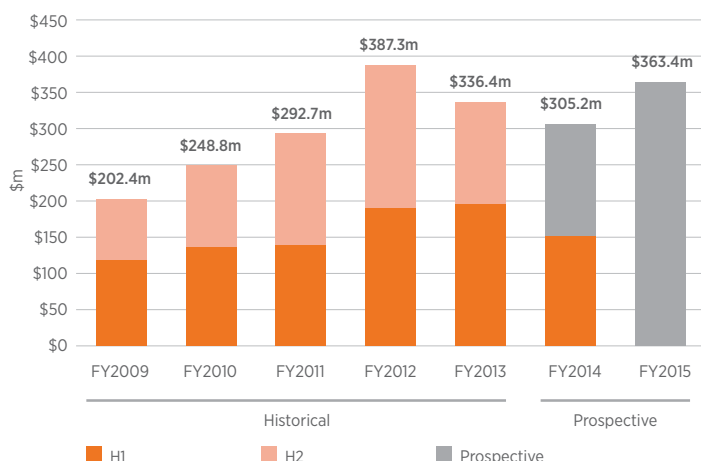
⁵⁸ \$nil in FY2012 to assist the Company with the funding of the purchase of the Tekapo Power Scheme (which was acquired in June 2011).

⁵⁹ There is no assurance that prospective dividends for FY2014 and FY2015 will be paid.

6.2.2 EXPLANATION OF TRENDS IN FINANCIAL PERFORMANCE

The chart below summarises the movement in EBITDAF over the last five years, H1 2014 and the PFI. This chart allows for comparison of historical EBITDAF to that forecast in the Prospective Period.

Genesis Energy EBITDAF Trends



Summary financial information for the full five year historical period (FY2009 to FY2013) is included in *Section 6.4.3 Historical Consolidated Summary Financial Information*. FY2012 onwards is considered most useful for potential investors as there were notable changes in the business with the June 2011 purchase of the Tekapo Power Scheme and the successful development of the Kupe oil and gas field, which had its first full year of production in 2011.⁶⁰ The chart shows higher EBITDAF in FY2012 with annual average wholesale electricity prices above \$75/MWh with drier than average conditions driving higher electricity revenues. Below is an overview of the primary drivers of Genesis Energy's year on year EBITDAF performance for FY2011 to FY2015.

Overview of Historical EBITDAF for FY2011

FY2011 EBITDAF increased from \$248.8 million to \$292.7 million, reflecting:

- The increased contribution from the Kupe oil and gas field. FY2011 marked the first full year of production from Kupe and resulted in a \$92 million contribution to EBITDAF (compared to \$25 million in FY2010).
- A relatively wet year with above average inflows into the North Island hydro catchments that led to lower wholesale electricity prices and lower electricity generation by Genesis Energy.
- The acquisition of the Tekapo Power Scheme from Meridian in June 2011 for \$821 million, although this had minimal impact at the EBITDAF line as it was only operational for 1 month in FY2011.

Overview of Historical EBITDAF for FY2012

FY2012 was a record year for Genesis Energy, with EBITDAF increasing from \$292.7 million to \$387.3 million, reflecting:

- High annual average wholesale electricity prices which were 58% higher than in FY2011, due to dry weather in the South Island combined with plentiful water and cooler than average temperatures in the North Island. This enabled Genesis Energy to increase utilisation of both North Island hydro stations and its Thermal Generation assets.
- An increase in total generation of 30% due to the full year contribution from the Tekapo Power Scheme (+805 GWh), acquired in June 2011, and increased Thermal Generation as a result of high wholesale electricity prices.

Overview of Historical EBITDAF for FY2013

FY2013 EBITDAF decreased from \$387.3 million to \$336.4 million, reflecting:

- A reduction in generation volumes and wholesale electricity prices, both of which were approximately 15% lower than in FY2012, primarily as a result of a return to more average hydrology (neither particularly wet nor dry) in the South Island.
- Notably for Genesis Energy, wholesale prices were 31% higher in the second half of the year compared to H1 2013 due to a drought primarily centred in the North Island. Genesis Energy had limited ability to adjust its generation profile to benefit from this as a result of a planned outage at the Tekapo Power Scheme. Management estimates this constraint had a negative impact on EBITDAF of \$20 million to \$25 million.
- EBITDAF was also affected by an abnormal under-recovery of some lines charges from retail customers (approximately \$8 million) due to significantly higher than expected increases in lines charges being incurred by Genesis Energy that were not passed on to customers. This was offset by Genesis Energy's share of insurance proceeds of \$18.6 million which recovered costs incurred in relation to the Kupe subsea utilities umbilical cable.

Overview of Forecast EBITDAF for FY2014

FY2014 EBITDAF is forecast to decrease from \$336.4 million to \$305.2 million, reflecting:

- Suppressed generation output volumes (7.6% lower than FY2013) consistent with lower annual average wholesale electricity prices reflecting flat national demand and relatively high hydro inflows and storage and above average temperatures.
- One-off operating expenses of \$26.2 million representing costs of this Offer of approximately \$10.0 million and a termination fee and related onerous contract provisions of \$16.2 million associated with the exit of a coal import contract.
- As in FY2013, Genesis Energy will be adversely affected by the planned outage at the Tekapo Power Scheme. This outage is expected to be shorter than the outage in FY2013, and is estimated to have a lesser negative impact on EBITDAF than in FY2013, at between \$8 million and \$12 million. The impact of the Tekapo outage is discussed later in this section.
- Improved EBITDAF from electricity and natural gas sales which is expected to offset some of the above costs.

⁶⁰ Genesis Energy has a 31% interest in the Kupe Joint Venture.

Overview of Forecast EBITDAF for FY2015

FY2015 EBITDAF is forecast to increase from \$305.2 million to \$363.4 million, reflecting:

- An uplift in generation volumes of 4.4% from those forecast in FY2014 assuming average hydro inflows and corresponding higher annual average wholesale electricity prices.
- Average electricity sales volumes per customer increasing with a return towards average temperatures.

- No one-off operating expenses, no significant planned outages and operating cost savings from the exit of the coal import and related supply chain contracts in late 2013.

Significant or Unusual Events

In FY2012, FY2013 and forecast for FY2014 there are one-off or infrequently occurring costs and benefits that should be considered by a potential investor. These are explained below and presented in tabular format.

One-off or infrequently occurring costs

\$million	Note	FY2012 Historical	FY2013 Historical	FY2014 Prospective	FY2015 Prospective	H1 2013 Historical	H1 2014 Historical
EBITDAF		387.3	336.4	305.2	363.4	195.9	150.6
Significant or unusual events:							
The outage of the Tekapo Power Scheme	1	–	20 to 25	8 to 12	–	–	–
Offer costs	2	1.0	0.6	10.0	–	0.1	2.4
Contract termination fee and related onerous contracts	2	–	–	16.2	–	–	19.1
Abnormal under-recovery of lines charges	3	–	7.7	–	–	7.7	–
Insurance compensation and related costs	3	4.0	(18.5)	–	–	–	–
Total impact on EBITDAF of removing the significant or unusual events		5.0	9.8 to 14.8	34.2 to 38.2	–	7.8	21.6
Tax effect of the above	4	(1.4)	(2.6) to (4.0)	(6.8) to (7.9)	–	(2.2)	(5.3)
Total impact on Net Profit		3.6	7.2 to 10.8	27.4 to 30.3	–	5.6	16.3

Notes to the above table:

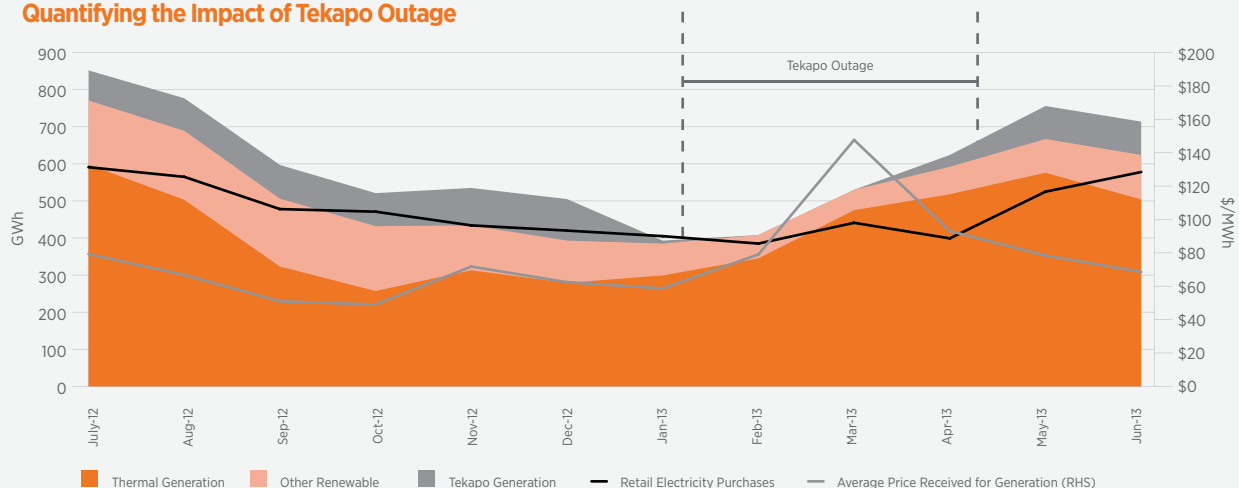
1. The outage of the Tekapo Power Scheme for the remediation of the Tekapo canal in Q3 and Q4 of FY2013 and Q3 of FY2014 reduced the Company's total hydro generation, and therefore revenue, with a significant negative impact on EBITDAF estimated to be in the range of \$20 million to \$25 million in FY2013 and forecast in the range of \$8 million to \$12 million in FY2014.
2. The PFI for FY2014 also includes non-recurring items for the costs related to this Offer of approximately \$10 million (a further \$1.6 million was incurred prior to FY2014) and a contract termination fee and related onerous contract provisions of \$16.2 million for the exit of the coal import contract (net of estimated sub-lease revenue).
3. EBITDAF in FY2013 was also affected by an abnormal under-recovery of some lines charges of \$7.7 million due to significantly higher than expected lines charges being incurred that were not passed on to customers and by Genesis Energy's share of insurance proceeds of \$18.6 million which recovered costs incurred in relation to the Kupe subsea utilities umbilical cable in FY2013 and earlier years.
4. The tax effect is calculated based on an income tax rate of 28% on taxable items.

The impact of the Tekapo outage on FY2013 Historical Financial Information

The outage of the Tekapo Power Scheme in Q3 and Q4 of FY2013 for remediation of the Tekapo canal reduced the Company's total hydro generation. The impact of the outage was exacerbated as it also occurred during a drought in the North Island which restricted the Company's ability to generate from its Tongariro and Waikaremoana Power Schemes. As wholesale prices were low, the Company generated less than it purchased and bought electricity in the wholesale market during these

periods (particularly January and February 2013). These events therefore combined to have a significant negative impact on the Company's EBITDAF in the second half of the year in the range of \$20 million to \$25 million. The range is estimated by the Company based on a number of variables and reflects an estimate of volume foregone as a result of the outage at a range of assumed time periods, and the prevailing wholesale electricity prices as at the time the volumes would have otherwise been generated, and maintenance costs on the power stations that were brought forward to coincide with the outage.

Quantifying the Impact of Tekapo Outage



The impact of the Tekapo outage on FY2014 Prospective Financial Information

A second outage of the Tekapo Power Scheme in Q3 FY2014 allows for work to be completed on a 1.8 km section of the Tekapo canal. This second phase involved a planned 10-week

outage of the canal scheduled to be completed in March 2014 but which was completed early in 50 days. This outage is estimated to have an impact on prospective EBITDAF for FY2014 of \$8 million to \$12 million.

Overview of Trends in Net Profit

Trends in Net Profit are influenced by a range of non-cash items and interest and tax costs. For example:

- FY2013 Net Profit of \$104.5 million was a 21% increase on FY2012 despite a lower EBITDAF, driven by items below EBITDAF including reduced depreciation, depletion and amortisation expenses, a \$42 million positive increase in the change in fair value of financial instruments, with lower interest costs offset by higher tax expenses;

- FY2014 Net Profit is forecast to be approximately 60% lower than FY2013 due to an adverse swing in the change in fair value of financial instruments, higher depreciation, depletion and amortisation and lower EBITDAF partially offset by lower interest and tax expenses; and
- FY2015 Net Profit is forecast to improve significantly compared to FY2014, reflecting improved EBITDAF offset by higher tax expense.

6.3 PROSPECTIVE FINANCIAL INFORMATION

This section contains:

- the basis of preparation for the consolidated PFI for Genesis Energy, including the significant accounting policies applied;
- a description of the board's best estimate of general and specific assumptions that underpin the PFI contained in this Prospectus;
- the consolidated PFI for Genesis Energy, as required by clause 11(1)(c) of Schedule 1 of the Securities Regulations, which includes prospective consolidated comprehensive income statement, balance sheet, statement of changes in equity and cash flow statement;
- an analysis of the sensitivity of PFI to changes in specific key assumptions; and
- the Investigating Accountant's Report.

6.3.1 BASIS OF PREPARATION

The consolidated PFI, for the year ending 30 June 2014 ("FY2014") and for the year ending 30 June 2015 ("FY2015") has been prepared in accordance with the requirements of FRS-42 Prospective Financial Statements, as required by the Securities Regulations, specifically for the purpose of the Offer and may not be suitable for any other purpose.

The consolidated PFI, including the assumptions underlying it, has been prepared by management and approved by the board. They are based on the board's assessment of events and conditions existing at the date of this Prospectus and the accounting policies and best estimate assumptions set out in *Section 6.3.2 General and Specific Assumptions* below. The Crown has not been involved in the preparation of the consolidated PFI.

PFI by its nature involves risks and uncertainties, many of which are beyond the control of Genesis Energy. The board believes that the consolidated PFI has been prepared with due care and attention, and consider the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. Actual results are likely to vary from the information presented as anticipated events and results may not occur as expected, and the variations may be material. Accordingly, neither the Directors nor any other person can provide any assurance that the consolidated PFI will be achieved and investors are cautioned not to place undue reliance on the PFI.

The consolidated PFI includes historical trading results for the six month period to 31 December 2013, based on audited interim financial statements.

There is no present intention to update the consolidated PFI or to publish PFI in the future, other than as required by accounting standards. Genesis Energy will present a comparison of the consolidated PFI with actual financial results when reported in accordance with NZ GAAP and Regulation 44 of the Securities Regulations.

The PFI is presented in New Zealand dollars and is rounded to the nearest million (to one decimal place), which may result in some discrepancies between the sum of components and totals within tables, and also in certain percentage calculations.

The PFI includes items considered non-GAAP financial information, including one profit measure other than Net Profit, being EBITDAF as has been used in historical financial statements (and explained earlier in *Section 6.2 Overview of Genesis Energy's Financial Information*). Other non-GAAP financial information used includes Free Cash Flow and Net Debt. Where non-GAAP financial information is reported there is a reference to further information to help you interpret those terms.

The directors are responsible for and have authorised for issue the consolidated PFI on 13 March 2014 for use in this Prospectus.

Accounting Policies

The significant accounting policies applied to the preparation of the consolidated PFI are set out in *Section 6.4.4 Audited Interim Financial Statements for the Six Months Ended 31 December 2013* and in *Section 6.4.5 Audited Financial Statements for the Year Ended 30 June 2013*. One new accounting policy was adopted in H1 2014 relating to share based payments along with the application of new and revised NZ IFRS (see *Section 6.4.4 Audited Interim Financial Statements for the Six Months Ended 31 December 2013*).

Currently there are no anticipated changes to accounting standards under NZ GAAP that are expected to materially affect Genesis Energy during the Prospective Period. However, any further changes to NZ GAAP could necessitate changes in the accounting policies currently adopted and any new or amended accounting standards, or interpretation, may affect the actual financial results or financial position.

6.3.2 GENERAL AND SPECIFIC ASSUMPTIONS

A description of the board's best estimate general and specific assumptions upon which the consolidated PFI is based are summarised below, and should be read in conjunction with the information set out under *Section 5.0 What are my Risks?*

General assumptions in respect of the prospective financial information

1. Competitive, legislative and regulatory environment

There will be no material change in Genesis Energy's competitive, legislative or regulatory environment, specifically:

- no change over access to land and water resources from Treaty of Waitangi or other claims; and
- no material regulatory changes or electricity market reform including no changes to retail or wholesale electricity pricing regulation.

2. Economic environment

There will be no material change in the general economic environment or conditions in which Genesis Energy operates (including the level of activity in the industrial sector) or population growth which would materially affect national electricity demand.

3. Key customers and suppliers

There will be no material change in existing contractual, business or operational relationships with Genesis Energy's key customers or suppliers throughout the Prospective Period, other than the Meridian swaption which runs till October 2014, (discussed in *Section 4.1 Business Description*). Relationships with other key customers or suppliers, should they cease, will be replaced by arrangements with other parties on similar levels of activity and contractual terms.

4. Joint ventures

Existing contractual, business and operational relationships and Genesis Energy's participation in the Kupe Joint Venture will continue throughout the Prospective Period.

5. New Zealand taxation

There will be no material change to the New Zealand corporate tax rate of 28%. There will be no material changes to corporate tax laws that would affect Genesis Energy.

6. Accounting standards

Accounting standards and interpretations will remain consistent throughout the Prospective Period. The prospective financial information assumes that there will be no material change in NZ GAAP during the Prospective Period.

7. Inflation

Consumers Price Index Inflation to be at a constant rate of 2.2% across the Prospective Period. Fuel cost inflation, based on the Producers Price Index, will be 2.3% in FY2014 and 2.8% in FY2015.

Specific assumptions in respect of the prospective financial information

8. Customer electricity and gas revenue

Customer electricity and gas revenue represents:

- sales of electricity, natural gas and LPG to retail customers (that is individual residential households, small to medium enterprises ("SME") and some large commercial organisations), also referred to as fixed price variable volume ("FPVV") customers, under the Genesis Energy and Energy Online brands; and
- Time of use ("TOU") volumes sold to commercial and industrial ("C&I") customers (some of whom also purchase on a fixed price variable volume basis).

Customer electricity and gas revenue is dependent on the volumes, mix and prices at which Genesis Energy sells electricity and/or gas to its customers.

For electricity and gas price and volume assumptions, overarching assumptions are:

- no material change in competitive behaviour in either the wholesale or the retail electricity and gas markets;
- any new entrants or gas discoveries will not materially change the competitive environment; and
- no material change in the national wholesale electricity market or the way Genesis Energy buys electricity from the market for its customers.

Volumes and mix

The retail customer electricity sales volumes and mix are subject to the following underlying assumptions:

- retail electricity sales volumes will increase by 2.7% in FY2014 driven by increased TOU volumes due to C&I contract wins in late FY2013 which are accumulating in FY2014, outweighing reduced volumes to retail customers;
- retail electricity sales volumes increase by 3.6% in FY2015, with the full year impact of contracted TOU volumes and with growth in volumes to retail customers back towards levels achieved in FY2013;
- new retail electricity customers are forecast to be offset by customers switching to other electricity retailers with a net 0.3% decline in electricity customers in FY2014 and no change in FY2015; and
- the average volume per customer is based on the average of the last three financial years usage by type of retail customer and by location (North or South Island), adjusted for above average year weather conditions, including air temperature, which affects customer demand and the customer mix profile as at 31 December 2013.

See *Section 6.3.4 Sensitivity Analysis* for sensitivity analysis on Electricity Customer Sales Volumes.

Electricity sales to wholesale customers represent derivative volumes sold, normally via financial contracts such as CFDs and Options, but excludes futures on the New Zealand Electricity Futures and Options Market operated by the ASX. These volumes fluctuate as a result of both the management of the integrated portfolio and the diverse nature of Genesis Energy's generation portfolio.

The volumes sold to wholesale customers mainly depends on strategic positions taken and the opportunities available to maximise the value of Genesis Energy's excess Thermal Generation capacity (normally related to periods of higher, or potentially higher, wholesale electricity prices or demand peaks). The net outcome for FY2013 was that Genesis Energy ran a "short" position (i.e. retail and wholesale sales higher than generation volumes) taking advantage of relatively low wholesale electricity prices to purchase electricity for its retail customers. This position is expected to continue in FY2014 with a lesser "short" position in FY2015 as the result of some of the current derivatives ending, in particular Meridian swaptions (see assumption 24), and this additional capacity not expecting to be sold at this point in time. Value is improved when Genesis Energy can sell electricity to the wholesale market during periods of high wholesale electricity prices and purchase wholesale electricity at lower prices to supply its retail customers.

Customer Data

	FY2012 Historical	FY2013 Historical	FY2014 Prospective	% change	FY2015 Prospective	% change
Electricity customers (#) ^{61, 62}	529,342	543,774	541,920	(0.3)%	541,920	0.0%
Electricity sales – FPVV (GWh)	4,909	4,902	4,754	(3.0)%	4,873	2.5%
Electricity sales TOU (GWh)	520	452	743	64.4%	821	10.5%
Electricity sales Retail (GWh)	5,429	5,354	5,497	2.7%	5,694	3.6%
Electricity sales – Wholesale (GWh)	3,020	2,705	2,036	(24.7)%	1,428	(29.9)%
Gas Customers (#) ^{61, 62}	111,578	115,003	118,949	3.5%	120,140	1.0%
Retail Gas Sales (PJ)	5.4	5.0	6.3	26.0%	6.9	9.5%
Total Customers (excluding LPG) ^{61, 62}	640,920	658,777	660,869	0.3%	662,060	0.2%
LPG Customers (#)	7,610	9,708	12,708	30.9%	13,848	9.0%
LPG Sales (kT)	2.0	2.4	3.0	25.0%	3.6	20.0%
Total Customers (#) ^{61, 62}	648,530	668,485	673,577	0.8%	675,908	0.3%

Genesis Energy experienced an average customer switching rate⁶³ of its retail electricity customers of approximately 18.4% (for the year to 31 December 2013) based on average switching rates. Whilst the average customer switching rate is not an explicit underlying assumption it is a key performance indicator. Recent national market trends have been trending towards higher switching rates and this trend has been considered in the development of electricity customers number assumptions outlined above.

Gas customers are forecast to increase in FY2014 and FY2015 with growth in the TOU market and increases in the number of dual fuel customers that receive a discount when they purchase both electricity and gas from Genesis Energy. These higher customer numbers drive higher volumes, and therefore revenue, with average usage per customer forecast to remain similar to usage witnessed in FY2013.

Prices

Average total retail electricity prices received are a function of prices for the energy and service costs component (which includes the price to purchase electricity, levy and metering costs and the cost to serve customers) and lines component (charges for transmission and distribution).

The customer electricity sales prices are subject to the following underlying assumptions:

- changes in the lines component that Genesis Energy incurs will be largely passed on to customers;
- the energy and service costs component of the electricity retail price increases on average approximately 2.2% in each year;
- retail price changes are to take effect from early April in each year for the largest 15 regions in New Zealand by retail customer revenue (these regions represent approximately 90% of Genesis Energy's total retail customer revenue). The remaining retail price changes to take effect on a staggered basis through April and May each year, to move Genesis Energy towards the industry average in terms of the period over which price increases are implemented;

- aggregate retail price increase (including both the lines and the energy and service costs components) equates to approximately 3.6% for April 2014 for the largest 15 regions;
- prompt-payment discounts, and current level of discount uptake, continues as per recent trading; and
- TOU pricing changes in line with contracted prices.

See *Section 6.3.4 Sensitivity Analysis* for sensitivity analysis on the energy and service costs component of the electricity retail price increases.

The customer gas sales price comprises a fixed daily rate and a variable price based on volume used. The average selling price in the Prospective Period reflects current pricing and planned price changes, along with promotional pricing programmes.

9. Wholesale electricity prices

Consistent with other industry participants, Genesis Energy utilises a demand and supply simulation model of the New Zealand electricity system to estimate market wholesale electricity prices. The model reflects underlying assumptions for supply and demand.

Specific assumptions include:

- the average outcome based on the modelled impact of 79 historical years of national hydrological or climatic conditions;
- national demand remains largely flat in FY2014 and FY2015, including assumptions that:
 - the level of demand from NZAS at the Tiwai Point aluminium smelter does not change from average levels in FY2013 (see *Section 3.1 The Electricity Sector* for further discussion on the Tiwai Point aluminium smelter); and
 - no material technological advances in the more efficient use and generation of electricity;
- gas and coal fuel costs and availability based on specific fuel assumptions (see assumptions 13, 14, 15 and 16); and
- no material infrastructure change or operating limitations other than known power station availability including:
 - known new generation build and decommissioning announced to the New Zealand electricity market, including that Contact

⁶¹ Customer numbers based on Customer Connections and excludes vacants and TOU customers, and is sourced from Genesis Energy's records. This data may differ from Customer Connections data sourced from the Electricity Authority that appears elsewhere in this Prospectus due to differences in the way Customer Connections are measured.

⁶² Customer numbers are per product. Note that some customers purchase more than one product and therefore could fit into more than one category.

⁶³ Based on Electricity Authority switching history reports.

Energy's TCC power station will not operate during winter 2014;

- known New Zealand electricity generator planned outages; and
- known transmission constraints for the HVDC link.

The above modelling affects the following line items in the consolidated prospective comprehensive income statement:

- 'Electricity revenue';⁶⁴
- 'Electricity purchases, transmission and distribution' (including electricity purchases, Derivatives and spot costs –

see assumption 12); and

- 'Fuels consumed' (see assumption 15).

The modelling also forecasts generation volumes (see assumption 10).

Refer to *Section 6.3.4 Sensitivity Analysis* for sensitivity analysis on wholesale electricity prices and generation volumes.

Wholesale Electricity Prices

(\$/MWh)	FY2012 Historical	FY2013 Historical	FY2014 Prospective	FY2015 Prospective
Time weighted ⁶⁵ average annual wholesale electricity price	85.77	73.40	58.20 to 68.20	65.50 to 75.50

10. Generation volumes and output

Based on Genesis Energy's demand and supply simulation model, generation volumes have been forecast for FY2014 at 6,667 GWh and for FY2015 at 6,959 GWh. These are both below recent historical generation volumes of 7,212 GWh and 8,467 GWh in FY2013 and FY2012 respectively, primarily due to the reduced wholesale electricity prices.

Hydro generation is forecast to increase in FY2014 due to the increased hydro inflows and levels of storage experienced in the first half of the year in particular, returning to more normal levels by the end of the year. A further increase in hydro generation in FY2015 reflects a full year of generation from the Tekapo Power Scheme.

Underlying assumptions are:

- an outage for 50 days in Q3 FY2014 for the Tekapo canal remediation project (with specified dates for return to service of Tekapo generators in March and May 2014). In the equivalent period in FY2012 (noting there was also an outage at the Tekapo canal and power stations in FY2013) the generation output of the Tekapo Power Scheme was approximately 200 GWh;

- a second of the four 250 MW coal/gas fired Rankine Units at the Huntly Power Station was placed into long-term storage in late December 2013 and the decommissioning process for the first unit in storage commenced. Therefore in the Prospective Period Genesis Energy will have one of the Rankine Units in storage and one decommissioned, and two units available to the market;
- FY2014 includes an outage for Unit 6 at Huntly Power Station for the first nine months; and
- there will be no material power station failures or interruptions to Genesis Energy's activities during the Prospective Period, including as a consequence of technical issues, operational error, catastrophic events or normal hazards associated with operating the Company's business.

See *Section 6.3.4 Sensitivity Analysis* for sensitivity analysis on generation volumes.

Summary of Generation Volumes

	FY2012 Historical		FY2013 Historical		FY2014 Prospective		FY2015 Prospective	
	GWh	% of total	GWh	% of total	GWh	% of total	GWh	% of total
Gas	3,041	36%	2,732	38%	2,780	41%	3,008	43%
Coal	2,613	31%	2,259	31%	1,317	19%	1,106	16%
Thermal	5,654	67%	4,991	69%	4,097	61%	4,114	59%
Hydro	2,788	33%	2,200	31%	2,543	38%	2,815	40%
Wind	25	0%	21	0%	27	0%	30	0%
Renewable	2,813	33%	2,221	31%	2,570	39%	2,845	41%
Total	8,467		7,212		6,667		6,959	

Generation volumes are sold or traded on the national wholesale electricity market at the time of generation which contributes to Electricity revenue. Total generation volumes in FY2014 and FY2015 are forecast to be significantly below installed generation capacity.

11. Seasonality

Fluctuations in seasonal weather patterns have a significant impact on supply and demand (for example the above average temperatures in H1 2014) and therefore the generation of electricity, which in turn can have a positive or negative impact on financial performance. Demand is typically lower in warm months and can increase by more than 30% during winter.

⁶⁴ Including contracted, spot and Derivative wholesale electricity sales revenue from sales to other generator/retailers, retail customers and to the New Zealand Futures and Options market.

⁶⁵ A simple average of all prices published in the market at half hour intervals for a specific time period (at the Huntly Node).

A significant amount of Genesis Energy's FY2014 EBITDAF is forecast in the winter months of May and June. This is due to the seasonal uplift in customer demand and the historical pattern of more Thermal Generation in periods of higher wholesale electricity prices.

Seasonality for FY2014 (last six months only) and FY2015 has been forecast consistent with previous periods.

12. Electricity purchases, transmission and distribution operating expenses

Electricity purchase costs relate to costs of buying electricity for our customers (retail, TOU, spot and Derivatives) at the price the market charges at the time of the purchase.

The lines/distribution companies' current published pricing applies for the period to 31 March 2014 and pricing provided to Genesis Energy by the lines/distribution companies applies from 1 April 2014.

There is no material change to the current transmission pricing methodology and distribution network charges. Increases in the lines component that Genesis Energy incurs will be largely passed on to customers (see "prices" in assumption 8 "Customer electricity and gas revenue").

13. Gas revenue, purchases and transmission

All contracted gas supplies are either consumed as fuel for generation of electricity or on sold to retail customers or wholesale (being commercial and industrial or large industrial and petrochemical customers).

Wholesale Gas Revenue arises from:

- sales of committed gas volumes at contracted gas sales prices; and
- sales of uncommitted gas volumes which will be contracted at current market prices.

Any unsold gas volumes will be consumed in Thermal Generation.

Gas supply contracts peak in volumes in FY2014 reducing in FY2015. Gas purchase prices have been negotiated over the course of the historical financial period in relation to take or pay contracts the Company has with third parties and the gas it purchases from the other Kupe Joint Venture parties.

There will be no material gas supply disruption nor change to the current gas transmission pricing methodology and gas distribution network charges.

14. Petroleum revenue, production, marketing and distribution costs and crude oil price assumptions

Assumptions relating to Kupe production volumes are based on the fixed long-term natural gas contracts (mostly on a take or pay basis) with the Kupe Joint Venture partners updated for the latest contracted production volumes, prices and natural gas to oil and LPG ratios. The total field production volumes forecast for natural gas are 22.3 PJ for FY2014 and 21.1 PJ for FY2015. Genesis Energy's share of the corresponding production volumes forecast for oil are 515.1 kbbl and 434.8 kbbl, and for LPG are 29.6 kT and 27.8 kT in FY2014 and FY2015 respectively.

Assumptions relating to marketing and distribution costs are based on the fixed long-term contracts agreed with the joint venture partners and recent actual costs.

The underlying assumptions for oil price (all in United States Dollars) are:

- hedged oil price will be \$102.60/bbl in FY2014 and \$99.60/bbl in FY2015;
- 68% will be hedged (including actuals to December 2013) for FY2014 at an average price of \$102.90 and 56% will be hedged for FY2015 at an average price of \$99.50; and
- Spot oil price will be \$103.30/bbl for the second half of FY2014 and \$99.60/bbl in FY2015.

15. Fuels consumed

Fuels consumed is based on Genesis Energy's demand and supply simulation model for estimating the wholesale electricity path (see assumption 10 "Generation volumes and output").

The volume of generation is the key driver in changes in fuels consumed expenses, as forecast average cost of fuel per unit consumed is in-line with FY2013 (after reflecting purchase Producers Price Index increases) based on agreed supply contracts.

All suppliers will deliver to the coal and gas supply arrangements agreed to between the parties.

Obligations under a contract for the supply of imported coal have been terminated which has also triggered various contracts related to the transport, handling and storage of the imported coal to be provided for as onerous with a total adverse impact to EBITDAF of \$19.1 million in H1 2014. The total cost is expected to reduce in the second half of FY2014 as sub-lease contracts are completed. The benefit of this contract termination is reduced operating expenses for coal handling, transportation and storage with effect from 1 January 2014 benefiting Genesis Energy by approximately \$3.5 million per annum along with cash savings from reduced coal commitments.

16. Coal stockpile

With the above noted coal supply arrangements, the coal stockpile is forecast to remain fairly steady being 877 kT (\$93.4 million) as at 30 June 2013, 910 kT (\$96.1 million) as at 30 June 2014, and 883 kT (\$94.4 million) as at 30 June 2015, all based on the weighted average cost base at respective year ends.

17. Other revenue

Other revenue in the Prospective Period is forecast in line with FY2013, adjusted for:

- an insurance compensation benefit received in FY2013 of \$18.6 million (Genesis Energy's share of insurance proceeds for recovered costs incurred in relation to the Kupe subsea utilities umbilical cable);
- no forecast coal sales (which reduces other operating revenue); and
- known lease expiries reducing lease income.

18. Emission Units on hand and carbon charges

The ETS affects Genesis Energy as a large user of coal and gas. Genesis Energy purchases Emission Units (units issued under the ETS) from within New Zealand or from the global market. Prices of Emission Units will increase in line with the estimated market wholesale electricity prices.

\$million	FY2012 Historical	FY2013 Historical	FY2014 Prospective	FY2015 Prospective
Emission Unit net additions	18.5	22.2	–	–

There will be no material changes to the ETS, emission obligations or global Emission Unit prices.

Costs in the prospective financial information, as per the historical financial information, reflects net obligations after taking into consideration forward purchased Emission Unit contracts. Genesis Energy has entered into forward purchase contracts to acquire significant Emission Units to offset its FY2014 and FY2015 obligations.

The hedged position is 100% of forecast obligations for both FY2014 and FY2015.

19. Employee benefits

Employee benefits are based on benefits in the most recent actual period adjusted for estimated headcount and known salary and other remuneration changes.

FY2014 increases on FY2013 by 4.1% with average employee benefits increasing by approximately 3.4% p.a. and a net cost of redundancy payments. FY2015 reduces from FY2014 by 2.0% due to the benefit from a reduction in headcount outweighing the average employee benefits increase of 3.0%.

Administrative and set up costs will be incurred in FY2014 and FY2015 for the Executive LTI Plan and the proposed Employee Share Ownership Plan as discussed in *Section 4.2 Board, Management and Corporate Governance*. Genesis Energy will provide an interest free loan to a related party trust to acquire shares for the Executive LTI Plan, and the proposed Employee Share Ownership Plan is envisaged to include share grants. There are also potential release costs. None of these items affect the Group PFI (except the administrative and set up costs) as any Shares offered under these plans are assumed to be offered at their market price.

20. Other operating expenses

Other operating expenses include meter reading and maintenance

costs, contractors and material costs, consultants and professional service costs, advertising, marketing and promotion costs, property costs, bad and doubtful debts, plant, equipment and vehicle running costs and other operating costs.

Other operating expenses increase by \$23.5 million in FY2014, compared to FY2013; however they decrease by \$2.7 million after excluding one-off items. One-off items include costs related to this Offer of \$10.0 million and a termination fee and related provision for onerous contracts of approximately \$16.2 million (net of estimated sub-lease revenue) associated with the Company's contracts for procurement of imported coal (see assumption 15 "Fuels consumed").

Other operating expenses decrease by \$29.5 million in FY2015, compared to FY2014 with no one-off items and a full year of benefits to operating costs from savings from the exit of coal import contracts in late 2013. Other operating costs decrease as cost savings outweigh inflation increases.

21. Depreciation, depletion and amortisation

Historical rates of depreciation will apply to the asset base adjusted for forecast capital expenditure.

Oil and Gas depreciation and depletion has increased in FY2014 due to the higher charge in the first 6 months of the year and higher production volumes (see assumption 14 "Petroleum revenue, production, marketing and distribution costs and crude oil price assumptions"). Whilst depletion is based on depleting the cost of oil and gas assets recognised, the percentage reduction in reserves is used to determine depletion rates. See *Section 4.5 Independent Expert's Summary Report on Kupe Reserves and Resources* for the independent expert's summary of its assessment of Kupe reserves.

The finance lease receivable expired in FY2013.

Depreciation, depletion and amortisation summary

\$million	FY2012 Historical	FY2013 Historical	FY2014 Prospective	FY2015 Prospective
Depreciation of property, plant and equipment	80.4	80.6	91.2	94.1
Depreciation and depletion of oil and gas assets	56.3	40.4	54.8	47.3
Amortisation of intangibles	12.5	12.8	11.8	8.8
Amortisation of finance lease receivable	2.9	1.3	–	–
Total depreciation, depletion and amortisation	152.1	135.0	157.8	150.2

22. Impairment

The impairment charge totals \$9.5 million in FY2014 and \$13.5 million in FY2015. Non-current assets will incur impairment equivalent to forecast capital expenditure on the Rankine Units and Unit 6 as these assets' fair value is forecast to remain at \$nil. Excepting the above items, no further asset impairments have been forecast in FY2014 and FY2015.

23. Revaluation

Generation assets carried at fair value were last revalued as at 30 June 2013. No change in fair value of generation assets in the Prospective Period is expected.

24. Derivatives and change in fair value of financial instruments

These assumptions affect contract revenue within Electricity revenue and change in fair value of financial instruments, both

within the prospective comprehensive income statement along with Derivatives held in the balance sheet.

Changes in fair value of financial instruments have been modelled. There are a series of underlying assumptions in the modelling regarding financial instruments held, hedging effectiveness, forward curves, and realisation. The key specific underlying assumptions for material financial instruments are:

- interest rate swaps and foreign exchange forward rate contracts are valued against forward curves;
- all interest rate swaps, oil options, oil swaps and foreign exchange forward rate contracts are held to maturity and there are no new interest rate swaps and foreign exchange forward rate contracts;
- electricity contracts for differences assumptions are consistent with financial reporting standards with the valuation based on an effective/ineffective assessment. The key assumptions in the model are: the volumes and the strike price outlined in

the agreement with the counterparty, the forecasted internally generated electricity price path, emission credits and the discount rate. The lead-in and long-term hedges fall within this category;

- all new electricity contracts for differences are at fair value at inception and through the Prospective Period;
- the valuation of electricity options is based on a discounted cash flow model over the life of the agreement. The key assumptions in the model are: the callable volumes, strike price and option fees outlined in the agreement with the counterparty, the forecasted internally generated electricity price path, day one gains and losses, emission credits and the discount rate. The options are deemed to be called when the internally generated price path is higher than the strike prices after taking into account obligations relating to the specific terms of each contract;
- the Meridian swaption⁶⁶ is available to Meridian between April and October 2014 and the additional canal remediation swaption is available when Tekapo canal remediation work is planned (that is, between January 2014 and March 2014 in the Prospective Period), earning Genesis Energy a fixed premium fee for every month the swaption is available;
- total FY2014 option fees (contract revenue) earned will be less than in FY2013 and FY2015 approximates half the fees of FY2013 due to the above noted swaptions; and
- all other existing electricity Derivatives are held to maturity.

25. Net finance expense

Finance (Interest) expense will be at an average rate of 6.4% applicable for FY2014 and 6.6% for FY2015 on borrowings. This reflects the average of interest rates for the different debt instruments that the Company utilises including retail bonds, Capital Bonds, bank debt and wholesale debt. Interest will be paid when it falls due subject to accruals.

There will be no change in credit rating in the Prospective Period.

26. Income tax expense

The income tax rate will be 28% on taxable profit based on the current corporate tax rate in New Zealand.

Deferred Tax Liability will remain in line with the liability at 30 June 2013 and the treatment of powerhouse assets and Tekapo canal

remediation project costs is consistent with the financial statements as set out in *Section 6.4.5 Audited Financial Statements for the Year Ended 30 June 2013* (Note 16).

There are no significant items being revisited by the IRD as a result of change in tax policy or retrospective regulation changes.

Tax will be paid when it falls due subject to accruals.

27. Borrowings and cash

Appropriate debt funding is in place (i.e. wholesale and retail bonds and Capital Bonds and bank funding facilities) and will remain in place for the Prospective Period. See *Section 6.4.2 Discussion of Historical Operational and Financial Information* for further discussion of Liquidity and Capital resources in FY2011 to FY2013 including debt funding available as at 31 December 2013 and Genesis Energy's debt maturity profile as at 31 December 2013.

From a cash flow perspective, proceeds from borrowings in FY2014 will be a \$197.1 million drawdown on bank funding facilities and \$nil in FY2015. Repayment of borrowings in FY2014 includes \$75 million being the principal amount of Capital Bonds as part of the modification process⁶⁷ and \$120 million of retail bonds. In FY2015 it is forecast that \$68.1 million of borrowings will be repaid.

Cash and cash equivalents will be consistent in the Prospective Period at \$24.5 million which is in line with cash and cash equivalents at 30 June 2013 of \$22.7 million. Therefore in FY2015 cash flows from operating activities, investing activities and financing activities net to \$nil, with any balance of operating activities in excess of investing activities applied against borrowings.

28. Non-current assets

Non-current assets will reduce as total depreciation, depletion and amortisation (see assumption 21) exceeds total capital expenditure (see assumption 29) and no revaluations are forecast.

There will be no changes to existing resource consents and/or their conditions which relate to the generation assets.

There will be no catastrophic events (refer to *Section 5.0 What are my Risks?*) that affect Genesis Energy's assets or operations or the national electricity and gas market.

29. Capital expenditure

\$million	FY2012 Historical	FY2013 Historical	FY2014 Prospective	FY2015 Prospective
Tekapo canal remediation project	7.8	104.8	32.4	–
Oil and gas rehabilitation	20.1	2.6	–	–
Stay-in business capital expenditure	51.7	59.8	60.1	61.2
Total Capital Expenditure	79.6	167.2	92.5	61.2

Total capital expenditure relates to additions spread across property, plant and equipment, oil and gas assets and intangible assets (excluding emission units see assumption 18).

Ordinary asset replacement and maintenance, in the normal course of business, is forecast in respect of the existing asset base at an annual capital cost of circa \$60 million. This is also referred to as "stay-in business capital expenditure", which relates to on-going asset management and lifecycle maintenance and re-investment programme

expenditure and includes capital expenditure on maintaining options for future development but excludes oil and gas rehabilitation and the Tekapo canal remediation project capital expenditure.

In addition, specific capital expenditure on the Tekapo canal remediation project of \$32.4 million is forecast in FY2014. While Genesis Energy continues to develop its portfolio of new electricity generation options no development or growth capital expenditure is forecast in the Prospective Period.

⁶⁶ See *Section 4.1 Business Description* for further information about the Meridian swaption.

⁶⁷ Refer *Section 6.4.5 Audited Financial Statements for the Year Ended 30 June 2013* (Note 30) for further details on the modification process.

The Tekapo canal remediation project is consistent with the capital expenditure previously announced and relates to the second stage of a two stage project which commenced in January 2014. The first of the two stages was successfully completed in January through March 2013 with a capital expenditure of \$105 million (with \$8 million incurred in FY2012). The total project was budgeted to include spend of \$145 million to \$155 million. Based on latest information the Company assumes total capital expenditure for this project to be at the lower end of this range at \$145 million.

Investing cash flows for the purchase of property, plant and equipment, oil and gas assets and intangible assets will be broadly in line with the capital expenditure forecast, differing for capital expenditure accruals.

30. Working capital items

Trade Receivables and accrued income assumes normal receipt terms. Payables and accruals will be on standard payment terms (that is, one month in arrears) for operating expenses.

Inventories (current and non-current) relate to fuel and petroleum products, consumables and spare parts. Fuel and petroleum products vary with Thermal Generation and timing of production at Kupe. Other inventories will be consistent with the balance at 30 June 2013.

Provisions will be materially unchanged on 31 December 2013 balances. No wholesale electricity market counterparties are forecast to materially default on market payments.

Receipts and payments are assumed to follow the seasonal pattern of FY2013 (see assumption 11 “Seasonality”) and most other payments and receipts being paid or collected either as incurred or recognised, or in the month following.

Finance lease liabilities relate to the normal course of business and reduce due to the exit from import coal contracts (see assumption 20 “Other operating expenses”).

31. Foreign currency

Genesis Energy operates predominately in New Zealand dollars but has exposure to United States dollar foreign exchange through sales of oil and gas and Japanese Yen for maintenance costs.

For the PFI, the underlying assumptions are:

- for the second half of FY2014 total sales denominated in USD are assumed to be \$48 million of which 56% has been hedged at an average rate of USD0.78;
- for FY2015 total sales denominated in USD are assumed to be \$83 million of which 30% has been hedged at an average rate of USD0.78;
- for the second half of FY2014 total Japanese Yen maintenance costs are assumed to be ¥284 million of which 98% has been hedged at an average rate of ¥62;
- for FY2015 Japanese Yen maintenance costs are assumed to be ¥578 million of which 90% has been hedged at an average rate of ¥74; and
- the average assumed exchange rates for unhedged transactions are USD0.79 in the second half of FY2014 and USD0.77 in FY2015 and ¥80.7 in the second half of FY2014 and ¥78.5 in FY2015.

32. Business acquisitions and disposals

The PFI does not include the acquisition or disposal of any significant assets in the Prospective Period.

33. Litigation

As at the date of this Prospectus, no litigation during the Prospective Period which would adversely affect the financial performance of Genesis Energy or its financial condition during the Prospective Period is known to exist.

34. Related party transactions

Except as disclosed in *Section 7.0 Terms of the Offer* and in respect of interest free loans for the purposes of the Executive LTI Plan (see *Section 4.2 Board, Management and Corporate Governance*), all transactions with the Crown, Crown owned entities and SOEs, subsidiaries and associates, joint operations and key management personnel will continue to be conducted on an arm's length basis and at normal market prices and on commercial terms.

35. Equity

There will be no new equity issued post the Allotment Date with 1 billion ordinary shares on issue and fully paid on the Allotment Date (540,565,002 as at 30 June 2013). In March 2014 the Company made a bonus issue of 459,434,998 ordinary shares to existing Shareholders.

36. Dividends

Dividends will be declared and paid based on the current dividend policy.

Total dividends paid to the Crown in FY2014 of \$121.0 million, includes the final dividend for FY2013 of \$57.0 million, paid in October 2013, and \$64.0 million to be paid in April 2014. Total dividends paid to Shareholders in FY2015 are forecast to be \$144.0 million, which includes the final FY2014 dividend of \$64.0 million to be paid in October 2014 and the interim FY2015 dividend of \$80.0 million to be paid in April 2015.

Total dividends declared for FY2015 are forecast to be \$160.0 million (16.0c per Share) comprising a 50% interim dividend payable in April 2015 and a 50% final dividend to be paid in October 2015. Total dividends declared for FY2014 are forecast to be \$128.0 million (12.8c per Share).

The dividends declared approximate 84% in FY2014 and 83% in FY2015 of Free Cash Flow. Free Cash Flow is a non-GAAP measure. Refer to “Explanation of Non-GAAP Financial Information” in *Section 6.2.1 Overview of Financial Information* for further details, and the calculation of Free Cash Flow and dividends declared as a percentage of Free Cash Flow.

Dividends in the Prospective Period are expected to be fully imputed. At a tax rate of 28% (see assumption 26 “Income tax expense”) the dividends declared grossed up for imputation credits are forecast to be \$177.8 million (17.8c per Share) for FY2014 and \$222.2 million (22.2c per Share) for FY2015.

6.3.3 CONSOLIDATED PROSPECTIVE FINANCIAL INFORMATION

Genesis Energy Limited and Subsidiaries

Consolidated Prospective Comprehensive Income Statement

\$million	Assumptions	For Year Ending 30 June 2014 Prospective	For Year Ending 30 June 2015 Prospective
Operating revenue			
Electricity revenue	3, 8, 9, 10, 11, 18, 24	1,691.3	1,844.1
Gas revenue	3, 8, 11, 13	261.0	244.0
Petroleum revenue	3, 13, 14	81.3	68.3
Other revenue	17	7.0	9.4
		2,040.6	2,165.9
Operating expenses			
Electricity purchases, transmission and distribution	3, 8, 9, 11, 12, 18, 24	(912.8)	(1,025.3)
Gas purchases and transmission	3, 13	(257.2)	(235.4)
Petroleum production, marketing and distribution	3, 14	(30.1)	(28.5)
Fuels consumed	10, 15, 16	(203.1)	(212.4)
Employee benefits	19	(87.0)	(85.2)
Other operating expenses	20	(245.2)	(215.6)
		(1,735.4)	(1,802.4)
Earnings before net finance expense, income tax, impairment, depreciation, depletion, amortisation, fair value changes and other gains and losses		305.2	363.4
Depreciation, depletion and amortisation	21	(157.8)	(150.2)
Impairment of non-current assets	22	(9.5)	(13.5)
Change in fair value of financial instruments	24, 31	(3.9)	4.1
Other (losses) gains		(0.3)	-
Profit before net finance expense and income tax		133.7	203.8
Finance revenue		0.4	-
Finance expense	25	(71.5)	(70.5)
Profit before income tax		62.6	133.3
Income tax expense	5, 26	(20.8)	(37.9)
Net Profit for the year		41.8	95.4
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in cash flow hedge reserve	24	1.0	2.6
Income tax (expense) relating to items that may be reclassified	26	(0.3)	(0.7)
Total items that may be reclassified subsequently to profit or loss		0.7	1.9
Total other comprehensive income for the year		0.7	1.9
Total comprehensive income for the year		42.5	97.3
Earnings per Share attributable to equity holders:			
Basic and diluted earnings per Share (cents)	35	4.2	9.5

Genesis Energy Limited and Subsidiaries

Consolidated Prospective Statement of Changes in Equity

For Year Ending 30 June 2014 \$million	Share capital	Asset revaluation reserve	Cash flow hedge reserve	Retained earnings	Total
Assumptions	35	23, 28, 32	24	36	
Balance at 1 July 2013	540.6	806.4	(8.7)	611.5	1,949.7
Net Profit for the year	-	-	-	41.8	41.8
Other comprehensive income					
Change in cash flow hedge reserve	-	-	1.0	-	1.0
Income tax credit (expense) relating to other comprehensive income	-	-	(0.3)	-	(0.3)
Total comprehensive income for the year	-	-	0.7	41.8	42.5
Revaluation reserve reclassified to retained earnings on disposal of assets	-	(0.6)	-	0.6	-
Dividends paid	-	-	-	(121.0)	(121.0)
Balance at 30 June 2014	540.6	805.8	(8.0)	532.8	1,871.2

For Year Ending 30 June 2015 \$million	Share capital	Asset revaluation reserve	Cash flow hedge reserve	Retained earnings	Total
Assumptions	35	23, 28, 32	24	36	
Balance at 1 July 2014	540.6	805.8	(8.0)	532.8	1,871.2
Net Profit for the year	-	-	-	95.4	95.4
Other comprehensive income					
Change in cash flow hedge reserve	-	-	2.6	-	2.6
Income tax credit (expense) relating to other comprehensive income	-	-	(0.7)	-	(0.7)
Total comprehensive income for the year	-	-	1.9	95.4	97.3
Dividends paid	-	-	-	(144.0)	(144.0)
Balance at 30 June 2015	540.6	805.8	(6.1)	484.2	1,824.5

Genesis Energy Limited and Subsidiaries
Consolidated Prospective Balance Sheet

\$million	Assumptions	As at 30 June 2014 Prospective	As at 30 June 2015 Prospective
Current assets			
Cash and cash equivalents	27	24.5	24.5
Receivables and prepayments	30	281.1	259.2
Inventories	16, 30	69.9	63.5
Emission Units on hand	18	2.3	2.3
Derivatives	24	13.3	4.0
Total current assets		391.1	353.6
Non-current assets			
Property, plant and equipment	21, 23, 28, 29	2,782.0	2,733.8
Oil and gas assets	21, 28, 29	341.1	295.4
Intangible assets	21, 28, 29	118.2	109.6
Inventories	16	48.2	52.3
Receivables and prepayments	30	1.0	1.0
Derivatives	24	3.4	1.5
Total non-current assets		3,294.0	3,193.7
Total assets		3,685.1	3,547.2
Current liabilities			
Payables and accruals	30	235.4	228.5
Tax payable	26	1.6	8.0
Borrowings	27	11.3	114.7
Provisions	30	11.8	11.6
Derivatives	24	21.9	4.6
Total current liabilities		282.0	367.4
Non-current liabilities			
Payables and accruals	30	0.6	0.6
Borrowings	27	1,007.5	834.2
Provisions	30	130.2	129.0
Deferred tax liability	26	380.9	381.5
Derivatives	24	12.7	10.0
Total non-current liabilities		1,531.9	1,355.4
Total liabilities		1,813.9	1,722.8
Shareholder's equity			
Share capital	35	540.6	540.6
Reserves	23, 24, 32, 36	1,330.6	1,283.9
Total equity		1,871.2	1,824.5
Total equity and liabilities		3,685.1	3,547.2

Genesis Energy Limited and Subsidiaries

Consolidated Prospective Cash Flow Statement

\$million	Assumptions	For Year Ending 30 June 2014 Prospective	For Year Ending 30 June 2015 Prospective
Cash inflows from operating activities			
Cash was provided from:			
Receipts from customers	3, 8, 9, 10, 11, 13, 14, 17, 18, 24, 30	2,020.7	2,188.3
Interest received		0.4	-
		2,021.1	2,188.3
Cash was applied to:			
Payments to suppliers and related parties	3, 8, 9, 11, 12, 14, 15, 16, 18, 20, 24, 30	1,625.1	1,726.6
Payments to employees	19, 30	87.2	85.2
Tax paid	5, 26	15.5	31.6
		1,727.8	1,843.4
Net cash inflows from operating activities		293.3	344.9
Cash flows from investing activities			
Cash was provided from:			
Proceeds from disposal of property, plant and equipment		0.1	-
		0.1	-
Cash was applied to:			
Purchase of property, plant and equipment	29	85.1	61.1
Purchase of oil and gas assets	29	4.0	1.6
Purchase of intangible assets	29	8.5	1.4
		97.6	64.1
Net cash (outflows) from investing activities		(97.6)	(64.1)
Cash flows from financing activities			
Cash was provided from:			
Proceeds from borrowings	27	197.1	-
		197.1	-
Cash was applied to:			
Repayment of borrowings	27	195.0	68.1
Interest paid and other finance charges	25	71.1	67.1
Repayment of principal on finance lease liabilities	30	4.0	1.6
Dividend paid	36	121.0	144.0
		391.1	280.8
Net cash (outflows) from financing activities		(193.9)	(280.8)
Net increase (decrease) in cash & cash equivalents	27	1.8	-
Opening cash and cash equivalents	27	22.7	24.5
Closing cash and cash equivalents		24.5	24.5
Cash on hand and at bank	27	24.5	24.5
Short term deposits		-	-
Closing cash and cash equivalents		24.5	24.5

6.3.4 SENSITIVITY ANALYSIS

Introduction to sensitivities

PFI is inherently subject to uncertainty and accordingly actual results are likely to vary from PFI and this variation could be material. You can find a full description of assumptions relating to the prospective financial information for FY2014 and FY2015 in *Section 6.3.2 General and Specific Assumptions*, along with a description of risks in *Section 5.0 What are my Risks?*

The sensitivity analysis below is provided to assist you with assessing the potential effects of variations in certain key assumptions (defined as those most likely to materially affect results).

The sensitivity for each assumption is not intended to be indicative or predictive of the possible range of outcomes. Each movement in an assumption is calculated and presented in isolation from possible movements in other assumptions (i.e. when the assumption is sensitised, all other things remain equal). In reality, it is more likely that more than one assumption may move giving rise to compounding or offsetting effects. Furthermore the sensitivity modelled does not take into account that management action will be taken which may potentially mitigate effects. Therefore care should be taken in interpreting the sensitivity analysis.

Sensitivities have been modelled to show the effect on forecast EBITDAF and Net Profit for the following key specific assumptions:

Assumption 8 Customer electricity sales volumes and prices

- Retail customer electricity sales volumes are forecast to increase in FY2014, by approximately 2.7% on FY2013, and a further 3.6% in FY2015. This growth is a combination of increased TOU and retail volumes. These increases are dependent on competitive behaviour and economic activity. A sensitivity of an increase or a decrease in retail customer FPVW electricity sales volumes of 5% for each year has been analysed.
- The energy and service cost component of retail customer prices is affected by market conditions and competitive behaviour amongst other things. The sensitivity range provided for the PFI period is based on no increase through to a 5% increase, based on indicative historical price rises and assumes no changes in retail electricity volumes as prices vary.

Assumption 9 Wholesale electricity prices

- Wholesale electricity prices are dependent on a wide range of factors, not least including hydrological inflows, and are inherently volatile (as discussed in *Section 5.0 What are my Risks?*). A change in wholesale electricity prices will affect electricity revenue and purchases and settlements of financial instruments. The sensitivity applied to forecast wholesale electricity prices is to increase or decrease the time weighted annual average price within a relatively wide range of annual average wholesale prices of \$40/MWh to \$90/MWh to illustrate the potential EBITDAF and Net Profit impact.

For the purpose of the sensitivity analysis the sensitivity on wholesale electricity price change is applied to generation volumes and retail purchases. Note that hydrological inflows affect generation volumes as well as wholesale electricity prices. No change to generation volumes has been modelled for the purposes of the sensitivity presented. See *Section 4.1 Business Description* for further discussion of the impact of hydrological inflows on Genesis Energy's performance.

Assumption 10 Generation volumes

- Generation volumes forecast for the Prospective Period are based on recent historical actual volumes aligned with the reduced wholesale electricity prices. Genesis Energy has the ability to use, or not use, Huntly's coal or natural gas fired generation in periods of higher, or lower, wholesale electricity prices. The plus or minus 10% sensitivity range provides an illustration of the impact of higher, or lower, generation volumes, on EBITDAF and Net Profit assuming all other things remain equal, in particular no change in the price for generation or coal burn, or the mix, as the volumes vary. This range is reflective of the range in the historical period excluding FY2012 which was a dry weather year where production was 20% to 25% above forecast production volumes.

In addition to the key sensitivities chosen, further sensitivities which show the impact of Wholesale Electricity Price on electricity Derivatives, reduced natural gas production volumes at Kupe and movements in the USD:NZD exchange rate, oil prices and market forecasts for interest rates are set out below.

FY2014 Forecast Sensitivities:

Key Assumptions	PFI	Sensitivity range	Impact on EBITDAF	Impact on Net Profit
Retail customer FPVV electricity sales volumes ⁶⁸	4,754 GWh	Plus/minus 5%	\$4m to \$(4)m	\$3m to \$(3)m
Average increase in electricity retail price (energy and service costs component only) from April 2014	Increase by an average of 2.2%	No increase/increase by 5%	\$(4)m to \$5m	\$(3)m to \$4m
Changes in time weighted average annual wholesale electricity prices ⁶⁸	\$58.2/MWh to \$68.2/MWh	\$40/MWh to \$90/MWh	\$(23)m to \$8m	\$(17)m to \$6m
Generation volumes at average weighted price ⁶⁸	6,667 GWh	Plus/minus 10%	\$42m to \$(42)m	\$30m to \$(30)m
Forward electricity price curve for Derivatives ⁶⁸	\$58.2/MWh to \$68.2/MWh	\$40/MWh to \$90/MWh	N/A	\$13m to \$(4)m
Foreign exchange movements impact on unhedged oil and gas sales in USD ⁶⁸	USD0.79	USD0.75 to USD0.83	\$2m to \$(2)m	\$1m to \$(1)m
Forward interest rates ⁶⁸	6.4%	+/- 100 bps	N/A	\$(1)m to \$1m
Oil prices ⁶⁸	103.3	Plus/minus USD5/bbl	\$1m to \$(1)m	\$1m to \$(1)m

FY2015 Forecast Sensitivities:

Key Assumptions	PFI	Sensitivity range	Impact on EBITDAF	Impact on Net Profit
Retail customer FPVV electricity sales volumes	4,873 GWh	Plus/minus 5%	\$11m to \$(11)m	\$8m to \$(8)m
Average increase in electricity retail price (energy and service costs component only) from April ⁶⁹	Increase by an average of 2.2%	No increase/increase by 5%	\$(20)m to \$25m	\$(15)m to \$18m
Changes in time weighted average annual wholesale electricity prices	\$65.5/MWh to \$75.5/MWh	\$40/MWh to \$90/MWh	\$(26)m to \$17m	\$(19)m to \$12m
Generation volumes at average weighted price	6,959 GWh	Plus/minus 10%	\$49m to \$(49)m	\$35m to \$(35)m
Forward electricity price curve for Derivatives	\$65.5/MWh to \$75.5/MWh	\$40/MWh to \$90/MWh	N/A	\$9m to \$(5)m
Foreign exchange movements impact on unhedged oil and gas sales in USD	USD0.77	USD0.73 to USD0.81	\$5m to \$(4)m	\$4m to \$(3)m
Forward interest rates	6.6%	+/- 100 bps	N/A	\$(2)m to \$2m
Oil prices	99.6	Plus/minus USD5/bbl	\$2m to \$(2)m	\$1m to \$(1)m

Further sensitivity information for the Prospective Period

- If Kupe natural gas production volumes were disrupted, without alternate volumes or compensating price changes then the impact on EBITDAF is estimated at \$2.0 million/PJ.
- A prolonged unplanned outage of one of the Company's generating stations could, without a management response incorporating the remaining asset portfolio, negatively impact EBITDAF. As an example, it is estimated that an unplanned outage of Huntly Unit 5 for one week would reduce EBITDAF by \$1 million.
- There is sensitivity around identified, and unidentified, capital expenditure projects with respect to timing and level of capital expenditure that will need to be incurred. The current estimate of \$60 million underlying "stay-in business capital expenditure"

is based on the average underlying sustaining spend of recent periods. The actual capital expenditure has often varied from this average capital expenditure. The sensitivity range is estimated as \$20 million p.a.

- The fair value of property, plant and equipment assets carried at valuation is sensitive to changes in assumptions including forecast wholesale electricity prices. A sensitivity analysis is provided in the audited financial statements set out in *Section 6.4.4 Audited Interim Financial Statements for the Six Months Ended 31 December 2013* and *Section 6.4.5 Audited Financial Statements for the Year Ended 30 June 2013*.
- Cash flows from operating activities are affected by most EBITDAF movements except to the extent of changes in balances for receivables and payables, movements in provisions and tax paid.

⁶⁸ These sensitivities for FY2014 have been modelled on the basis of change in the assumption affecting the last 6 months of FY2014 only (given FY2014 has been prepared using 6 months of actual results to 31 December 2013).

⁶⁹ The sensitivity modelled represents the total impact of the range being applied to both the April 2014 and April 2015 assumed price rises.

6.3.5 INVESTIGATING ACCOUNTANT'S REPORT



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13 March 2014

The Directors of Genesis Energy Limited
Genesis Energy Limited
Her Majesty the Queen in Right of New Zealand

INVESTIGATING ACCOUNTANT'S REPORT ON PROSPECTIVE FINANCIAL INFORMATION

1. Introduction

We have prepared this Investigating Accountant's Report (the "Report") on the prospective financial information of Genesis Energy Limited (the "Company") and its subsidiaries (together, the "Group") for inclusion in the prospectus ("Prospectus") to be dated on or about 13 March 2014 and to be issued by the Company and the Crown in respect of the Initial Public Offering of ordinary shares in Genesis Energy Limited by the Crown.

Expressions defined in the Prospectus have the same meaning in this Report.

2. Scope

Ernst & Young Transaction Advisory Services Limited has been requested to prepare this Report to cover the prospective financial information:

The prospective financial information as set out on pages 111 to 124 of the Prospectus comprises:

- ▶ Consolidated Prospective Comprehensive Income Statements of the Group for the year ending 30 June 2014 and 30 June 2015;
- ▶ Consolidated Prospective Balance Sheets of the Group as at 30 June 2014 and 30 June 2015;
- ▶ Consolidated Prospective Statements of Changes in Equity of the Group for the years ending 30 June 2014 and 30 June 2015;
- ▶ Consolidated Prospective Cash Flow Statements of the Group for the years ending 30 June 2014 and 30 June 2015; and
- ▶ Notes and assumptions to these consolidated prospective comprehensive income statements, statements of changes in equity, balance sheets and cash flow statements,

(hereafter, the "Prospective Financial Information").

The Prospective Financial Information is based on the assumptions as outlined on pages 111 to 124 of the Prospectus.

We disclaim any assumption of responsibility for any reliance on this Report or on the Prospective Financial Information to which this Report relates for any purposes other than the purpose for which it was prepared. This Report should be read in conjunction with the Prospectus.

3. Directors' Responsibility for the Prospective Financial information

The Directors of the Company have prepared and are responsible for the preparation and presentation of the Prospective Financial Information. The Directors are also responsible for the determination of the best-estimate assumptions as set out on pages 111 to 124 of the Prospectus.

4. Our Responsibility

Our responsibility is to express a conclusion on the Prospective Financial Information based on our review.

We have conducted an independent review of the Prospective Financial Information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

- a. The Directors' best-estimate assumptions do not provide a reasonable basis for the preparation of the Prospective Financial Information;
- b. The Prospective Financial Information was not prepared on the basis of the best-estimate assumptions;
- c. The Prospective Financial Information is not presented fairly in accordance with the recognition and measurement principles prescribed in New Zealand Financial Reporting Standards and other mandatory professional reporting requirements in New Zealand, and the accounting policies adopted by the Group disclosed in the annual financial statements of Genesis Energy Limited as at and for the year ended 30 June 2013 on pages 159 to 202 of the Prospectus and the interim financial statements as at and for the period ended 31 December 2013 on pages 142 to 158 of the Prospectus; and
- d. The Prospective Financial Information is unreasonable.

The Prospective Financial Information has been prepared by the Directors to provide investors with a guide to the Group's potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur.

There is a considerable degree of subjective judgement involved in the preparation of the Prospective Financial Information. Actual results may vary materially from this Prospective Financial Information and the variation may be materially positive or negative. Accordingly, investors should have regard to the Risk Factors set out in the "What are my Risks" section of the Prospectus.

Our review of the best estimate assumptions underlying the Prospective Financial Information was conducted in accordance with International Standard on Assurance Engagements (New Zealand)

3000, issued by the Council of the New Zealand Institute of Chartered Accountants, applicable to assurance engagements other than audits or reviews of historical financial information.

Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary so as to form the conclusion set out below.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Prospective Financial Information.

5. Review conclusion on Prospective Financial Information

Based on our review of the Prospective Financial Information, which is not an audit, and based on an investigation of the reasonableness of the Directors' best-estimate assumptions giving rise to the Prospective Financial Information, nothing has come to our attention which causes us to believe that:

- ▶ The Directors' best-estimate assumptions do not provide a reasonable basis for the preparation of the Prospective Financial Information;
- ▶ The Prospective Financial Information was not prepared on the basis of the best-estimate assumptions;
- ▶ The Prospective Financial Information is not presented fairly in accordance with the recognition and measurement principles prescribed in New Zealand Financial Reporting Standards and other mandatory professional reporting requirements in New Zealand, and the accounting policies adopted by the Group disclosed in the annual financial statements of Genesis Energy Limited as at and for the year ended 30 June 2013 on pages 159 to 202 of the Prospectus and the interim financial statements as at and for the period ended 31 December 2013 on pages 142 to 158 of the Prospectus; and
- ▶ The Prospective Financial Information is unreasonable.

The best-estimate assumptions, set out on pages 111 to 124 of the Prospectus, are subject to significant uncertainties and contingencies often outside the control of the Group and the Directors. If events do not occur as assumed, actual results achieved and distributions provided by the Group may vary significantly from the Prospective Financial Information. Accordingly, we do not confirm or guarantee the achievement of the Prospective Financial Information, as future events, by their very nature, are not capable of independent substantiation.

6. Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services Limited does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Ernst & Young Transaction Advisory Services Limited will receive a professional fee for the preparation of this Report.

Yours faithfully

Ernst & Young Transaction Advisory Services Limited



Andrew Taylor
Director

6.4 HISTORICAL OPERATIONAL AND FINANCIAL INFORMATION

6.4.1 HISTORICAL OPERATIONAL INFORMATION

Market and Operational Information	FY2011	FY2012	FY2013	H1 2013	H1 2014
Market Information					
Electricity Market Share (%) ⁷⁰	26.8%	26.6%	27.2%	26.7%	26.8%
Gas Market Share (%) ⁷⁰	43.5%	42.7%	43.7%	42.4%	43.7%
Time weighted average wholesale electricity price at the Huntly Node (\$/MWh)	54.20	85.77	73.40	63.52	53.30
Customer Experience					
Customer-focus					
Advanced Meters Installed During Period (#)	118,242	89,573	60,046	34,117	27,093
Advanced Meters Installed To Date (#)	178,102	267,675	327,721	301,792	354,814
Customer Numbers					
Total Customer Numbers (#) ^{71, 72}	643,205	648,530	668,485	650,964	660,949
Electricity Customers (#) ^{71, 73}	549,255	549,948	564,997	553,626	557,102
Electricity Customers Excluding Vacants (#) ⁷¹	525,748	529,342	543,774	531,587	534,597
Gas Customers (#) ^{71, 73}	113,434	112,718	116,082	112,265	117,425
Gas Customers Excluding Vacants (#) ⁷¹	112,218	111,578	115,003	111,018	115,613
LPG Customer Numbers (#) ⁷⁴	5,239	7,610	9,708	8,359	10,739
North Island Electricity Customers (#)	483,156	461,407	461,370	458,418	451,768
South Island Electricity Customers (#)	42,592	67,935	82,404	73,169	82,829
Customer Volumes and Price					
Electricity Sales – FPVW (GWh)	4,787	4,909	4,902	2,588	2,529
Electricity Sales – TOU (GWh)	918	520	452	209	346
Total Electricity Sales – Retail (GWh)	5,705	5,429	5,354	2,797	2,875
Retail Gas Sales (PJ)	4.6	5.4	5.0	2.9	3.1
Retail LPG Sales (tonnes)	1,046	2,002	2,445	1,289	1,608
Electricity Purchases (GWh)	6,086	5,781	5,693	2,960	3,018
Retail Gas Purchases (PJ)	4.6	5.6	5.0	2.9	3.0
Average Retail Electricity Purchase Price – LWAP (\$/MWh) ⁷⁵	56.50	96.44	76.88	66.53	53.98
LWAP/GWAP Ratio (%)	84%	106%	102%	103%	99%
Energy Management					
Generation					
Gas (GWh)	3,408	3,041	2,732	1,212	1,462
Coal (GWh)	980	2,613	2,259	1,061	414
Total Thermal Generation (GWh)	4,387	5,654	4,991	2,273	1,875
Hydro (GWh)	2,111	2,788	2,200	1,501	1,456
Wind (GWh)	27	25	21	11	12

⁷⁰ Market shares based on records from the Electricity Authority (includes active accounts only) and Gas Industry Company.

⁷¹ Customer numbers based on Customer Connections and excludes vacants and TOU, and is sourced from Genesis Energy records. This data may differ from Customer Connections data sourced from the Electricity Authority that appears elsewhere in this Prospectus due to differences in the way Customer Connections are measured.

⁷² Customer numbers are per product. Note that some customers purchase more than one product and therefore could fit into more than one category.

⁷³ Electricity and gas customers are defined by number of Customer Connections.

⁷⁴ LPG customers is defined by number of customers.

⁷⁵ Excludes settlements from electricity Derivatives.

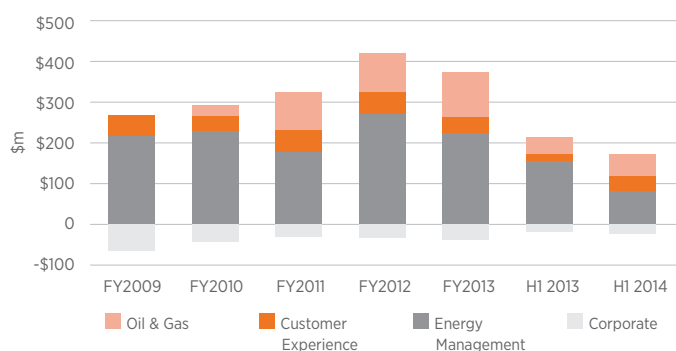
Market and Operational Information	FY2011	FY2012	FY2013	H1 2013	H1 2014
Total Renewable Generation (GWh)	2,138	2,812	2,221	1,513	1,468
Total Generation (GWh)	6,526	8,467	7,212	3,786	3,344
North Island Generation (GWh)	6,445	7,581	6,431	3,224	2,742
South Island Generation (GWh)	81	885	781	561	601
Average Price Received for Generation – GWAP (\$/MWh)	67.16	91.10	75.60	64.77	54.55
Generation Emissions (ktCO ₂)	2,494	3,781	3,329	1,537	1,036
Generation Carbon Intensity (tCO ₂ /GWh)	382	447	462	406	310
Fuel					
Gas Purchases (PJ)	45.8	44.1	38.6	18.5	20.5
Coal Purchases (PJ)	21.5	19.4	21.5	11.6	7.1
Wholesale Gas Sales (PJ)	13.2	15.4	12.6	5.9	5.7
Wholesale Coal Sales (PJ)	0.8	1.6	1.3	1.3	–
Gas Used In Internal Generation (PJ)	27.9	23.1	21.0	9.8	11.8
Coal Used In Internal Generation (PJ) ⁷⁶	11.1	28.1	24.2	11.6	4.5
Coal Stockpile – closing balance (kT)	1,532	1,059	877	1,003	994
Kupe Oil and Gas					
Genesis Energy Sales Share					
Gas Sales (PJ)	5.5	5.9	5.6	2.7	3.5
Oil Production (kbbbl)	571.5	558.5	485.8	233.5	273.2
Oil Sales (kbbbl)	562.7	531.3	509.1	217.5	255.1
LPG Sales (kT)	24.5	23.8	24.0	10.8	15.1

On a quarterly basis Genesis Energy publishes a Market and Operational Report outlining performance of a non-financial nature. The table above presents the data for the last three financial years and for H1 2013 and H1 2014.

6.4.2 DISCUSSION OF HISTORICAL OPERATIONAL AND FINANCIAL PERFORMANCE

Genesis Energy grew its EBITDAF over the last five financial years, from \$202.4 million in FY2009 to \$336.4 million in FY2013. The chart below summarises the movement in EBITDAF over the last five financial years by segment.

Segment Contribution to EBITDAF



Genesis Energy provides a segmental breakdown in its financial statements for both year-end and interim results reporting. The Company's operations are organised into four segments as follows:

- Customer Experience: this covers the supply of energy (electricity, gas and LPG) to end user customers which could be either individual residential households, small businesses, large commercial entities or TOU;
- Energy Management: this covers generation and trading of electricity and related products and includes electricity sales to the wholesale electricity market, electricity Derivatives and wholesale gas and coal sales;
- Oil and Gas: this represents the Company's interest in the Kupe oil and gas field and covers the exploration, development, production and sale of gas, LPG and oil; and
- Corporate: this covers head office functions including new generation investigation and development, fuel management, information systems, human resources, finance, corporate relations, property management, legal, and corporate. Corporate revenue is made up of finance lease income, property rental and miscellaneous income.

⁷⁶ A PJ approximately converts to 46 kT.

Inter-segment items in operating revenue and expenses in years FY2011 to FY2013 mainly correspond to sales and purchases of fuel between different Company segments.

Discussed below is historical operational and financial performance for the most recent interim period and for the last three year ends.

H1 2014 Compared with H1 2013

Genesis Energy experienced growth in retail electricity and gas volumes in the six months ended 31 December 2013 ("H1 2014"), but this was not enough to offset the impact of reduced wholesale electricity prices which was a result of above average hydro storage levels, higher temperatures and reduced consumer demand. The six month period was also characterised by increased competition in the retail electricity market, and year on year increases in Huntly Unit 5 generation and Kupe production volumes.

Market conditions plus a number of significant non-recurring items reduced Genesis Energy's EBITDAF to \$150.5m in H1 2014 from \$195.9m in H1 2013.

On 24 January 2014 Genesis Energy announced that it had ended a contract to import coal from its offshore supplier. Lease of facilities at the Port of Tauranga where the offshore coal was delivered and contracts for the transportation of coal to the Huntly West mine have subsequently been reviewed. Consequently, Genesis Energy has reported a non-recurring expense of \$19.1m in H1 2014 (\$nil in H1 2013) covering the termination fee for exiting the offshore coal contract and a provision for onerous contracts. Given the characteristics of these expenses, they are considered to be "one-off" in nature. A further significant charge of \$2.4 million before tax (H1 2013 \$0.1m) was incurred relating to costs associated with preparing the Company for this Offer.

Customer Experience

The H1 2014 was notable for improved EBITDAF in the Customer Experience segment from \$18.6 million in H1 2013 to \$35.5 million.

Genesis Energy remains the largest energy retailer in New Zealand⁷⁷ with 534,597 electricity customers (26.8% market share) and 115,613 gas customers (43.7% market share) at 31 December 2013. LPG customers now stand at 10,739, 28% higher than H1 2013. While the total number of electricity and gas customers increased 1% since H1 2013, it is a 1% decrease from 30 June 2013. The customer base in the South Island increased to 82,829 from 73,619 as at 31 December 2012.

A continued focus on improving customer service resulted in the twelve month rolling electricity customer switching rate of 18.4% in December 2013, 1.4% points below the average switching rate of the electricity market. This follows a six month period of intense competition which saw monthly switching rates for the Company increase to 23% in November 2013 and the market average increase to 22%. This was due to a number of smaller retailers competing aggressively for market share. The monthly switching rate subsided in December 2013 but the twelve month rolling switching rates for Genesis Energy is 2.3% points higher than in December 2012.

Total electricity sales volumes for Genesis Energy increased 3% in H1 2014 versus H1 2013 driven by a 65% increase in TOU volumes outweighing a 2% decrease in FPVW sales volumes. TOU volumes reflect the addition of new commercial and industrial customers to Genesis Energy, which continue to scale up their contracted

volumes. Natural gas sales volumes have also benefited from new TOU customers and grew 8% to 3.1 PJ in H1 2014. LPG sales volumes were up 25% on H1 2013, mirroring the significant growth in LPG customer numbers.

Energy Management

Energy Management EBITDAF reduced from \$154.6 million in H1 2013 to \$82.1 million in H1 2014 including non-recurring items associated with the Company's renegotiated coal contracts.

Reduced consumer demand in winter months as a result of above average temperatures plus hydro storage levels in excess of long run averages reduced wholesale electricity prices in H1 2014. This in turn resulted in decreased generation from Genesis Energy's asset portfolio versus H1 2013. Total Thermal Generation of 1,875 GWh was 17% lower than H1 2013 being a combination of increased gas fired generation (due to a major planned outage of Huntly Unit 5 in H1 2013), with an offsetting 61% decline in coal fired generation. Total Renewable Generation of 1,468 GWh was 3% lower than H1 2013 due to the softer wholesale electricity market and the corresponding reduction in hydro generation.

Total generation output for the half year was therefore down 12% to 3,344 GWh and the average price received for generation (GWAP) was down 16% on H1 2013 in line with the lower wholesale electricity prices.

From 31 December 2013, in response to declining utilisation, Genesis Energy has put a Huntly Rankine Unit into long-term storage. Also the decommissioning process for Rankine Unit 3 (which was put into long-term storage in December 2012) commenced as part of the Company's strategy to optimise its generation portfolio. The Company intends to keep the remaining Huntly Rankine Units available to cover its retail demand and meet market needs for as long as they are commercially viable.

In the run-up to the remediation work on the Tekapo canal linking Genesis Energy's Tekapo Power Scheme which commenced on 7 January 2014 Genesis Energy increased utilisation levels of the Tekapo Power Scheme to reduce levels of Lake Tekapo.

Coal fired generation was lower in H1 2014, however the coal stockpile is now 1% lower than H1 2013 at 994 kT, mainly due to the re-profiling of coal supply arrangements reducing coal purchases by 39%.

Oil & Gas

Genesis Energy's share of EBITDAF from oil and gas grew from \$39.9 million in H1 2013 to \$55.1 million in H1 2014. Production from the Kupe oil and gas field (of which Genesis Energy holds a 31% interest) rose in H1 2014 compared to the previous year. This was due to a planned outage of the Kupe onshore processing plant in November 2012 which lowered output in H1 2013. Sales volumes of natural gas were up 31% to 3.5 PJ while both oil production and oil sales were 17% higher in H1 2014 compared to H1 2013. LPG sales were 40% higher at 15.1 kT versus 10.8 kT in H1 2013.

Revenue

Revenue decreased 6% to \$973.1 million in H1 2014 from \$1,031.3 million in H1 2013 as wholesale revenues were negatively impacted by lower electricity spot prices, reduced wholesale gas and coal sales, and reduced generation volumes. This was offset to some degree by higher retail electricity, retail natural gas and LPG sales, the former two reflecting new TOU customers outweighing lower mass market sales volumes.

⁷⁷ Based on Customer Connections for electricity and natural gas as at 31 December 2013.

Depreciation, depletion and amortisation

Depreciation, depletion and amortisation charges increased 21% from \$67.0 million in H1 2013 to \$81.2 million in H1 2014, due predominantly to the revaluation of generation assets at 30 June 2013. This offset a previous re-estimation of the Kupe reserves which extended the life of the field and reduced the annual depletion charge.

Impairment

The impairment expense in H1 2014 of \$3.6 million was significantly higher than the \$0.7 million in H1 2013 due to increases in capital spend on Huntly Rankine Units 1 to 4 and Unit 6. As the fair value of these Units has been written down to zero, all capital spend is immediately expensed as impairment.

Fair value change

Changes in fair value, (\$2.6) million in H1 2014 versus \$10.1 million in H1 2013, were due to marking electricity options and swaptions as well as other Derivative instruments to market. The change in fair value was negative given the change in wholesale electricity price, and associated changes to the projected price path and call volumes, offset by any changes on crude oil price instruments.

Borrowing costs

Following reorganisation of the Company's borrowing facilities, including the reduction of the Capital Bonds, borrowing costs for the six month period reduced by \$3.9 million to \$34.1 million from \$38.0 million. This reflected savings on the interest costs of the Capital Bonds offset by higher total debt.

Net Profit for the period

Genesis Energy reported Net Profit for the period for H1 2014 of \$19.7 million, a 72% decrease from \$70.8 million in H1 2013. Lower profits were a result of lower EBITDAF, an increase in depreciation, depletion and amortisation expenses, and close to a \$13 million negative swing in fair value gains.

Cash flow and capital expenditure

As a result of lower EBITDAF operating cash flow decreased by \$53.3 million to \$164.6 million in H1 2014. Meanwhile, net investing cash outflows were \$60.7 million lower than H1 2013 due to a reduction in capital expenditure from the same period last year on the Tekapo canal remediation project, a six year major maintenance of Huntly Unit 5, and some work at Kupe. Net cash outflows from financing activities of \$106.4 million were broadly in line with H1 2013, despite the H1 2014 result including the FY2013 final dividend payment of \$57 million (H1 2013 \$nil).

Coal stockpile

Coal generation was lower in H1 2014, however, the coal stockpile is now 1% lower than the same period last year at 994 kT, mainly due to the re-profiling of coal supply arrangements which reduced coal purchases by 39%.

Liquidity and balance sheet

Total Net Debt⁷⁸ increased by \$57.4 million to \$958.3 million as at 31 December 2013 compared to 31 December 2012, due mainly to the increased capital expenditure associated with the first season of work on the Tekapo canal. Genesis Energy's gearing ratio (debt to debt plus equity)⁷⁹ now sits at 34.5%, in line with gearing of 34.5% as at 30 June 2013 but higher than gearing of 33.5% as at 31 December 2012. Following a review in 2013 S&P now treat Genesis Energy's \$200 million of Capital Bonds as 50% debt/50% equity for credit rating metric calculation purposes (previously they were treated as 100% equity). Under this treatment (and in line with

the Company's bank funding covenants), current gearing reduces to 31% and compares to a bank covenant threshold for gearing of 50%. The Capital Bonds are still classified as 100% debt for accounting purposes.

Interest⁸⁰ is covered by EBITDAF 4.8 times. If interest on the Capital Bonds is treated as 50% equity in line with the Company's bank covenants, interest is covered 5.3 times by EBITDAF. Genesis Energy's Net Tangible Assets ("NTA") per Capital Bond is \$8.93 (based on NTA of \$2,030 million and 200,000,000 of Capital Bonds on issue). The NTA per Capital Bond for H1 2013 was \$6.38 (previously 275,000,000 Capital Bonds on issue).

At balance date Genesis Energy had available funding of \$1,365 million with an average term of 7.2 years. Of the available facilities, \$375 million was undrawn at balance date.

Dividends

Genesis Energy is paying an interim dividend of \$64 million for H1 2014 compared to an interim dividend of \$57 million for H1 2013.

Carbon costs

Carbon emitted by the Company's generation plant under the New Zealand Emissions Trading Scheme in H1 2014 generated a net credit of \$1.6 million versus a net cost of \$5.2 million in H1 2013. This reflected a lower cost per unit and reduced emissions output due to lower Thermal Generation, plus a restatement of coal burn cost of sales following survey of the coal stockpile.

FY2013 Compared with FY2012

Genesis Energy's EBITDAF declined by \$51 million to \$336 million, with key drivers being the reduction in wholesale prices relative to FY2012, the planned outage of the Tekapo Power Scheme for canal remediation and an under-recovery of some lines charges from retail customers, offset by a gain in insurance proceeds. Despite this, Net Profit improved 21% to \$105 million as a result of fair value movements in Derivative contracts, lower depreciation, depletion and amortisation and lower interest costs.

Customer Experience

Customer Experience EBITDAF fell from \$53.3 million in FY2012 to \$40.9 million in FY2013.

Genesis Energy continued to lead the retail electricity market with 543,774 electricity customers (excluding vacant and TOU), which was 3% higher than FY2012, with almost all of this growth occurring in the South Island, which as at year end accounted for 15% of total electricity customers. This led to 3% growth in Customer Experience revenues but this growth was more than offset by an under-recovery of increasing electricity transmission and lines charges across the energy customer base. Genesis Energy's average customer switching rate was 15.6%, 3 percentage points lower than the industry average.

Energy Management

Energy Management EBITDAF fell from \$271.5 million in FY2012 to \$223.4 million in FY2013.

FY2013 was characterised by variable hydrological conditions, with high storage levels as at 11 January 2013 (142% of the long

⁷⁸ Net Debt is a non-GAAP financial measure and is calculated as current borrowings plus term borrowings less cash and cash equivalents.

⁷⁹ Note that this gearing calculation is based on the Company's bank covenants and is not net of cash.

⁸⁰ Interest expense is the finance expense from the Comprehensive Income Statement less time value of money adjustments on provisions.

run average) followed by a widespread drought in February, March and April 2013 which reduced storage to 72% of average. Hydro inflows and storage levels during FY2013, combined with reduced demand, led to lower wholesale electricity prices relative to FY2012. The average Huntly reference price for FY2013 was \$73.40/MWh compared to \$85.77/MWh in FY2012.

Total Thermal Generation of 4,991 GWh was 12% lower than FY2012, primarily due to lower demand and lower wholesale prices which provided fewer opportunities to run Rankine Units 1 to 4 at the Huntly Power Station. Gas fired generation was also lower due to a major planned outage of Huntly Unit 5 in H1 2013, and placing the first Rankine Unit into long-term storage in December 2012.

Total hydro generation of 2,200 GWh was 21% lower than FY2012 due to a drought in the North Island in the second half of the financial year and the closure of the Tekapo Power Scheme for canal remediation work. The closure of the Tekapo canal (discussed earlier in *Section 6.2.2 Explanations of Trends in Financial Performance*) was estimated to impact EBITDAF by \$20 million to \$25 million.

Oil and Gas

Genesis Energy's share of EBITDAF from oil and gas grew from \$95 million in FY2012 to \$109 million in FY2013, primarily due to the Company's share of insurance compensation relating to the subsea utilities umbilical cable from the Kupe offshore platform to the onshore processing facility (\$18.6 million before tax). This offset a significant amount of operating expenses and capital expenditure incurred by the Kupe Joint Venture partners in prior years associated with the subsea utilities umbilical cable.

Operationally, total oil and natural gas sales volumes were marginally lower than FY2012. Gas volumes were down 5% to 5.6 PJ and oil exported was 4% lower at 509,000 barrels, mainly due to a planned outage of the Kupe onshore processing plant in November 2012. LPG sales were up 1% to 24,000 tonnes.

Revenue

Revenue decreased to \$2,070 million in FY2013 from \$2,265 million in FY2012 as wholesale revenues were impacted by lower electricity spot prices and lower generation volumes. Revenues were also affected by reduced electricity consumption and reduced wholesale gas volumes on the back of warmer weather in the Autumn months. Lower electricity volumes and usage per customer was offset by a 3% increase in customer numbers and increased retail prices, leading to retail revenues being 3% higher than FY2012.

Depreciation, depletion and amortisation

Depreciation, depletion and amortisation charges decreased from \$152 million to \$135 million in FY2013 due mainly to a reduction in depletion as a result of a re-estimate of Kupe's proved oil and gas reserves, which increased the units of production across which the cost of development is spread.

Impairment

The impairment expense in FY2013 of \$7 million was 47% lower than the \$12 million reported in FY2012 due to different phasing of capital spend on Huntly Rankine Units 1 to 4 and Unit 6 in line with the Company's planned maintenance.⁸¹

⁸¹ The fair value of Huntly Rankine Units 1 to 4 and Unit 6 is nil so any capital expenditure relating to these assets is immediately impaired when incurred.

⁸² Electricity options and swaptions are valued based on certain electricity prices. When the actual wholesale electricity price for a certain period differs from the price incorporated into the instrument's value, the difference is reported as either a profit or loss to the income statement as fair value changes.

⁸³ Accounts payable reduced significantly from FY2012 along with a smaller reduction in inventories compared to the previous year.

Fair value change

In FY2013, fair value changes increased reported pre-tax profit by \$30 million, compared to an \$11 million reduction in the prior year. The majority of the fair value changes were due to impacts of the valuation of electricity options, swaptions and lead-in and long-term hedges, due to changes to the projected price path and reduction in projected call volumes.⁸²

Borrowing costs

Borrowing costs reduced by \$12 million in FY2013 from \$91 million to \$79 million, reflecting lower average debt levels throughout the year.

Net Profit for the year

Genesis Energy reported a Net Profit for the year of \$105 million in FY2013, a 21% increase from \$86 million (restated) in FY2012. As discussed above, higher profits were the result of items below the EBITDAF line including a reduction in depreciation, depletion and amortisation expenses, increases in the fair value of electricity options and swaptions, and lower interest costs.

Cash flow and capital expenditure

Operating cash flow decreased by \$65 million due to lower EBITDAF and movement in working capital.⁸³ Meanwhile, net investing cash flow was \$103 million higher than FY2012 due mainly to the capital expenditure associated with the Tekapo canal remediation project, which during the year represented spend of \$105 million.

Coal stockpile

The coal stockpile was 17% lower than as at 30 June 2012 as coal fired generation exceeded wholesale coal purchases. The lower stockpile level reflects a re-profiling of coal supply arrangements, improving processes around coal handling and ongoing optimisation of coal usage.

Liquidity and balance sheet

Total Net Debt⁸⁴ as at 30 June 2013 was a relatively flat year at \$1,002 million compared to as at 30 June 2012 (\$995 million). The Company funded the \$105 million Tekapo canal remediation project and resumed dividend payments. Genesis Energy's gearing ratio (debt to debt plus equity)⁸⁵ was 34.5% as at 30 June 2013, from 36.2% as at 30 June 2012 and 33.5% as at 31 December 2012.

On 15 July 2013 Genesis Energy modified its Capital Bonds as a result of S&P's determination that the bonds should be treated as 50% equity, 50% debt for credit rating metric calculation purposes (previously they were treated as 100% equity). Following the modification process the amount of Capital Bonds outstanding reduced from \$275 million to \$200 million and the interest rate was modified from 8.5% to 6.19%. The Capital Bonds are treated as 50% equity, 50% debt for bank covenant purposes. This treatment reduces gearing to 31.1% and compares favourably to a bank covenant threshold for gearing of 50%. The Capital Bonds are still classified as 100% debt for accounting purposes.

Interest⁸⁶ was covered by EBITDAF 4.5 times. If interest on the Capital Bonds was treated as equity in line with the Company's bank covenants, interest was covered 6.3 times by EBITDAF.

⁸⁴ Net Debt is a Non-GAAP financial measure. Refer to explanations of "Non-GAAP Financial Information" in *Section 6.2.1 Overview of Financial Information*.

⁸⁵ Note that this gearing calculation is based on the Company's bank covenants and is not net of cash.

⁸⁶ Interest expense is the finance expense from the Comprehensive Income Statement less time value of money adjustments on provisions (see *Section 6.4.5 Audited Financial Statements for the Year Ended 30 June 2013*).

As at 30 June 2013 Genesis Energy had available funding of \$1,290 million with an average term of 7.4 years. Of the available facilities, there were \$475 million of committed facilities of which \$300 million were undrawn at balance date. There was also \$14 million drawn down from uncommitted lines.

Dividends

Genesis Energy announced a final dividend of \$57 million for FY2013. Coupled with the interim dividend of \$57 million this took the total dividend declared for FY2013 to \$114 million.

Carbon costs

The cost of carbon emitting by the Company's generation plant under the New Zealand Emissions Trading Scheme in FY2013 was \$12.6 million, a decrease from \$17.5 million in the previous year, reflecting the reduction in Thermal Generation for FY2013.

FY2012 Compared with FY2011

The consolidated summary financial information presents FY2012 after reclassifications as reported as comparatives in the FY2013 Financial Statements for Genesis Energy. See *Section 6.4.5 Audited Financial Statements for the Year Ended 30 June 2013*.

FY2012 was a record year for Genesis Energy, with EBITDAF increasing from \$292.7 million to \$387.3 million. The primary drivers of this increase in EBITDAF were the full year contribution from the Tekapo Power Scheme and the increase in Thermal Generation at the Huntly Power Station as a result of high wholesale electricity prices.

Market conditions

Overall, the country experienced a cool and cloudy summer with high rainfall in the North Island, but lower than average falls into the major hydro catchments in the South Island. Inflows to the southern hydro schemes picked up in May and reached average levels by the end of June 2012. These conditions were very good for Genesis Energy as they led to high wholesale electricity prices which enable the Company to increase utilisation of the Huntly Power Station while also providing plenty of water for Genesis Energy's North Island power stations.

Customer Experience

Customer Experience EBITDAF fell slightly from \$54.6 million in FY2011 to \$53.3 million in FY2012. Customer numbers held relatively steady against significant market competition and the Electricity Authority's public campaign encouraging customers to compare and switch energy retailers. During this period Genesis Energy continued to aggressively seek customers in the South Island to match its new generation at Tekapo while some of its competitors sought to increase their presence in the North Island. The total customer switching rate for the year was 17.3%.

Energy Management

Energy Management EBITDAF increased from \$177.0 million in FY2011 to \$271.5 million in FY2012.

Generation output increased from 6,526 GWh to 8,467 GWh due to both increased Thermal Generation and a full year contribution from the Tekapo Power Scheme. The increase in Thermal Generation was primarily due to an increase in the average Huntly reference price from \$54.20/MWh to \$85.77/MWh.

The coal stockpile reduced 31% during FY2012 as coal fired generation increased. During the year the Company used 28.7 PJ of coal and 23.1 PJ of gas for electricity generation. Gas used in internal generation was down 17% due to higher coal burn and the Maui gas pipeline outage in October 2011.

Oil and Gas

Genesis Energy's share of EBITDAF from the Kupe Joint Venture grew from \$91.9 million in 2011 to \$95.0 million in FY2012, primarily due to increases in revenue from both natural gas and oil. This reflects the benefit from higher average oil prices in FY2012 and increased natural gas and oil sales volumes.

Revenue

Revenue increased by 23.8% from \$1,835 million to \$2,265 million, primarily as a result of the 30% increase in generation volumes. In a very competitive market, a modest level of retail electricity price increases was implemented.

Depreciation, depletion and amortisation

Depreciation, depletion and amortisation charges increased from \$144 million in FY2011 to \$152 million in FY2012. This reflected a full year's depreciation charge for Tekapo compared to one month in the prior financial year.

Impairment and Revaluation

The impairment expense increased to \$12 million from \$9 million in FY2011 due to higher capital spend on Huntly Rankine Units 1 to 4 and Unit 6.

Genesis Energy's revaluation charge decreased from \$97 million (\$68 million after tax) to nil. The 2011 revaluation charge was against the \$821 million acquisition price of the Tekapo A and B hydro electric power stations.

Fair value change

In FY2012, fair value changes reduced reported profit before income tax by \$11 million (\$13 million in FY2011). The majority of the fair value charge was due to electricity options, swaptions and lead-in and long-term hedges valuation impacts with changes to the projected price path resulting in expected call volumes increasing. This was partially offset by gains on crude oil price instruments.

Borrowing costs

Net borrowing costs⁸⁷ for the year rose to \$89 million in FY2012 from \$49 million in FY2011. This rise reflected a full year's borrowing costs for the acquisition of the Tekapo Power Scheme compared to one month in the prior financial year. The higher borrowings were partially offset by favourable interest rate movements.

Net Profit for the year

Genesis Energy reported a strong uplift in Net Profit for the year in FY2012 to \$86 million from a loss of \$17 million in the previous year. The previous year's result included an after tax revaluation loss of \$68 million.

⁸⁷ Finance expenses less finance revenue.

Cash flow & capital expenditure

Operating cash flow increased by \$118 million in FY2012 reflecting the contribution from a full year of operations from the Tekapo Power Scheme compared to one month in the prior financial year, increased Thermal Generation at high wholesale prices and a reduction in fuel inventory of \$43 million. The movement in cash flows from investing and financing activities were significantly impacted by the acquisition of the Tekapo Power Scheme in June 2011.

Liquidity and balance sheet

Total borrowings decreased by \$198 million in FY2012 to \$1,019 million due to strong operating cash flows, which were applied to paying down debt. As a result, Genesis Energy's gearing ratio improved to 36.2% from 41.6% as at 30 June 2011.

Interest⁸⁸ was covered by total EBITDAF 4.5 times. If interest on the Capital Bonds was treated as equity in line with the Company's bank covenants, interest was covered 6.2 times by EBITDAF.

At balance date Genesis Energy had available funding of \$1,220 million with an average term of 9.4 years. Of the available facilities, \$220 million was undrawn at balance date.

Dividends

No dividends were paid or declared during FY2012. The Genesis

Energy board and the Company's Shareholders agreed a two year suspension of dividend payments was appropriate to assist the Company with funding the purchase of the Tekapo Power Scheme.

Carbon costs

The cost of carbon emitted by the Company's generation plant under the New Zealand Emissions Trading Scheme in FY2012 was \$17.5 million, an increase from \$14 million in the previous year.

Discussion of Liquidity and Capital Resources in FY2011 to FY2013

Capital Resources

Genesis Energy's principal uses for cash are for maintaining its existing generation facilities and information systems, funding its operating expenses and working capital and paying dividends. During FY2011, FY2012 and FY2013 Genesis Energy funded its capital requirements out of surplus operating cash flow, supplemented by borrowings and issuance of debt securities. Genesis Energy expects that in the future capital requirements for its business will be funded in the same way.

Capitalisation and Outstanding Debt

The table below outlines the consolidated cash, current and non-current borrowings, and total capitalisation of Genesis Energy as at 30 June 2011, 2012 and 2013.

\$million	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013
Current borrowings	411.5	16.5	412.9
Term borrowings	806.2	1,003.0	612.0
Cash and cash equivalents	(21.1)	(24.8)	(22.7)
Net Debt⁸⁹	1,196.6	994.7	1,002.2
Share equity	540.6	540.6	540.6
Reserves	1,171.4	1,256.0	1,409.1
Total equity⁹⁰	1,712.0	1,796.6	1,949.7

Liquidity Risk

Genesis Energy's policy is to maintain sufficient cash and securities and adequate levels of available funding through committed credit facilities. Due to the dynamic nature of the underlying businesses, Genesis Energy maintains flexibility in funding by keeping committed surplus credit lines available to ensure it has sufficient headroom.

As at 31 December 2013 Genesis Energy had \$375 million of unused credit lines, although \$120 million has been earmarked for the partial repayment of the retail bonds in March 2014.

The table below shows Genesis Energy's funding facilities as at 31 December 2013. All facility limits and drawn debt are shown in New Zealand dollars.

\$million	Facility Limit	Drawn Debt	Available
Retail Bonds	225.0	225.0	–
Capital Bonds	200.0	200.0	–
Wholesale Domestic Bonds	315.0	315.0	–
Bank Debt	625.0	250.0	375.0
	1,365.0	990.0	375.0

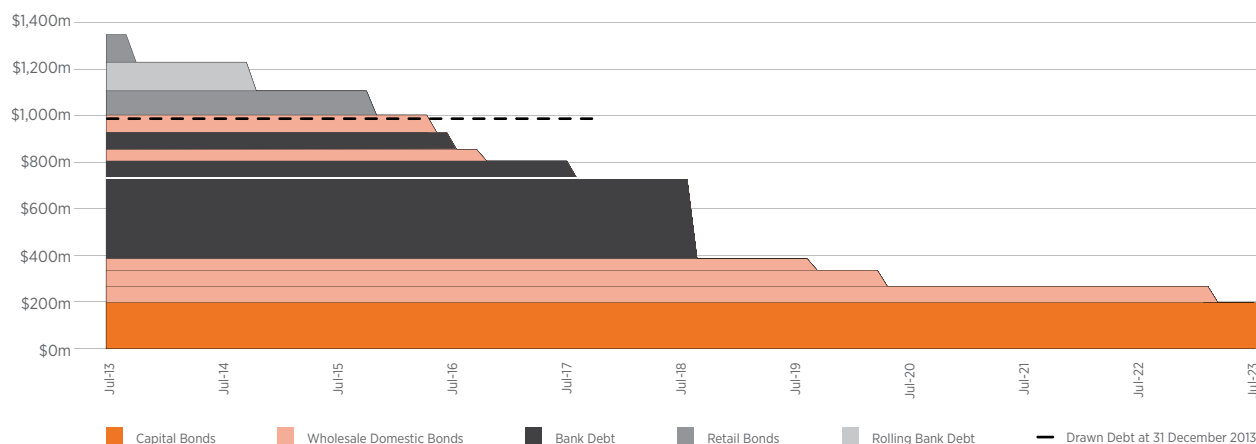
⁸⁸ Interest expense on borrowings is finance expense from the Comprehensive Income Statement less time value of money adjustments on provisions.

⁸⁹ Net Debt is a non-GAAP financial measure. See "Non-GAAP Financial Information" in Section 6.2 Overview of Financial Information for more information about non-GAAP financial information.

⁹⁰ Total equity is the equivalent of Net Assets.

The chart below illustrates Genesis Energy's debt maturity profile as at 31 December 2013:

Genesis Energy Debt Profile



Hedging policy

Genesis Energy's treasury policy determines how the Company hedges its oil price, foreign currency and interest rate exposures. Genesis Energy hedges its oil sales using oil options or oil price swaps. This policy sets minimum and maximum control limits ranging from between 50% and 75% for the first 12 months to between 25% and 50% for months 13 to 24. Volumes above this level are sold on the international commodities market at spot oil prices (typically, Dated Brent prices) and this may result in some impact on oil revenues. For currency exposure risk, the policy sets minimum and maximum control limits ranging from between 50% and 80% for the first 12 months to between 25% and 50% for months 13 to 24. The resulting impact of these factors will affect the average NZD oil price per barrel received, and consequently, the annual revenue from oil sales.

The Group is exposed to interest rate risk as a portion of borrowings have floating interest rates. The Group uses interest rate swaps to manage interest rate risk. The Group's policy sets maximum and minimum control limits for fixed interest rate exposure which range from between 50% and 100% of projected debt with an age profile of less than one year to a maximum of 50% for projected debt with an age profile of greater than five years.

Accounting treatment of Derivatives

Derivatives are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured (or 'marked to market') to their fair value at a given point of time (e.g. 30 June 2013). Any differences in value are either reported in the Comprehensive Income Statement (if the hedge does not qualify for hedge accounting or if it qualifies as a fair value hedge) or in the cash flow hedge reserves. For Genesis Energy these values are typically dominated by the differences between the actual wholesale electricity price and the prices in certain electricity swaptions the Company has contracted.

6.4.3 HISTORICAL CONSOLIDATED SUMMARY FINANCIAL INFORMATION

Summary consolidated financial statements for Genesis Energy, as required by clause 9 of Schedule 1 of the Securities Regulations, are set out below.

The summary financial statements are presented in New Zealand dollars and are rounded to the nearest hundred thousand dollars, which may result in some discrepancies between the sum of components and totals within tables.

The summary financial statements comply with FRS-43 Summary Financial Statements, subject to the exemption in clause 9(4) of Schedule 1 of the Securities Regulations, whereby the summary financial statements are not required to include:

- a comparison of, and explanations for major variances between, prospective and historical financial statements;
- information about events occurring after the balance date of a period; and
- comparative information for any period before the earliest period presented in the summary financial statements.

The Summary Financial Statements reflect the current presentation requirements of FRS-43: Summary Financial Statements (as amended by the consequential amendments of NZ IAS 1 Presentation of Financial Statements – Presentation of items of Other Comprehensive Income).

The summary financial statements have been authorised for issue by a resolution of the directors dated 13 March 2014. The board of Genesis Energy authorised the issue of the full financial statements on the following dates:

- six months ended 31 December 2013 – 11 February 2014;
- six months ended 31 December 2012 – 25 February 2013;
- year ended 30 June 2013 – 28 August 2013;
- year ended 30 June 2012 – 22 August 2012;
- year ended 30 June 2011 – 25 August 2011;
- year ended 30 June 2010 – 27 August 2010; and
- year ended 30 June 2009 – 25 August 2009.

The summary financial statements have been extracted from Genesis Energy's audited financial statements and unqualified audit opinions were received for each of those financial statements other

than H1 2013 which were not audited. Summary financial statements cannot be expected to provide as complete an understanding as that provided by full financial statements.

You can obtain copies of Genesis Energy's annual financial statements and related audit reports from the public register at the Companies Office of the Ministry of Business, Innovation and Employment which you may inspect, including on the Companies Office website at www.business.govt.nz/companies. The six month financial statements can be obtained from www.nzx.com. The full financial statements for each annual period shown in the summary financial statements have been prepared in accordance with NZ GAAP. The year end financial statements comply with NZ IFRS as appropriate for profit oriented entities. These financial statements also comply with IFRS. The six month financial statements comply with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

The results for the Group for FY2012 have been restated in accordance with the requirements stated in NZ IAS 8 Accounting

Policies, Changes in Accounting Estimates and Errors. Refer to the Financial Statements in *Section 6.4.5 Audited Financial Statements for the Year Ended 30 June 2013*.

In FY2013 the comparative results for the Group were restated for a prior period error relating to wholesale contract revenues that were misstated.

In FY2012 there was a reclassification of FY2011 inventories, line and connection charges and ancillary expenditure, emission units on hand, proceeds from sale of tax deposits, proceeds and payments from the sale and purchase of emission units, and cost and accumulated depreciation, depletion and impairment of exploration and evaluation expenditure.

The consolidated summary financial information presents FY2012 and FY2011 after these reclassifications, as reported as comparatives in the FY2013 and FY2012 Financial Statements for Genesis Energy respectively.

Genesis Energy Limited and Subsidiaries

Historical Consolidated Comprehensive Income Statements

\$million	Year ended 30 June 2009	Year ended 30 June 2010	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013	Six months ended 31 Dec 2012 Unaudited	Six months ended 31 Dec 2013
Operating revenue							
Electricity revenue	1,803.1	1,721.0	1,547.9	1,923.2	1,743.9	877.0	809.2
Gas revenue	135.6	131.6	189.9	235.8	212.5	108.4	117.7
Petroleum revenue	-	22.4	81.1	85.8	80.5	34.2	42.6
Other revenue	18.4	20.2	15.6	20.0	33.4	11.7	3.6
	1,957.1	1,895.3	1,834.5	2,264.8	2,070.2	1,031.3	973.1
Operating expenses							
Electricity purchases, transmission and distribution	937.8	844.1	768.9	1,004.9	920.0	449.5	422.8
Gas purchases and transmission	111.2	130.7	215.7	249.4	217.2	109.7	113.9
Petroleum production, marketing and distribution	-	5.5	27.4	35.0	31.5	14.5	14.5
Fuels consumed	344.8	333.0	257.7	288.4	259.9	112.6	95.3
Employee benefits	62.2	64.0	79.6	80.8	83.6	41.5	45.6
Other operating expenses	298.9	269.2	192.7	219.0	221.7	107.6	130.4
	1,754.7	1,646.5	1,541.8	1,877.5	1,733.8	835.4	822.5
Earnings before net finance expense, income tax, depreciation, depletion, impairment, amortisation, fair value changes and other gains and losses	202.4	248.8	292.7	387.3	336.4	195.9	150.6
Depreciation, depletion and amortisation	87.6	92.6	144.3	152.1	135.0	67.0	81.2
Impairment of non-current assets	25.8	19.2	9.4	12.4	6.6	0.7	3.6
Revaluation of generation assets	261.4	-	96.8	-	(1.0)	-	-
Change in fair value of financial instruments	-	-	12.7	11.3	(30.5)	(10.1)	2.6
Other (gains) losses	3.1	5.5	(1.1)	3.1	1.6	1.7	0.3
	377.9	117.3	262.1	178.9	111.6	59.2	87.7

\$million	Year ended 30 June 2009	Year ended 30 June 2010	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013	Six months ended 31 Dec 2012 Unaudited	Six months ended 31 Dec 2013
Profit (loss) before net finance expense and income tax	(175.5)	131.5	30.5	208.4	224.8	136.7	62.8
Finance revenue	4.2	2.2	3.8	2.8	0.7	0.3	0.4
Finance expense	(17.3)	(26.7)	(52.4)	(91.4)	(79.3)	(38.3)	(34.6)
Profit (loss) before income tax	(188.7)	107.0	(18.1)	119.8	146.3	98.7	28.7
Income tax expense (credit)	(52.9)	37.7	(1.5)	33.4	41.8	27.9	9.0
Net Profit (loss) for the period	(135.7)	69.3	(16.6)	86.4	104.5	70.8	19.7
Items that may be reclassified subsequently to profit or loss:							
Change in cash flow hedge reserve	(6.8)	16.8	(1.6)	(2.6)	(8.2)	8.5	(3.9)
Income tax credit (expense) relating to items that may be reclassified	2.0	(5.0)	0.4	0.7	2.3	(2.4)	1.1
Total items that may be reclassified subsequently to profit or loss	(4.8)	11.8	(1.2)	(1.9)	(5.9)	6.1	(2.8)
Items that will not be reclassified subsequently to profit or loss:							
Change in asset revaluation reserve	232.7	(1.0)	394.2	-	154.6	-	-
Income tax (expense) credit relating to reclassified items	(69.8)	11.7	(109.9)	-	(43.1)	-	-
Total items that will not be reclassified subsequently to profit or loss	162.9	10.7	284.3	-	111.5	-	-
Total other comprehensive income for the period	158.2	22.5	283.1	(1.9)	105.6	6.1	(2.8)
Total comprehensive income for the period	22.5	91.8	266.4	84.5	210.2	76.9	16.9

Genesis Energy Limited and Subsidiaries

Historical Consolidated Balance Sheets

\$million	As at 30 June 2009	As at 30 June 2010	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 Dec 2012 Unaudited	As at 31 Dec 2013
Current assets							
Cash and cash equivalents	28.0	25.5	21.1	24.8	22.7	44.3	48.4
Receivables and prepayments	241.2	207.9	219.3	309.8	268.0	182.4	191.9
Inventories	104.3	126.7	112.5	127.1	77.2	105.4	85.2
Emission units on hand	-	-	3.9	0.9	1.6	2.3	4.4
Tax receivable	21.1	-	-	-	4.7	-	3.3
Derivatives	6.5	3.1	9.4	15.4	19.2	17.5	12.4
Total current assets	401.1	363.2	366.2	478.1	393.5	352.0	345.5
Non-current assets							
Property, plant and equipment	1,912.2	1,495.6	2,627.4	2,580.7	2,800.1	2,603.5	2,777.9
Oil and gas assets	102.6	523.0	462.8	429.1	391.9	409.4	362.1
Intangible assets	133.0	128.9	121.4	118.2	122.6	122.7	123.2
Inventories	-	-	55.8	-	36.9	22.6	46.5
Other financial assets	0.8	-	-	-	-	-	-
Receivables and prepayments	31.6	18.6	8.2	1.2	0.7	0.9	1.0
Deferred tax assets	-	-	-	-	-	-	-
Derivatives	4.2	3.2	35.0	22.9	5.6	49.3	11.4
Total non-current assets	2,184.3	2,169.2	3,310.6	3,152.1	3,357.8	3,208.5	3,322.0
Total assets	2,585.4	2,532.3	3,676.8	3,630.2	3,751.2	3,560.4	3,667.5
Current liabilities							
Payables and accruals	243.5	203.9	241.5	288.3	224.8	197.0	184.3
Tax payable	-	6.5	12.3	5.7	-	4.9	-
Borrowings	131.5	11.3	411.5	16.5	412.9	15.3	135.7
Provisions	4.5	8.1	14.2	12.9	12.4	17.0	15.1
Derivatives	20.0	2.1	17.7	11.4	17.5	24.1	27.6
Total current liabilities	399.5	232.0	697.1	334.9	667.6	258.3	362.6
Non-current liabilities							
Payables and accruals	-	-	-	0.5	0.6	0.5	0.6
Borrowings	492.9	541.1	806.2	1,003.0	612.0	930.0	871.0
Provisions	49.1	54.8	90.4	110.2	117.7	106.4	130.3
Deferred tax liability	237.0	240.4	318.2	320.7	381.6	331.7	378.8
Derivatives	14.1	18.5	52.9	64.3	22.0	56.3	14.5
Total non-current liabilities	793.1	854.7	1,267.7	1,498.7	1,133.9	1,424.8	1,395.3
Total liabilities	1,192.6	1,086.8	1,964.8	1,833.6	1,801.5	1,683.1	1,757.9
Shareholder's equity							
Share capital	540.6	540.6	540.6	540.6	540.6	540.6	540.6
Reserves	852.3	905.0	1,171.4	1,256.0	1,409.1	1,336.7	1,369.0
Total equity	1,392.8	1,445.6	1,712.0	1,796.6	1,949.7	1,877.3	1,909.6
Total equity and liabilities	2,585.4	2,532.3	3,676.8	3,630.2	3,751.2	3,560.4	3,667.5

Genesis Energy Limited and Subsidiaries
Historical Consolidated Cash Flow Statements

\$million	Year ended 30 June 2009	Year ended 30 June 2010	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013	Six months ended 31 Dec 2012 Unaudited	Six months ended 31 Dec 2013
Cash inflows from operating activities							
Cash was provided from:							
Receipts from customers	2,167.2	1,929.8	1,824.4	2,169.0	2,103.8	1,146.7	1,053.1
Dividend received	-	-	-	-	-	-	-
Interest received	4.2	2.2	3.8	2.8	0.7	0.3	0.4
	2,171.4	1,932.0	1,828.2	2,171.8	2,104.5	1,147.0	1,053.6
Cash was applied to:							
Payments to suppliers and employees	1,908.4	1,689.4	1,558.2	1,771.8	1,774.2	907.3	879.7
Income tax paid	0.1	-	24.4	36.7	32.1	21.7	9.2
	1,908.5	1,689.4	1,582.6	1,808.5	1,806.2	929.0	888.9
Net cash inflows from operating activities	262.9	242.6	245.6	363.3	298.3	217.9	164.6
Cash inflows from investing activities							
Cash was provided from:							
Proceeds from disposal of property, plant and equipment	2.4	2.8	0.3	0.2	-	-	0.2
Proceeds from disposal of intangibles	-	11.3	-	-	-	-	-
Proceeds from disposal of associate and joint venture	-	0.7	0.1	-	-	-	-
Receipts of principle from finance lease receivable	5.3	6.2	7.2	8.5	5.6	4.8	-
	7.7	21.0	7.6	8.7	5.6	4.8	0.2
Cash was applied to:							
Purchase of property, plant and equipment	189.9	43.3	864.8	65.3	161.9	86.7	25.0
Purchase of oil and gas assets	36.5	42.1	1.0	4.7	0.5	0.2	0.3
Purchase of subsidiary	-	1.4	-	-	-	-	-
Purchase of intangibles (excluding emission units)	20.3	16.8	9.7	8.2	15.8	11.1	7.5
	246.7	103.6	875.5	78.2	178.2	97.9	32.7
Net cash (outflows) from investing activities	(238.9)	(82.7)	(867.9)	(69.5)	(172.6)	(93.2)	(32.5)
Cash inflows from financing activities							
Cash was provided from:							
Increase in term borrowings	-	-	-	-	-	-	-
Proceeds from Borrowings	225.0	120.0	673.0	-	120.0	50.0	61.0
	225.0	120.0	673.0	-	120.0	50.0	61.0
Cash was applied to:							
Repayment of borrowings	150.5	187.3	-	205.0	116.0	122.0	75.0
Interest paid and other finance charges	44.0	52.7	51.4	81.7	71.2	36.8	33.4
Dividends paid	36.4	39.1	-	-	57.0	-	57.0
Repayment of principle on finance lease liabilities	3.2	3.5	3.6	3.5	3.7	1.8	2.0
	234.1	282.5	55.0	290.1	247.9	160.6	167.4
Net cash inflows (outflows) from financing activities	(9.1)	(162.5)	618.0	(290.1)	(127.9)	(110.6)	(106.4)
Net increase (decrease) in cash & cash equivalents	14.8	(2.6)	(4.4)	3.7	(2.2)	14.2	25.7
Opening cash and cash equivalents	13.2	28.0	25.5	21.1	24.8	30.2	22.7
Closing cash and cash equivalents	28.0	25.5	21.1	24.8	22.7	44.3	48.4

Genesis Energy Limited and Subsidiaries

Historical Consolidated Statements of Changes in Equity

\$million	Share capital	Asset revaluation reserve	Cash flow hedge reserve	Retained earnings	Total
Balance as at 1 July 2008	540.6	238.4	(6.8)	634.6	1,406.8
Net (Loss) for the year	-	-	-	(135.7)	(135.7)
Other comprehensive income					
Change in cash flow hedge reserve	-	-	(6.8)	-	(6.8)
Change in asset revaluation reserve	-	232.7	-	-	232.7
Income tax credit (expense) relating to other comprehensive income	-	(69.8)	2.0	-	(67.8)
Total comprehensive income for the year	-	162.9	(4.7)	(135.7)	22.5
Dividends paid	-	-	-	(36.4)	(36.4)
Balance as at 30 June 2009	540.6	401.3	(11.6)	462.5	1,392.8
Net Profit for the year	-	-	-	69.3	69.3
Other comprehensive income					
Change in cash flow hedge reserve	-	-	16.8	-	16.8
Change in asset revaluation reserve	-	(1.0)	-	-	(1.0)
Income tax credit (expense) relating to other comprehensive income	-	11.7	(5.0)	-	6.7
Total comprehensive income for the year	-	10.7	11.8	69.3	91.8
Dividends paid	-	-	-	(39.1)	(39.1)
Balance as at 30 June 2010	540.6	412.1	0.2	492.7	1,445.6
Net (Loss) for the year	-	-	-	(16.6)	(16.6)
Other comprehensive income					
Change in cash flow hedge reserve	-	-	(1.6)	-	(1.6)
Change in asset revaluation reserve	-	394.2	-	-	394.2
Income tax credit (expense) relating to other comprehensive income	-	(109.9)	0.4	-	(109.5)
Total comprehensive income for the year	-	284.2	(1.2)	(16.6)	266.4
Revaluation reserve reclassified to retained earnings on disposal of assets	-	(1.5)	-	1.5	-
Balance as at 30 June 2011	540.6	694.8	(1.0)	477.6	1,712.0
Net Profit for the year	-	-	-	86.4	86.4
Other comprehensive income					
Change in cash flow hedge reserve	-	-	(2.6)	-	(2.6)
Income tax credit (expense) relating to other comprehensive income	-	-	0.7	-	0.7
Total comprehensive income for the year	-	-	(1.9)	86.4	84.5
Revaluation reserve reclassified to retained earnings on disposal of assets	-	(0.5)	-	0.5	-
Balance as at 30 June 2012	540.6	694.2	(2.8)	564.6	1,796.6
Net Profit for the year	-	-	-	104.5	104.5
Other comprehensive income					
Change in cash flow hedge reserve	-	-	(8.2)	-	(8.2)
Change in asset revaluation reserve	-	154.6	-	-	154.6
Income tax credit (expense) relating to other comprehensive income	-	(43.1)	2.3	-	(40.7)

\$million	Share capital	Asset revaluation reserve	Cash flow hedge reserve	Retained earnings	Total
Total comprehensive income for the year	–	111.5	(5.9)	104.5	210.2
Revaluation reserve reclassified to retained earnings on disposal of assets	–	0.6	–	(0.6)	–
Dividends paid	–	–	–	(57.0)	(57.0)
Balance as at 30 June 2013	540.6	806.4	(8.7)	611.5	1,949.7
\$million	Share capital	Asset revaluation reserve	Cash flow hedge reserve	Retained earnings	Total (unaudited)
Balance as at 1 July 2012	540.6	694.2	(2.8)	568.4	1,800.4
Net Profit for the period	–	–	–	70.8	70.8
Other comprehensive income					
Change in cash flow hedge reserve	–	–	8.5	–	8.5
Income tax expense relating to other comprehensive income	–	–	(2.4)	–	(2.4)
Total comprehensive income for the period	–	–	6.1	70.8	76.9
Balance as at 31 December 2012	540.6	694.2	3.3	639.2	1,877.3
\$million	Share capital	Asset revaluation reserve	Cash flow hedge reserve	Retained earnings	Total
Balance as at 1 July 2013	540.6	806.4	(8.7)	611.5	1,949.7
Net Profit for the period	–	–	–	19.7	19.7
Other comprehensive income					
Change in cash flow hedge reserve	–	–	(3.9)	–	(3.9)
Income tax credit relating to other comprehensive income	–	–	1.1	–	1.1
Total comprehensive income for the period	–	–	(2.8)	19.7	16.9
Revaluation reserve reclassified to retained earnings on disposal of assets	–	(0.6)	–	0.6	–
Dividends paid	–	–	–	(57.0)	(57.0)
Balance as at 31 December 2013	540.6	805.8	(11.5)	574.8	1,909.6

6.4.4 AUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

INTERIM COMPREHENSIVE INCOME STATEMENT

Genesis Energy Group

For the six-month period ended 31 December 2013

	Note	6 months ended 31 December 2013 Audited \$000	6 months ended 31 December 2012 Unaudited \$000
Operating revenue			
Electricity revenue		809,198	877,007
Gas revenue		117,670	108,385
Petroleum revenue		42,636	34,209
Other revenue		3,567	11,659
		973,071	1,031,260
Operating expenses			
Electricity purchases, transmission and distribution		(422,835)	(449,545)
Gas purchases and transmission		(113,899)	(109,657)
Petroleum production, marketing and distribution		(14,467)	(14,538)
Fuels consumed		(95,368)	(112,563)
Employee benefits		(45,565)	(41,462)
Other operating expenses	3	(130,401)	(107,603)
		(822,535)	(835,368)
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses		150,536	195,892
Depreciation, depletion and amortisation		(81,203)	(66,957)
Impairment of non-current assets	4	(3,620)	(662)
Change in fair value of financial instruments	5	(2,637)	10,137
Other gains (losses)		(253)	(1,696)
		(87,713)	(59,178)
Profit before net finance expense and income tax		62,823	136,714
Finance revenue		440	305
Finance expense	6	(34,573)	(38,330)
Profit before income tax		28,690	98,689
Income tax expense		(8,962)	(27,914)
Net profit for the period		19,728	70,775
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in cash flow hedge reserve		(3,926)	8,473
Income tax credit relating to items that may be reclassified		1,099	(2,372)
Total items that may be reclassified subsequently to profit or loss		(2,827)	6,101
Total other comprehensive income for the period		(2,827)	6,101
Total comprehensive income for the period		16,901	76,876
Earnings per Share from operations attributable to equity holders of the Company during the period			
Basic and diluted earnings per share (cents)	7	3.65	13.09

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

INTERIM STATEMENT OF CHANGES IN EQUITY

Genesis Energy Group

For the six-month period ended 31 December 2013

	Note	Share capital Audited \$000	Asset revaluation reserve Audited \$000	Cash flow hedge reserve Audited \$000	Retained earnings Audited \$000	Total Audited \$000
Balance as at 1 July 2013		540,565	806,381	(8,713)	611,477	1,949,710
Net profit for the period		-	-	-	19,728	19,728
Other comprehensive income						
Change in cash flow hedge reserve		-	-	(3,926)	-	(3,926)
Income tax credit (expense) relating to other comprehensive income		-	-	1,099	-	1,099
Total comprehensive income for the period		-	-	(2,827)	19,728	16,901
Revaluation reserve reclassified to retained earnings on disposal of assets		-	(612)	-	612	-
Dividends paid	8	-	-	-	(57,000)	(57,000)
Balance as at 31 December 2013		540,565	805,769	(11,540)	574,817	1,909,611

		Share capital Unaudited \$000	Asset revaluation reserve Unaudited \$000	Cash flow hedge reserve Unaudited \$000	Retained earnings Unaudited \$000	Total Unaudited \$000
Balance as at 1 July 2012		540,565	694,232	(2,808)	568,422	1,800,411
Net profit for the period		-	-	-	70,775	70,775
Other comprehensive income						
Change in cash flow hedge reserve		-	-	8,473	-	8,473
Income tax credit (expense) relating to other comprehensive income		-	-	(2,372)	-	(2,372)
Total comprehensive income for the period		-	-	6,101	70,775	76,876
Balance as at 31 December 2012		540,565	694,232	3,293	639,197	1,877,287

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

INTERIM BALANCE SHEET

Genesis Energy Group

As at 31 December 2013

	Note	31 December 2013 Audited \$'000	30 June 2013 Audited \$'000
Current assets			
Cash and cash equivalents		48,380	22,663
Receivables and prepayments		191,905	267,984
Inventories		85,206	77,226
Emission units on hand		4,353	1,649
Tax receivable		3,281	4,688
Derivatives	15	12,355	19,246
Total current assets		345,480	393,456
Non-current assets			
Property, plant and equipment	9	2,777,893	2,800,145
Oil and gas assets	10	362,089	391,855
Intangible assets		123,184	122,564
Inventories		46,456	36,930
Receivables and prepayments		995	715
Derivatives	15	11,421	5,574
Total non-current assets		3,322,038	3,357,783
Total assets		3,667,518	3,751,239
Current liabilities			
Payables and accruals		184,253	224,815
Borrowings	13	135,657	412,925
Provisions	14	15,089	12,381
Derivatives	15	27,632	17,507
Total current liabilities		362,631	667,628
Non-current liabilities			
Payables and accruals		613	631
Borrowings	13	871,002	611,957
Provisions	14	130,305	117,729
Deferred tax liability		378,820	381,565
Derivatives	15	14,536	22,019
Total non-current liabilities		1,395,276	1,133,901
Total liabilities		1,757,907	1,801,529
Shareholder's equity			
Share capital		540,565	540,565
Reserves		1,369,046	1,409,145
Total equity		1,909,611	1,949,710
Total equity and liabilities		3,667,518	3,751,239

The Directors of Genesis Energy Limited authorise these condensed interim financial statements for issue on behalf of the Board.



Rt Hon Dame Jenny Shipley, DNZM
Chair of the Board
Date: 11 February 2014



Joanna Perry, MNZM
Chair of the Audit Committee
Date: 11 February 2014

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

INTERIM CASH FLOW STATEMENT

Genesis Energy Group

For the six-month period ended 31 December 2013

	Note	6 months ended 31 December 2013 Audited \$000	6 months ended 31 December 2012 Unaudited \$000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		1,053,135	1,146,683
Interest received		440	305
		1,053,575	1,146,988
Cash was applied to:			
Payments to suppliers		834,028	864,805
Payments to employees		45,707	42,532
Tax paid		9,201	21,703
		888,936	929,040
Net cash inflows from operating activities		164,639	217,948
Cash flows from investing activities			
Cash was provided from:			
Proceeds from disposal of property, plant and equipment		230	-
Receipts of principal from finance lease receivable		-	4,773
		230	4,773
Cash was applied to:			
Purchase of property, plant and equipment		24,984	86,720
Purchase of oil and gas assets		295	150
Purchase of intangibles (excluding emission units)		7,451	11,061
		32,730	97,931
Net cash (outflows) from investing activities		(32,500)	(93,158)
Cash flows from financing activities			
Cash was provided from:			
Proceeds from borrowings		61,001	50,000
		61,001	50,000
Cash was applied to:			
Repayment of borrowings		75,000	122,000
Interest paid and other finance charges		33,444	36,793
Repayment of principal on finance lease liabilities		1,979	1,840
Ordinary dividend paid	8	57,000	-
		167,423	160,633
Net cash (outflows) from financing activities		(106,422)	(110,633)
Net increase in cash and cash equivalents		25,717	14,157
Cash and cash equivalents at the beginning of the period		22,663	30,185
Cash and cash equivalents at the end of the period		48,380	44,342

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

INTERIM CASH FLOW STATEMENT CONTINUED

Genesis Energy Group

For the six-month period ended 31 December 2013

		6 months ended 31 December 2013 Audited \$000	6 months ended 31 December 2012 Unaudited \$000
Reconciliation of net profit for the period to net cash inflows from operating activities	Note		
Net profit for the period		19,728	70,775
Items classified as investing/financing activities			
Net (gain) loss on disposal of property, plant and equipment		(91)	189
Interest and other finance charges paid		31,688	35,699
Other items classified as investing/financing activities		(4,090)	(4,336)
		27,507	31,552
Non-cash items			
Depreciation, depletion and amortisation expense		81,203	66,957
Impairment of non-current assets	4	3,620	662
Change in fair value of financial instruments		2,637	(10,137)
Deferred tax expense		(1,646)	8,561
Change in capital expenditure accruals		(746)	20,827
Change in rehabilitation and contractual arrangement provisions		636	2,687
		85,704	89,557
Movements in working capital			
Change in receivables and prepayments (excluding finance lease receivable)		75,799	121,786
Change in inventories		(17,506)	(916)
Change in emission units on hand		(2,704)	(1,423)
Change in payables and accruals		(40,580)	(91,318)
Change in tax receivable/payable		1,407	(2,350)
Change in provisions		15,284	285
		31,700	26,064
Net cash inflows from operating activities		164,639	217,948

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Genesis Energy Group

For the six-month period ended 31 December 2013

1. General information

Genesis Energy Limited ('the Parent', previously known as Genesis Power Limited) is a company registered under the Companies Act 1993. The Parent became a state-owned enterprise on 16 December 1998 pursuant to the State-Owned Enterprises Act 1986 and is wholly owned by Her Majesty the Queen in Right of New Zealand ('the Crown'). The liabilities of the Parent are not guaranteed in any way by the Crown. The Parent is an issuer for the purposes of the Financial Reporting Act 1993.

The condensed interim financial statements comprise Genesis Energy Limited ('the Parent'), its subsidiaries and its interests in associates and jointly controlled operations (together, 'the Group'). The condensed interim financial statements cover the six-month period ended 31 December 2013. The information for the six-month period ended 31 December 2012 is unaudited.

The Group is designated as a profit-oriented entity for financial reporting purposes.

The Group's core business is located in New Zealand and involves the generation of electricity, retailing and trading of energy, and the development and procurement of fuel sources. To support these functions, the Group's scope of business includes retailing and trading of related complementary products designed to support its key energy business.

During the period, the Group established a new subsidiary to manage the Group's insurance risk. This entity is consolidated as part of the Group.

Basis of preparation

The condensed interim financial statements have been prepared in accordance with New Zealand Equivalent to 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*.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements. Consequently these condensed interim financial statements should be read in conjunction with the annual financial statements and related notes included in Genesis Energy's Annual Report for the year ended 30 June 2013.

The condensed interim financial statements are presented in New Zealand dollars rounded to the nearest thousand.

New accounting policies

Share-based payments

Employees (including Senior Management) of the Group may receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions with employees is measured by reference to the fair value at grant date using an appropriate valuation model.

The cost of equity-settled transactions is recognised, together with a corresponding increase to the share-based payments reserve within equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Application of new and revised international financial reporting standards (IFRS)

During the period the Group has adopted NZ IFRS 10 *Consolidated Financial Statements*, NZ IFRS 11 *Joint Arrangements*, NZ IFRS 12 *Disclosure of Interests in Other Entities* and NZ IFRS 13 *Fair Value Measurement* which are applicable for annual reporting periods beginning on or after 1 January 2013.

NZ IFRS 10 introduces a single basis for consolidation for all entities regardless of the nature of the investee. Initial application of NZ IFRS 10 did not affect any of the amounts recognised in the financial statements.

NZ IFRS 11 classifies joint arrangements as either joint operations or joint ventures. NZ IFRS 11 requires joint operators to recognise assets, liabilities, revenue and expenses in relation to their proportionate interest in the joint operation whereas joint ventures are required to be accounted for using the equity method. The Group has classified its interests in jointly controlled

assets and entities as joint operations under NZ IFRS 11. Initial application of NZ IFRS 11 did not affect any of the amounts recognised in the financial statements, but changed the classification and disclosure of interests in 'jointly controlled assets and entities' to 'joint operations'.

NZ IFRS 12 introduces new disclosure requirements which will impact the annual financial statements. This enables readers to understand significant judgements/assumptions made to determine the nature of its interest in another entity/joint arrangement.

NZ IFRS 13 establishes a single framework for measuring fair value which it applies to both financial and non-financial items measured at fair value. It also introduces a number of new disclosure requirements on the fair value of assets and liabilities. The Group has two categories of assets and liabilities carried at fair value, being generation assets and derivatives. Initial application of NZ IFRS 13 has impacted the amounts recognised in the financial statements for derivatives but has no impact on the amounts recognised in the financial statements for generation assets. The change has been made prospectively in accordance with NZ IFRS 13 transitional provisions.

The impact of adopting of NZ IFRS 13 has no material impact on the carrying value of derivatives as at 31 December 2013. This change directly impacted on profit or loss and is mainly due to incorporating non-performance risk.

There was no impact on the fair value of generation assets as at 31 December 2013. There have been no other changes in accounting policies since 30 June 2013. Other than the changes noted above, the accounting policies set out in Genesis Energy's Annual Report for the year ended 30 June 2013 have been applied consistently to all periods presented in these condensed interim financial statements.

Critical accounting estimates and judgements

The preparation of the Group's condensed interim financial statements requires management to make estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, revenues and expenses.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

1. General information continued

The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The Group's significant areas of estimation and critical judgements

in the condensed interim financial statements are the same as those disclosed in Genesis Energy's annual financial statements included in Genesis Energy's Annual Report for the year ended 30 June 2013.

Seasonality of operations

Fluctuations in seasonal weather patterns can have a significant impact on supply and demand and therefore the generation of electricity, which, in turn, can have a positive or negative impact on the reported result.

2. Segment reporting

For management purposes the Group is currently organised into four segments as follows:

Segment	Activity
Customer Experience	Supply of energy (electricity, gas and LPG) to end-user customers as well as related services.
Energy Management	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.
Oil and Gas	Exploration, development, production and sale of gas, LPG and light oil.
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.

The segments are based on the different products and services offered by the Group. No operating segments are aggregated.

Six months ended 31 December 2013

Audited	Customer Experience Audited \$000	Energy Management Audited \$000	Oil and Gas Audited \$000	Corporate Audited \$000	Inter-Segment Items Audited \$000	Total Audited \$000
Operating revenue						
Electricity revenue	593,714	461,892	-	-	(246,408)	809,198
Gas revenue	74,882	68,879	29,316	-	(55,407)	117,670
Petroleum revenue	-	-	42,636	-	-	42,636
Other revenue	2,257	803	49	458	-	3,567
Total revenue	670,853	531,574	72,001	458	(301,815)	973,071
Operating expenses						
Electricity purchase, transmission and distribution	(491,351)	(177,891)	-	-	246,407	(422,835)
Gas purchase and transmission	(65,449)	(76,645)	-	-	28,195	(113,899)
Petroleum production, marketing and distribution	-	-	(14,467)	-	-	(14,467)
Fuel consumed	-	(122,581)	-	-	27,213	(95,368)
Employee benefits	(13,603)	(17,906)	-	(14,056)	-	(45,565)
Other operating expenses	(64,909)	(54,460)	(2,405)	(8,627)	-	(130,401)
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses	35,541	82,091	55,129	(22,225)	-	150,536
Depreciation, depletion and amortisation	(1,640)	(43,522)	(30,061)	(5,980)	-	(81,203)
Impairment of non-current assets	(14)	(3,465)	-	(141)	-	(3,620)
Change in fair value of financial instruments	-	(1,163)	(1,149)	(325)	-	(2,637)
Other gains (losses)	-	6	(280)	21	-	(253)
Profit (loss) before net finance expense and income tax	33,887	33,947	23,639	(28,650)	-	62,823
Finance revenue	137	-	37	266	-	440
Finance expense	(141)	(1,596)	(1,380)	(31,456)	-	(34,573)
Profit (loss) before income tax	33,883	32,351	22,296	(59,840)	-	28,690
Other segment information						
Capital expenditure	1,524	21,209	295	10,671	-	33,699

2. Segment reporting continued

Six months ended 31 December 2012

Unaudited	Customer Experience Unaudited \$000	Energy Management Unaudited \$000	Oil and Gas Unaudited \$000	Corporate Unaudited \$000	Inter-segment Items Unaudited \$000	Total Unaudited \$000
Operating revenue						
Electricity revenue	575,372	558,075	-	-	(256,440)	877,007
Gas revenue	68,669	66,398	22,767	-	(49,449)	108,385
Petroleum revenue	-	-	34,209	-	-	34,209
Other revenue	1,491	8,052	51	2,065	-	11,659
Total revenue	645,532	632,525	57,027	2,065	(305,889)	1,031,260
Operating expenses						
Electricity purchase, transmission and distribution	(495,171)	(210,814)	-	-	256,440	(449,545)
Gas purchase and transmission	(63,761)	(74,255)	-	-	28,359	(109,657)
Petroleum production, marketing and distribution	-	-	(14,538)	-	-	(14,538)
Fuel consumed	-	(133,653)	-	-	21,090	(112,563)
Employee benefits	(12,564)	(16,728)	-	(12,170)	-	(41,462)
Other operating expenses	(55,435)	(42,465)	(2,609)	(7,094)	-	(107,603)
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses	18,601	154,610	39,880	(17,199)	-	195,892
Depreciation, depletion and amortisation	(2,226)	(38,049)	(19,926)	(6,756)	-	(66,957)
Impairment of non-current assets	-	(662)	-	-	-	(662)
Change in fair value of financial instruments	-	13,520	(3,346)	(37)	-	10,137
Other gains (losses)	-	(1,497)	(225)	26	-	(1,696)
Profit (loss) before net finance expense and income tax	16,375	127,922	16,383	(23,966)	-	136,714
Finance revenue	53	-	49	203	-	305
Finance expense	(156)	(1,627)	(1,302)	(35,245)	-	(38,330)
Profit (loss) before income tax	16,272	126,295	15,130	(59,008)	-	98,689
Other segment information						
Capital expenditure	1,317	67,238	150	5,418	-	74,123

3. Other operating expenses

	6 months ended 31 December 2013 Audited \$000	6 months ended 31 December 2012 Unaudited \$000
Other operating expenses include:		
Auditor's remuneration:		
- Audit fees for interim financial statements (Deloitte)	290	-
- Audit-related services (Deloitte) ¹	130	-
Rental expenses on operating leases	3,834	4,046
Contract termination fee and related onerous contracts	19,123	-
Offer costs	2,448	91

1 Audit-related services refers to the examination of certain financial information included in the Prospectus. This fee is excluded from the offer costs amount.

4. Impairment of non-current assets

Impairment for the six months ended 31 December 2013 and 31 December 2012 consists of impairment of property, plant and equipment. The impairment relates to expenditure of a capital nature on Huntly Units 1 to 4 and 6 and rehabilitation of the Huntly ash ponds associated with the units. This is included in the Energy Management segment. The expenditure is immediately impaired when incurred as the fair value of these units is nil.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

5. Change in fair value of financial instruments

	6 months ended 31 December 2013 Audited \$000	6 months ended 31 December 2012 Unaudited \$000
Change in fair value of derivatives	(3,353)	10,050
Fair value interest rate risk adjustment on borrowings	716	87
	(2,637)	10,137

6. Finance expense

	6 months ended 31 December 2013 Audited \$000	6 months ended 31 December 2012 Unaudited \$000
Interest on borrowings (excluding Capital Bonds)	25,007	23,187
Interest on Capital Bonds	6,473	12,391
Interest on finance lease liabilities	161	299
Interest on other loans and payables	188	144
Total interest expense	31,829	36,021
Other finance charges	93	386
Time value of money adjustments on provisions	2,885	2,631
	34,807	39,038
Capitalised finance expenses	(234)	(708)
	34,573	38,330

The decrease in finance expense for the six months ended 31 December 2013 relates to the modification of Capital Bonds in July 2013. For further information refer to note 13.

7. Earnings per share

	6 months ended 31 December 2013 Audited \$000	6 months ended 31 December 2012 Unaudited \$000
Net profit for the period attributable to Shareholder of the Parent (\$000)	19,728	70,775
Number of ordinary shares in issue (units)	540,565,002	540,565,002
Basic and diluted earnings per share (cents)	3.65	13.09

8. Dividends

A final dividend of \$57.0 million (10.5 cents per share) that was fully imputed was paid on 11 October 2013 (31 December 2012: nil). An interim dividend of \$64.0 million (11.83 cents per share) that was fully imputed was declared subsequent to the reporting date.

9. Property, plant and equipment

	6 months ended 31 December 2013 Audited \$000	Year ended 30 June 2013 Audited \$000
Opening balance	2,800,145	2,580,654
Additions	25,096	144,689
Revaluation gains (losses)	-	155,573
Capitalised finance expenses	234	2,319
Change in rehabilitation and contractual arrangement assets	1,228	4,060
Disposals	(219)	-
Impairment	(3,620)	(6,579)
Depreciation expense	(44,971)	(80,571)
Closing balance	2,777,893	2,800,145

10. Oil and gas assets

	6 months ended 31 December 2013 Audited \$000	Year ended 30 June 2013 Audited \$000
Opening balance	391,855	429,150
Additions	295	459
Change in rehabilitation assets	-	2,632
Depreciation and depletion expense	(30,061)	(40,386)
Closing balance	362,089	391,855

11. Jointly controlled operations

The Group has a 31 per cent interest in the Kupe production facility and Petroleum Mining Permit 38146 held by the Kupe Joint Venture.

The Group has a 50 per cent interest in the Gasbridge Joint Venture. The Gasbridge Joint Venture was established to investigate the feasibility of developing facilities to import Liquefied Natural Gas at the Port of Taranaki. The Joint Venture has delayed this investigation until further notice.

Name of entity	Principal activity	Interest held 31 December 2013 %	Interest held 30 June 2013 %
Kupe Joint Venture	Petroleum production and sale	31	31
Gasbridge Joint Venture	Liquefied natural gas importation development	50	50

Joint ventures are classified as joint operations under NZ IFRS 11.

The Group's interest in capital expenditure commitments relating to joint operations is included in note 17.

12. Material related party transactions

There were no individually significant transactions with the Crown and Crown controlled and related entities during the period (30 June 2013: nil).

Other transactions with Crown controlled and related entities which are collectively but not individually significant relate to the purchase of coal and electricity derivatives. Approximately 80 per cent (31 December 2012: 89 per cent) of the coal acquired by the Group during the year was supplied by Crown controlled and related entities under coal supply agreements which expire in June 2017. Approximately 4.0 per cent (31 December 2012: 35.4 per cent) of the value of electricity derivatives held by the Group at year-end are held with Crown controlled and related entities. The contracts expire at various times with the latest one being December 2025.

For a list and description of transactions with related parties refer to Genesis Energy's annual financial statements included in Genesis Energy's Annual Report for the year ended 30 June 2013.

13. Borrowings

	31 December 2013 Audited \$000	30 June 2013 Audited \$000
Revolving credit	250,512	189,526
Wholesale term notes	320,753	321,366
Retail term notes	229,140	228,700
Capital bonds	202,634	279,691
Finance lease liabilities	3,620	5,599
Total	1,006,659	1,024,882
Current	135,657	412,925
Non-current	871,002	611,957
Total	1,006,659	1,024,882

The Parent completed a modification process for the Capital Bonds on 15 July 2013. Effective from 15 July 2013 the principal amount of Capital Bonds reduced from \$275 million to \$200 million and the interest rate reduced from 8.50 per cent to 6.19 per cent. As at 30 June 2013 the total \$275 million of Capital Bonds was classified as current, resulting in negative working capital for the Group. Subsequent to 15 July 2013, the modified Capital Bonds of \$200 million has been classified as term, expiring on 15 July 2041.

As at 31 December 2013, \$120 million of retail term notes are due to mature March 2014. These notes have been classified as current and as a result, the Group notionally has negative working capital at 31 December 2013 of \$17.2 million. However the Group has \$375 million of undrawn, committed revolving credit facilities at 31 December 2013 which are non-current and will be used to repay the retail term notes. The Group is expected to return to a positive working capital in March 2014 on maturity of the retail term notes.

Revolving credit

As at 31 December 2013 the Group had drawn down \$250.0 million (30 June 2013: \$189.0 million) and had available undrawn funding of \$375.0 million (30 June 2013: \$286.0 million).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

14. Provisions

	6 months ended 31 December 2013 Audited \$'000	Year ended 30 June 2013 Audited \$'000
Opening balance	130,110	123,172
Provisions made during the period	20,205	15,901
Provisions reversed during the period	(2,606)	(3,791)
Provisions used during the period	(5,200)	(10,178)
Time value of money adjustment	2,885	5,006
Closing balance	145,394	130,110
Current	15,089	12,381
Non-current	130,305	117,729
Total	145,394	130,110

The additional provisions made for the six months ended 31 December 2013 of \$20.2 million relates to the Group's onerous contract provision, rehabilitation and restoration provisions, lease incentive arrangement and customer loyalty programme 'Brownie Points'. The majority of the movement relates to an onerous contract provision associated with changes to contractual arrangements.

15. Derivatives

	31 December 2013 Audited \$'000	30 June 2013 Audited \$'000
Net carrying value of derivatives		
Cash flow hedges		
Foreign exchange swaps	(1,232)	(3,002)
Interest rate swaps and options	(1,420)	(4,075)
Electricity swaps	(12,981)	(6,319)
Oil swaps	(2,158)	1,327
Fair value hedges		
Interest rate swaps and options	1,626	2,351
Derivatives not designated as hedges		
Foreign exchange options	478	-
Electricity swaps and options	(2,705)	(4,709)
Oil swaps and options	-	(279)
Total	(18,392)	(14,706)
Carrying value of derivatives by balance sheet classification		
Current assets	12,355	19,246
Non-current assets	11,421	5,574
Current liabilities	(27,632)	(17,507)
Non-current liabilities	(14,536)	(22,019)
Total	(18,392)	(14,706)

The methods of valuing electricity swaps and options, and interest rate swaps and options, is outlined in note 16.

15. Derivatives continued

	6 months ended 31 December 2013 Audited \$000	Year ended 30 June 2013 Audited \$000
Change in carrying value of derivatives		
Opening balance	(14,706)	(37,427)
Total change recognised in electricity and petroleum revenue	16,226	34,126
Net change in derivatives not designated as hedges	(1,198)	33,741
Net change in fair value hedges	(724)	(989)
Ineffective gain (loss) on cash flow hedges	(1,431)	51
Total change recognised in the change in fair value of financial instruments	(3,353)	32,803
Gain (loss) recognised in other comprehensive income	3,482	24,120
Settlements (gain) loss	(2,228)	(24,763)
Sales (option fees received)	(18,460)	(44,092)
Purchases (option fees paid)	647	527
Closing balance	(18,392)	(14,706)

16. Fair value

Fair value hierarchy

The Group's assets and liabilities measured at fair value are categorised into one of three levels as follows:

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

Level two – the fair value is derived from inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Financial instruments in this level include interest rate swaps and options, foreign exchange swaps and options, and oil swaps and options and electricity derivatives which are valued using observable electricity price paths.

Level three – the fair value is derived from inputs that are not based on observable market data. Assets and liabilities included in this level include generation assets and electricity derivatives, as both valuations include internally generated electricity price paths.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between level one, two and three during the period (30 June 2013: nil).

	6 months ended 31 December 2013	
	Generation assets Audited \$000	Derivatives Audited \$000
Items carried at fair value		
Recurring fair value measurements		
Level 2		
Derivatives		
– Interest rate swaps and options	–	206
– Foreign exchange swaps and options	–	(754)
– Oil swaps and options	–	(2,158)
– Electricity swaps (not designated as hedges)	–	(383)
	–	(3,089)
Level 3		
Property, plant and equipment		
– Generation assets	2,688,125	–
Derivatives		
– Electricity swaps (cash flow hedges)	–	(12,981)
– Electricity swaps and options (not designated as hedges)	–	(2,322)
	2,688,125	(15,303)
	2,688,125	(18,392)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

16. Fair value continued

	6 months ended 31 December 2013	
	Generation Assets Audited \$000	Derivatives Audited \$000
Reconciliation of Level 3 fair value measurements		
Opening balance	2,708,590	(9,133)
Total gain (loss)		
Electricity revenue	-	17,600
Change in fair value of financial instruments	-	(2,499)
Revaluation of generation assets	-	-
Total gain (loss) in profit or loss	-	15,101
Total gain (loss) recognised in cash flow hedge reserve	-	2,275
Settlements (gain) loss	-	(5,086)
Disposals/sales	(191)	(18,460)
Additions/purchases	24,814	-
Depreciation expense	(41,623)	-
Impairment	(3,465)	-
Closing balance	2,688,125	(15,303)

Change in fair value of financial instruments for the period included an unrealised loss of \$2.12 million relating to Level 3 derivatives that are measured at fair value at the end of each reporting period.

Valuation of Level 2

Valuation of interest rate swaps and options

The valuation of interest rate swaps is based on a forward interest rate price curve discounted at the forward interest rate price curve at balance date. The forward interest rate price curve used in the valuation ranged from 2.5 per cent to 6.1 per cent (30 June 2013: 2.5 per cent to 5.4 per cent) and the forward interest rate price curve at balance date used in the valuation ranged from 2.5 per cent to 6.1 per cent (30 June 2013: 2.5 per cent to 4.8 per cent).

Valuation of foreign exchange swaps and options

The valuation of foreign exchange swaps is based on forward foreign exchange rate curves at balance date, discounted at the forward interest rate price curve at balance date. The underlying spot foreign exchange rates used in the valuation were USD 0.82, AUD 0.92, JPY 86.77, EUR 0.60, GBP 0.50, CHF 0.74 (30 June 2013: USD 0.77, AUD 0.85, JPY 76.7, EUR 0.59, GBP 0.51, CHF 0.73) and the forward interest rate curve used in the valuation was based on the prevailing market interest rate curve (see valuation of interest rate swaps and options above). Options are valued based on the valuation obtained from counterparty banks.

Valuation of oil swaps and options

The valuation of oil swaps is based on the forward oil price and foreign exchange rate curves at balance date discounted at the forward interest rate price curve at balance date. The average forward oil price used in the valuation was USD 104.20 (30 June 2013: USD 98.76), the underlying spot rate used for the foreign exchange rate curve was USD 0.82 (30 June 2013: USD 0.77) and the forward interest rate price curve used to discount the valuation was based on the prevailing market interest rate curve (see valuation of interest rate swaps and options above). Oil options are based on the valuations obtained from counterparty banks converted to New Zealand dollars using the spot rate at the valuation date. The spot rate used in the valuations was USD 0.82 (30 June 2013: USD 0.77). Options are valued based on the valuation obtained from counterparty banks.

Valuation of electricity swaps

The valuation of electricity swaps in level two is based on the ASX forward price curve that relates to the derivative. As at 31 December 2013 the ASX forward price curve ranges from \$47.75 per MWh to \$92.00 per MWh for Benmore, and from \$54.50 per MWh to \$92.50 per MWh for Otahuhu.

16. Fair value continued

Valuation of Level 3

Valuation processes of the Group

The Group's finance department includes a team that performs the valuations of Level 3 fair values for generation assets and derivatives. This team reports directly to the Chief Financial Officer. Discussions of valuation processes and results are held between the Chief Financial Officer and the Valuation Team at least six monthly for generation assets, and monthly for derivatives. As part of these discussions, the team presents analysis to explain the reasons for changes in fair value measurements. The Chief Financial Officer reports key changes to inputs to the Board in the monthly Finance report and any changes to the valuation methodology are reported to the Audit Committee through update papers when any changes are anticipated or have been made due to changes in the business.

Valuation method of the Group

The valuation of level three instruments is based on a forecast internally generated electricity price path. The selection of variables used within the price path requires significant judgement, and therefore there is a range of reasonable assumptions that could be used in estimating the fair value of these derivatives. The key unobservable inputs driving potential changes to the forecast internally generated price path are changes in demand, hydrology and new generation build. Any one of these factors could result in a change to the price path and therefore the fair value of electricity swaps and options for level 3. The electricity price path assumes national demand growth based on the latest available industry information and Genesis Energy's view of growth within various sectors of the economy. Forecast hydrology is based on 79 years of historical hydrological inflow data. New generation build assumptions are based on announcements to the New Zealand market.

The electricity price path requires several inputs derived from third parties. These inputs include discount rates, demand, new build, planned outages, latest hydrology and several others which are checked and signed off by senior management who are responsible for the price path that is output for use across the business. These inputs are obtained from reputable institutions and are checked by the business for reasonableness as well as ensuring they align with the requirements of NZ IFRS.

The key unobservable inputs, range of assumptions and third party inputs combine to determine the wholesale electricity price path. The wholesale electricity price paths used to value level 3 on a time weighted basis range from \$76 per MWh to \$112 per MWh over the period from January 2014 to 31 December 2025.

Valuation of electricity swaps and options

If the price path increased by 10 per cent while holding the discount rate constant, this would result in the carrying value of the electricity derivatives increasing to \$23.6 million liability (30 June 2013: \$16.6 million liability). If the price path decreased by 10 per cent while holding the discount rate constant, the carrying value would decrease to \$8.4 million liability (30 June 2013: \$4.1 million liability).

The valuation of electricity options is based on a discounted cash flow model over the life of the agreement. The key assumptions in the model are: the callable volumes, strike price and option fees outlined in the agreement, the forecasted internally generated electricity price path, day one gains and losses, emission credits and the discount rate. The options are deemed to be called when the internally generated price path is higher than the strike prices after taking into account obligations relating to the specific terms of each contract. The discount rate used in the model was 2.5 per cent to 6.1 per cent (30 June 2013: 2.5 per cent to 4.8 per cent) and the carbon credit price used ranged between \$3 and \$25 (30 June 2013: \$7.92 and \$15.43).

Valuation of generation assets as at 30 June 2013

Generation assets carried at fair value, were revalued at 30 June 2013 to \$2,708.6 million. They form a major part of the total generation site assets.

At valuation date (30 June 2013), total generation site assets were valued at \$2,752.0 million and comprised the generation assets carried at fair value, and certain other property plant and equipment and capital works in progress of \$15.1 million and \$28.1 million respectively, both of which are carried at cost.

Fair value of Generation assets is determined using a discounted cash flow model under the income valuation approach. The valuation was based on the present value of the estimated future cash flows of the assets. The valuation was prepared by the Group and was independently reviewed by PricewaterhouseCoopers ('PwC') who has the appropriate qualifications and experience in valuing generation assets.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

16. Fair value continued

Valuation of generation assets as at 30 June 2013 continued

The net change in fair value was a \$155.6 million increase in the book value of generation assets. The key assumptions and judgements in the valuation model were:

Assumptions	Method of determination
Wholesale electricity price path	In-house market modelling of the wholesale electricity market cross-checked against publicly available price paths.
Projected generation output	In-house market modelling of the wholesale electricity market.
Fuel and emissions costs	Prices from existing fuel and emission contracts and in-house market modelling where contracted volumes do not fully cover projected requirements.
Projected operational and capital expenditure	In-house business plans and projections based on contracted positions and asset management plans.
Capacity and life assumptions for each generation asset	In-house assessments and asset management plans.
Discount rate	Pre-tax equivalent discount rate scenarios ranging between 11.3 per cent and 12.8 per cent.

The selection of variables used to value generation assets requires significant judgement; therefore there is a range of reasonably possible assumptions that could be used in estimating the fair value of these assets. Refer above for discussion of the forecast internally generated electricity price path. If the price path and/or generation output volumes increased by 10 per cent this would result in the carrying value of the generation assets increasing to \$3,236 million. If the price path decreased by 10 per cent the carrying value would decrease to \$2,269 million. If the discount rate decreased by one per cent this would result in the carrying value of the generation assets increasing to \$3,175 million. If the discount rate increased by one per cent then the carrying value would decrease to \$2,425 million.

The valuation was calculated by generating site except for the Huntly site where it was calculated by type of unit (Units 1-4, Unit 5 and Unit 6). For those sites where the valuation was less than the carrying value prior to revaluation, the change was recognised in the revaluation reserve up to the value that was previously recorded in the revaluation reserve prior to the revaluation. Any remaining difference between the change in fair value and the revaluation reserve for these sites was recognised in profit or loss. For those sites where the valuation was higher than the carrying value the change in fair value was recognised in the asset revaluation reserve.

There has been no revaluation as at 31 December 2013.

	6 months ended 31 December 2013	
	Carrying value Audited \$'000	Fair value Audited \$'000
Items disclosed at fair value		
Recurring fair value measurements		
Level 1		
Retail term notes	229,140	236,758
Capital bonds	202,634	199,000
	431,774	435,758
Level 2		
Wholesale term notes	320,753	322,801
Revolving credit facility	250,512	250,512
	571,265	573,313

The carrying value of financial assets and liabilities in the balance sheet approximates their fair values with the exception of retail term notes, capital bonds and wholesale term notes as shown above.

Valuation of wholesale term notes

The valuation of wholesale term notes is based on estimated discounted cash flow analyses using applicable market yield curves adjusted for the Group's credit rating. Market yield curves at balance date used in the valuation ranged from 3 per cent to 7 per cent.

Valuation of revolving credit facility

The valuation of the revolving credit facility is based on estimated discounted cash flow analyses using applicable market yield curves adjusted for the Group's credit rating. The revolving credit facility reprices to a market floating rate at least quarterly.

16. Fair value continued

Deferred 'day 1' gains (losses)

Where the Group estimates fair values of derivatives using forecast internally generated price paths, as is the case with electricity derivatives, the instrument is fair valued at inception and the difference arising between the estimated fair value and its cost (nil) is a deferred day 1 gain/loss. For electricity options the valuation adjustment is effectively amortised based on expected call volumes over the term of the contract. The carrying value of derivatives is disclosed net of the day 1 adjustments.

The following table details the movements and amounts of deferred 'day 1' gains/losses included in the fair value of electricity derivatives held at balance date:

	6 months ended 31 December 2013 Audited \$000
Opening balance	25,957
Deferred day one gains (losses) on new derivatives	100
Deferred day one gains (losses) realised during the period	(8,457)
Closing balance	17,600

17. Commitments

	31 December 2013 Audited \$000	30 June 2013 Audited \$000
Total capital commitments	34,003	40,855
Total operating lessee commitments	50,107	61,782
	84,110	102,637

18. Contingent assets and liabilities

The Group's contingent assets and liabilities were disclosed in Genesis Energy's Annual Report for the year ended 30 June 2013. There has been no change in the nature or status of these contingent assets and liabilities and there are no other known material contingent assets or liabilities (30 June 2013: nil).

19. Events occurring after balance date

An interim dividend of \$64.0 million (11.83 cents per share), which was fully imputed, was declared subsequent to the reporting date. There have been no other significant events subsequent to the reporting date.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GENESIS ENERGY LIMITED (PREVIOUSLY KNOWN AS GENESIS POWER LIMITED). REPORT ON THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2013

The Auditor-General is the auditor of Genesis Energy Limited (previously known as Genesis Power Limited) and group (the group). The Auditor-General has appointed me, Andrew Dick, using the staff and resources of Deloitte, to carry out the audit of the condensed consolidated interim financial statements of the group on her behalf.

We have audited the condensed consolidated interim financial statements of the group on pages 142 to 157, that comprise the consolidated interim balance sheet as at 31 December 2013, the consolidated interim comprehensive income statement, interim cash flow statement for the six-month period ended on that date and the notes to the condensed consolidated interim financial statements that include accounting policies and other explanatory information.

Opinion

Condensed consolidated interim financial statements

In our opinion the condensed consolidated interim financial statements of the group on pages 142 to 157:

- comply with NZ IAS 34: *Interim Financial Reporting* and IAS 34: *Interim Financial Reporting*; and
- give a true and fair view of the group's:
 - financial position as at 31 December 2013; and
 - financial performance and cash flows for the six-month period ended on that date.

Our audit was completed on 11 February 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the condensed consolidated interim financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence shareholders overall understanding of the condensed consolidated interim financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the condensed consolidated interim financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the condensed consolidated interim financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the group's condensed consolidated interim financial statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;

- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the condensed consolidated interim financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the condensed consolidated interim financial statements. Also we did not evaluate the security and controls over the electronic publication of the condensed consolidated interim financial statements.

We report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing the condensed consolidated interim financial statements that:

- comply with NZ IAS 34: *Interim Financial Reporting* and IAS 34: *Interim Financial Reporting*; and
- give a true and fair view of the group's financial position, financial performance and cash flows.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of the condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the condensed consolidated interim financial statements, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the condensed consolidated interim financial statements and reporting that opinion to you based on our audit.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out other assignments in respect of the examination of certain financial information included in the Prospectus, which are compatible with those independence requirements. Principals and employees of our firm also deal with Genesis Energy Limited (previously known as Genesis Power Limited) on arm's length terms within the ordinary course of trading activities of the group. Other than the audit, these assignments and the arm's length transactions, we have no relationship with or interests in Genesis Energy Limited (previously known as Genesis Power Limited) or any of its subsidiaries.



Andrew Dick
Deloitte

On behalf of the Auditor-General
Auckland, New Zealand

Deloitte

6.4.5 AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

COMPREHENSIVE INCOME STATEMENT

FOR THE YEAR ENDED
30 JUNE 2013

Genesis Power Limited and Subsidiaries	Note	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Operating revenue					
Electricity revenue		1,743,874	1,923,246	1,743,874	1,846,842
Gas revenue		212,467	235,786	212,467	235,361
Petroleum revenue		80,516	85,804	16,005	20,776
Other revenue	7	33,370	19,990	12,623	15,251
		2,070,227	2,264,826	1,984,969	2,118,230
Operating expenses					
Electricity purchases, transmission and distribution		(919,974)	(1,004,901)	(919,974)	(939,456)
Gas purchases and transmission		(217,211)	(249,386)	(217,216)	(249,035)
Petroleum production, marketing and distribution		(31,501)	(35,046)	(18,681)	(23,985)
Fuels consumed		(259,883)	(288,428)	(303,526)	(334,101)
Employee benefits		(83,551)	(80,753)	(83,551)	(79,939)
Other operating expenses	8	(221,658)	(219,023)	(216,390)	(208,806)
		(1,733,778)	(1,877,537)	(1,759,338)	(1,835,322)
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses		336,449	387,289	225,631	282,908
Depreciation, depletion and amortisation	9	(134,964)	(152,097)	(93,323)	(92,620)
Impairment of non-current assets	10	(6,579)	(12,369)	(6,579)	(12,369)
Revaluation of generation assets	22	1,006	-	1,006	-
Change in fair value of financial instruments	11	30,452	(11,318)	33,026	(20,961)
Other gains (losses)	12	(1,553)	(3,118)	(1,601)	(3,504)
		(111,638)	(178,902)	(67,471)	(129,454)
Profit before net finance expense and income tax		224,811	208,387	158,160	153,454
Finance revenue	13	741	2,774	18,406	24,874
Finance expense	14	(79,255)	(91,350)	(84,309)	(97,701)
Profit before income tax		146,297	119,811	92,257	80,627
Income tax (expense)	15	(41,773)	(33,418)	(26,638)	(23,031)
Net profit for the year		104,524	86,393	65,619	57,596
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Change in cash flow hedge reserve	32	(8,201)	(2,571)	(6,373)	(2,315)
Income tax credit relating to items that may be reclassified	15	2,296	720	1,784	648
Total items that may be reclassified subsequently to profit or loss		(5,905)	(1,851)	(4,589)	(1,667)
Items that will not be reclassified subsequently to profit or loss:					
Change in asset revaluation reserve	22	154,567	-	154,567	-
Income tax (expense) relating to items that will not be reclassified	15	(43,030)	-	(43,030)	-
Total items that will not be reclassified subsequently to profit or loss		111,537	-	111,537	-
Total other comprehensive income for the year		105,632	(1,851)	106,948	(1,667)
Total comprehensive income for the year		210,156	84,542	172,567	55,929

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

STATEMENT OF
CHANGES IN EQUITYFOR THE YEAR ENDED
30 JUNE 2013

		Group				
Genesis Power Limited and Subsidiaries	Note	Share capital \$000	Asset revaluation reserve \$000	Cash flow hedge reserve \$000	Retained earnings \$000	Total \$000
Balance as at 1 July 2011		540,565	694,781	(957)	477,623	1,712,012
Net profit for the year		-	-	-	86,393	86,393
Other comprehensive income						
Change in cash flow hedge reserve	32	-	-	(2,571)	-	(2,571)
Income tax credit (expense) relating to other comprehensive income	15	-	-	720	-	720
Total comprehensive income for the year		-	-	(1,851)	86,393	84,542
Revaluation reserve reclassified to retained earnings on disposal of assets		-	(549)	-	549	-
Balance as at 30 June 2012		540,565	694,232	(2,808)	564,565	1,796,554
Net profit for the year		-	-	-	104,524	104,524
Other comprehensive income						
Change in cash flow hedge reserve	32	-	-	(8,201)	-	(8,201)
Change in asset revaluation reserve	22	-	154,567	-	-	154,567
Income tax (expense) credit relating to other comprehensive income	15	-	(43,030)	2,296	-	(40,734)
Total comprehensive income for the year		-	111,537	(5,905)	104,524	210,156
Revaluation reserve reclassified to retained earnings on disposal of assets		-	612	-	(612)	-
Dividends paid	17	-	-	-	(57,000)	(57,000)
Balance as at 30 June 2013		540,565	806,381	(8,713)	611,477	1,949,710

		Parent				
Balance as at 1 July 2011		540,565	694,781	(3,122)	387,805	1,620,029
Net profit for the year		-	-	-	57,596	57,596
Other comprehensive income						
Change in cash flow hedge reserve	32	-	-	(2,315)	-	(2,315)
Income tax credit (expense) relating to other comprehensive income	15	-	-	648	-	648
Total comprehensive income for the year		-	-	(1,667)	57,596	55,929
Effect of amalgamation of subsidiaries	25	-	-	-	33,989	33,989
Revaluation reserve reclassified to retained earnings on disposal of assets		-	(549)	-	549	-
Balance as at 30 June 2012		540,565	694,232	(4,789)	479,939	1,709,947
Net profit for the year		-	-	-	65,619	65,619
Other comprehensive income						
Change in cash flow hedge reserve	32	-	-	(6,373)	-	(6,373)
Change in asset revaluation reserve	22	-	154,567	-	-	154,567
Income tax (expense) credit relating to other comprehensive income	15	-	(43,030)	1,784	-	(41,246)
Total comprehensive income for the year		-	111,537	(4,589)	65,619	172,567
Revaluation reserve reclassified to retained earnings on disposal of assets		-	612	-	(612)	-
Dividends paid	17	-	-	-	(57,000)	(57,000)
Balance as at 30 June 2013		540,565	806,381	(9,378)	487,946	1,825,514

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

BALANCE SHEET

AS AT 30 JUNE 2013

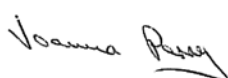
Genesis Power Limited and Subsidiaries	Note	Group 2013 \$'000	Group 2012 \$'000	Parent 2013 \$'000	Parent 2012 \$'000
Current assets					
Cash and cash equivalents	19	22,663	24,828	13,965	16,759
Receivables and prepayments	20	267,984	309,843	359,005	487,152
Inventories	21	77,226	127,146	76,771	125,372
Emission units on hand	24	1,649	868	1,649	868
Tax receivable		4,688	-	16,508	1,249
Derivatives	32	19,246	15,377	19,831	16,200
Total current assets		393,456	478,062	487,729	647,600
Non-current assets					
Property, plant and equipment	22	2,800,145	2,580,654	2,791,864	2,579,671
Oil and gas assets	23	391,855	429,150	-	-
Intangible assets	24	122,564	118,232	122,564	118,232
Inventories	21	36,930	-	36,930	-
Investments in subsidiaries	25	-	-	50,573	50,573
Receivables and prepayments	20	715	1,171	715	1,171
Derivatives	32	5,574	22,913	5,578	22,979
Total non-current assets		3,357,783	3,152,120	3,008,224	2,772,626
Total assets		3,751,239	3,630,182	3,495,953	3,420,226
Current liabilities					
Payables and accruals	29	224,815	288,342	212,882	277,645
Tax payable		-	5,715	-	-
Borrowings	30	412,925	16,494	412,925	16,494
Provisions	31	12,381	12,925	12,381	12,925
Derivatives	32	17,507	11,425	18,945	16,559
Total current liabilities		667,628	334,901	657,133	323,623
Non-current liabilities					
Payables and accruals	29	631	479	631	479
Borrowings	30	611,957	1,002,986	611,957	1,002,986
Provisions	31	117,729	110,247	65,158	62,800
Deferred tax liability	16	381,565	320,723	313,259	255,109
Derivatives	32	22,019	64,292	22,301	65,282
Total non-current liabilities		1,133,901	1,498,727	1,013,306	1,386,656
Total liabilities		1,801,529	1,833,628	1,670,439	1,710,279
Shareholder's equity					
Share capital	18	540,565	540,565	540,565	540,565
Reserves		1,409,145	1,255,989	1,284,949	1,169,382
Total equity		1,949,710	1,796,554	1,825,514	1,709,947
Total equity and liabilities		3,751,239	3,630,182	3,495,953	3,420,226

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



Rt Hon Dame Jenny Shipley DNZM
Chairman of the Board

Date: 28 August 2013



Joanna Perry MNZM
Chairman of the Audit Committee

Date: 28 August 2013

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

CASH FLOW
STATEMENTFOR THE YEAR ENDED
30 JUNE 2013

Genesis Power Limited and Subsidiaries	Note	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		2,103,789	2,168,989	2,043,679	2,022,569
Interest received		741	2,774	621	2,654
		2,104,530	2,171,763	2,044,300	2,025,223
Cash was applied to:					
Payments to suppliers and related parties		1,690,965	1,692,117	1,722,834	1,649,139
Payments to employees		83,166	79,666	83,166	78,852
Tax paid		32,068	36,680	32,068	36,680
		1,806,199	1,808,463	1,838,068	1,764,671
Net cash inflows from operating activities		298,331	363,300	206,232	260,552
Cash flows from investing activities					
Cash was provided from:					
Proceeds from disposal of property, plant and equipment		-	232	-	232
Receipts of principal from finance lease receivable		5,606	8,476	-	-
Net advances received from subsidiaries		-	-	86,522	125,418
		5,606	8,708	86,522	125,650
Cash was applied to:					
Purchase of property, plant and equipment		161,911	65,256	151,908	64,752
Purchase of oil and gas assets		459	4,669	-	2,104
Purchase of intangibles (excluding emission units)		15,823	8,238	15,823	8,237
Purchase of shares in subsidiaries		-	-	-	20,820
		178,193	78,163	167,731	95,913
Net cash (outflows) inflows from investing activities		(172,587)	(69,455)	(81,209)	29,737
Cash flows from financing activities					
Cash was provided from:					
Proceeds from borrowings		120,000	-	120,000	-
		120,000	-	120,000	-
Cash was applied to:					
Repayment of borrowings		116,000	205,000	116,000	205,000
Interest paid and other finance charges		71,230	81,664	71,138	81,601
Repayment of principal on finance lease liabilities		3,679	3,461	3,679	3,461
Ordinary dividend paid		57,000	-	57,000	-
		247,909	290,125	247,817	290,062
Net cash (outflows) inflows from financing activities		(127,909)	(290,125)	(127,817)	(290,062)
Net increase (decrease) in cash and cash equivalents		(2,165)	3,720	(2,794)	227
Cash and cash equivalents at 1 July		24,828	21,108	16,759	13,876
Cash transferred on amalgamation of subsidiary		-	-	-	2,656
Cash and cash equivalents at 30 June	19	22,663	24,828	13,965	16,759

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

CASH FLOW STATEMENT CONTINUED

FOR THE YEAR ENDED
30 JUNE 2013

Genesis Power Limited and Subsidiaries	Note	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Reconciliation of profit (loss) to net cash inflow from operating activities					
Profit (loss) for the year		104,524	86,393	65,619	57,596
Items classified as investing/financing activities					
Net (gain) loss on disposal of property, plant and equipment	12	266	561	266	561
Interest and other finance charges paid		74,341	87,057	81,794	94,956
Interest received from subsidiaries	13	-	-	(17,785)	(22,220)
Other items classified as investing/financing activities		-	2,517	(1)	2,520
		74,607	90,135	64,274	75,817
Non-cash items					
Depreciation, depletion and amortisation expense	9	134,964	152,097	93,323	92,620
Revaluation of generation assets	22	(1,006)	-	(1,006)	-
Impairment of non-current assets	10	6,579	12,369	6,579	12,369
Change in fair value of financial instruments	11	(30,452)	11,318	(33,026)	20,961
Deferred tax expense	15	20,108	3,217	16,904	1,051
Change in capital expenditure accruals		10,624	15,490	8,217	15,490
Change in rehabilitation and contractual arrangement provisions		(3,984)	(16,404)	(1,352)	3,687
Transfer of tax losses within the Group		-	-	(7,074)	(6,636)
Effect of amalgamation of subsidiaries		-	-	-	(10,808)
Other non-cash items		1,544	-	1,544	-
		138,377	178,087	84,109	128,734
Movements in working capital					
Change in receivables and prepayments (excluding advances to subsidiaries and finance lease receivable)		35,454	(94,921)	59,396	(102,681)
Change in inventories		12,990	41,116	11,671	42,341
Change in emission units on hand		(781)	3,039	(781)	3,039
Change in payables and accruals		(63,375)	47,359	(64,611)	64,164
Change in tax receivable/payable		(10,403)	(6,551)	(15,259)	(5,462)
Change in provisions		6,938	18,643	1,814	(2,996)
		(19,177)	8,685	(7,770)	(1,595)
Net cash inflow from operating activities		298,331	363,300	206,232	260,552

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Genesis Power Limited (the 'Parent') is a company registered under the Companies Act 1993. The Parent became a state-owned enterprise on 16 December 1998 pursuant to the State-Owned Enterprises Act 1986. The Parent is wholly owned by Her Majesty the Queen in Right of New Zealand (the 'Crown'). The liabilities of the Parent are not guaranteed in any way by the Crown. The Parent is an issuer for the purposes of the Financial Reporting Act 1993.

Genesis Power Limited and its subsidiaries, interests in associates and jointly controlled entities (together the 'Group') are designated as profit oriented entities for financial reporting purposes.

The Group's core business is located in New Zealand and involves the generation of electricity, retailing and trading of energy, and the development and procurement of fuel sources. To support these functions, the Group's scope of business includes retailing and trading of related complementary products designed to support its key energy business.

Basis of preparation

These financial statements are prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP'), New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS'), and other applicable New Zealand Financial Reporting Standards as appropriate for profit-oriented entities. These financial statements comply with International Financial Reporting Standards ('IFRS').

The financial statements are prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993, and are presented in New Zealand dollars rounded to the nearest thousand. The accounting policies adopted in the preparation of these financial statements are set

out below. These policies have been consistently applied to all years presented, unless otherwise stated.

These financial statements are prepared under the historical-cost convention, modified by the revaluation of derivatives and generation assets.

Critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, revenues and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas of estimation in these financial statements are as follows:

Revenue estimates for unread gas and electricity meters

The financial statements include an accrual for unread gas and electricity meter revenue at balance date. The accrual involves estimating the consumption for each unread meter based on the customer's past consumption history. The key assumptions used in the calculation and the carrying value of accrued revenue is disclosed in note 20.

Valuation of generation assets

The Group's generation assets are carried at fair value. The fair value is based on the present value of the estimated future cash flows of the assets, excluding any reduction for costs associated with rehabilitation and restoration. The key assumptions used in the

valuation and the carrying value of generation assets is disclosed in note 22.

Depletion of oil and gas producing assets

Depletion of oil and gas producing assets is based on the proven reserves to which the assets relate. Proven reserve estimates can change over time. The proven reserve estimates used to deplete the oil and gas producing assets and the carrying value of the assets is disclosed in note 23.

Valuation of rehabilitation and restoration provision

The financial statements include an estimate of the liability in relation to the abandonment and restoration of generation and oil and gas production sites. Such estimates are measured at the present value of the cash flows expected to settle the obligation. The key assumptions used in the calculation and the carrying value of the rehabilitation and restoration provision is disclosed in note 31.

Valuation of electricity derivatives

The valuation of electricity derivatives classified as level three financial instruments is based on forecasted internally generated electricity price paths which incorporate a number of assumptions. The key assumptions used in the valuation and the carrying value of electricity derivatives classified as level three financial instruments is disclosed in note 33.

2. Summary of accounting policies

(a) Basis of consolidation

The consolidated financial statements include the Parent and its subsidiaries, associates and jointly controlled assets and entities.

Subsidiaries

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies (control). Subsidiaries are consolidated from the date control is acquired. They are de-consolidated from the date control ceases. The acquisition method of accounting

is used to account for the acquisition of subsidiaries.

Investments in subsidiaries are recognised at cost less impairment in the Parent's financial statements. When a subsidiary is amalgamated, the amalgamation is performed on a line-by-line basis on the date the amalgamation takes effect. The net profit of the subsidiary up to the date of the amalgamation is recognised directly in equity. All inter-entity balances are eliminated on amalgamation.

Jointly controlled assets and jointly controlled entities

Where the Group invests in jointly controlled assets or jointly controlled entities, the Group's share of revenue, expenditure, assets and liabilities is included in the appropriate categories within the Group financial statements on a proportionate line-by-line basis.

Associates

Associates are all entities over which the Group has significant influence but not control. Associates are recognised in the Parent's financial statements at cost and in the Group financial statements using the equity method which recognises the Group's share of net profit in profit or loss and its share of post acquisition movements in reserves in other comprehensive income.

Transactions and balances eliminated on consolidation

Intercompany transactions, balances, revenue and expenditure between Group companies are eliminated on consolidation.

(b) Goods and Services Tax ('GST')

The financial statements are prepared on a GST-exclusive basis with the exception of receivables and payables, which include GST where GST has been invoiced.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of prompt-payment discounts. Revenue is recognised when the significant risks and rewards of

2. Summary of accounting policies continued

ownership have passed or when the service has been rendered to the customer.

(d) Foreign currency transactions

Transactions denominated in a foreign currency are converted at the exchange rate in effect at the date of the transaction. At balance date monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Exchange gains and losses arising from these translations and the settlement of these items are recognised in profit or loss, except when deferred in equity where cash flow hedging is applied (refer to the derivatives accounting policy (r) below).

(e) Finance expense

Finance expense includes interest, bank and facility fees, transaction costs and time value of money adjustments on provisions. Interest, bank and facility fees and transaction costs are recognised in profit or loss over the period of the borrowings using the effective interest rate method, unless such costs relate to funding capital work in progress. Time value of money adjustments on provisions are recognised in profit or loss up to the point the provision is used or released. Finance expense on capital work in progress (qualifying assets) is capitalised during the construction period. The capitalisation rate used to determine the amount of finance expense to be capitalised is based on the weighted average finance expenses incurred by the Group.

(f) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is the tax payable on the current year's taxable income, based on the income tax rate, adjusted for changes in deferred tax assets and liabilities attributable to temporary differences. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case the

income tax is recognised in other comprehensive income. Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, together with any unpaid tax or adjustment to tax payable in respect of previous years. Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

(g) Receivables

Receivables are initially recognised at fair value and are subsequently measured at amortised cost less any allowance for doubtful receivables. Receivables which are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that the Group will not be able to collect amounts due. The allowance for doubtful receivables is the difference between the carrying value and the estimated recoverable amount.

(h) Inventories

Inventories are recognised at the lower of cost and net realisable value. Cost is determined using the weighted average cost basis which includes expenditure incurred in bringing each inventory to its present location and condition, including shipping and handling. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Property, plant and equipment

Generation assets

Generation assets include land and buildings associated with

generation assets. Generation assets are recognised in the balance sheet at their revalued amounts, being the fair value at the date of their revaluation, less any subsequent accumulated depreciation and impairment losses. The underlying assumptions used in the revaluation are reviewed annually and revaluations are performed with sufficient regularity, not exceeding five years, to ensure the carrying amount does not differ materially from that which would be determined using fair values at the balance date.

Any increase in the revaluation of individual generation assets is recognised in other comprehensive income, unless it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case it is recognised in profit or loss to the extent of the decrease previously recognised in profit or loss. A decrease in carrying amount arising on the revaluation of individual generation assets is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying value of the asset so that the gross carrying amount after revaluation equals the revalued amount.

Subsequent additions to generation assets are recognised at cost. Cost includes the consideration given to acquire the asset plus any other costs incurred in bringing the asset to the location and condition necessary for its intended use including major inspection costs, resource consent and relationship agreement costs. The cost of assets constructed by the Group includes the cost of all materials and direct labour used in construction, resource consent costs, finance expenses and an appropriate proportion of applicable variable and fixed overheads.

All other categories of property, plant and equipment

All other categories of property, plant and equipment, with the exception of land and capital work in progress, are recognised at cost less accumulated depreciation and any accumulated impairment losses. Land and capital work in progress are not depreciated.

Depreciation

For generation assets carried at fair value, their fair value, less any estimated residual value, is charged to profit or loss on a straight-line basis over its estimated remaining useful life. Where a generation asset's remaining useful life changes, the depreciation charge is adjusted prospectively. The estimated remaining useful lives of generation assets used in the depreciation calculation are as follows:

Estimated remaining useful life	
Generation assets	up to 80 years

For all other property, plant and equipment carried at cost, their cost, less any estimated residual value, is charged to profit or loss on a straight-line basis over their estimated useful lives. The estimated useful lives of different classes of property plant and equipment are as follows:

Estimated useful life	
Buildings and improvements	10 to 50 years
Other plant and equipment	three to 15 years
Leased plant and equipment	20 to 25 years

The estimated useful lives of assets are reviewed annually. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset. The gain or loss is recognised in profit or loss. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Summary of accounting policies continued

(j) Oil and gas assets

Exploration and evaluation expenditure

All exploration and evaluation costs, including directly attributable overheads, general permit activity and geological and geophysical costs are expensed as incurred except for the costs of drilling exploration wells and the costs of acquiring new interests. The costs of drilling exploration wells is initially capitalised pending the determination of the success of the well. Costs are expensed immediately where the well does not result in a successful discovery. Costs incurred before the Group has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditure assets are not amortised, instead they are assessed annually for indicators of impairment. Any impairment is recognised in profit or loss. Once commercial approval has been obtained for the development of a project the accumulated expenditure in relation to the project is transferred to oil and gas development assets.

Oil and gas producing assets

Oil and gas producing assets include costs associated with the production station transferred from development expenditure and mining licences. Depletion of oil and gas producing assets is based on the amount of units produced during the period in comparison to the total expected to be produced from the proven reserves. Proven reserves are the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs, under existing economic and operating conditions. Proven reserves are defined as those which have a 90 per cent likelihood of being delivered. The proven oil and gas reserves used to deplete the oil and gas producing assets is reviewed annually and is disclosed in note 23.

Other oil and gas assets

Other oil and gas assets include land, buildings, storage facilities, sales pipeline, motor vehicles and the ongoing costs of continuing to develop reserves for production. The cost of other oil and gas assets less any estimated residual value is charged to the profit or loss on a straight-line basis over their estimated useful lives. The estimated useful lives of other oil and gas assets are as follows:

	Estimated useful life
Buildings	50 years
Storage facilities	25 years
Sales pipeline	25 years
Motor vehicles	five years

(k) Intangible assets

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets. Goodwill on the acquisition of associates is included in the investment in associates. Goodwill is assessed as having an indefinite useful life and is not amortised but is subject to annual impairment testing or whenever there are indications of impairment.

Computer software

Items of computer software are assets with finite lives. These assets are recognised at these less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful life of each asset from the date it is available for use. The estimated useful life is between one and four years.

Emission units

Emission units are purchased (or granted by the Crown) to meet the Group's emission obligation. Emission units on hand and receivable are initially recognised at fair value. Fair value is cost in the case of purchased units or the initial market value in the

case of government granted units and units receivable from third parties. Emission units receivable from Group entities are recognised using the weighted average cost of emission obligations incurred by the Group on the date the receivable is recognised. The difference between cost and fair value of government granted units is treated as revenue. Emission units are not revalued subsequent to initial recognition. Emission units receivable are accounted for in the period in which they are earned within receivables and prepayments and are transferred to intangibles when the emission units are received. Emission units on hand are assessed as having an indefinite useful life and are not amortised but are subject to annual impairment testing or whenever there are indicators of impairment.

Naming rights

Naming rights are assets with finite lives. These assets are recognised at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful life of the asset from the date it is available for use. The useful life is based on the contract period which ranges between one and 15 years.

(l) Impairment of assets

Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets that are subject to depletion, depreciation or amortisation are reviewed for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an asset's carrying value exceeds its recoverable amount, the difference is recognised as an impairment loss in profit or loss.

The recoverable amount is the higher of an asset's fair value less costs to sell, and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at a rate that reflects

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

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

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

(m) Payables and accruals

Payables and accruals are recognised when the Group becomes obligated to make future payments resulting from the purchase of goods or services, and are subsequently carried at amortised cost.

(n) Employee benefits

A liability for employee benefits (wages and salaries, annual and long-service leave and employee incentives) is recognised when it is probable that settlement will be required and the amount is capable of being measured reliably. Provisions made in respect of employee benefits are measured using the remuneration rate expected to apply at the time of settlement.

(o) Emission obligations

Emission obligations are recognised as a liability when the Group incurs the emission obligation. Emission units

2. Summary of accounting policies continued

payable to third parties are recognised at the average cost of emission units on hand up to the amount of emission units on hand at the recognition date. Where the emission obligation exceeds the level of units on hand, the excess obligation over the units on hand is measured at the contract price where forward contracts exist or the market price for any obligation not covered by units on hand or forward contracts. Emission units payable to Group entities are recognised using the weighted average cost of emission obligations incurred by the Group on the date the obligation is recognised.

(p) Borrowings

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

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

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as the provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(r) Derivatives

The Group has the following derivatives:

- Interest rate swaps and options;
- Foreign exchange swaps and options;
- Electricity swaps and options; and
- Oil swaps and options.

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

For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges where the Group hedges the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a highly probable forecast transaction; or
- Fair value hedges where the Group hedges the exposure to changes in fair value of a recognised asset or liability.

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

Cash flow hedges

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

Amounts accumulated in other comprehensive income are reclassified to profit or loss in the period when the hedged item will affect the profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or liability, the gains and losses previously deferred in the cash flow hedge reserve are reclassified from the cash flow hedge reserve and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss at that time remains in the cash flow hedge reserve and is reclassified to profit or loss when the transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gain or loss recognised in the cash flow hedge reserve is reclassified immediately to profit or loss.

Fair value hedges

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

Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss.

(s) Financial instruments

For financial reporting purposes, the Group designates its financial instruments into the following categories:

Loans and receivables

- Cash and cash equivalents
- Receivables

Financial instruments designated at fair value through profit or loss

- Foreign exchange swaps
- Interest rate swaps and options
- Electricity swaps

Financial instruments held for trading (derivatives not designated as hedges)

- Foreign exchange options
- Electricity swaps and options
- Oil swaps and options

Financial liabilities measured at amortised cost

- Payables
- Borrowings

(t) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. When assets are leased under a finance lease, the present value of the minimum lease payments is recognised as either a payable or receivable in the balance sheet. Repayments are allocated between the capital and interest over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the lease term. Receipts from operating leases are recognised in profit or loss on a straight-line basis over the lease term.

(u) Statement of cash flows

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

Operating activities

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, oil and gas assets, intangible assets (excluding emission units) and investments.

Financing activities

Financing activities are those activities that result in changes to the size and composition of the capital structure of the Group. They include both equity and debt not falling within the

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Summary of accounting policies continued

definition of cash. Dividends and interest paid in relation to the capital structure are included in financing activities.

Taxation credits (debits) disclosed in operating activities include the net amount of GST paid/received during the year and net advances and loans to subsidiaries disclosed in investing activities include the net amount paid/received during the year. GST and advances and loans to subsidiaries are disclosed on a net basis as the gross amounts do not provide meaningful information for financial statement purposes.

(v) Capital and reserves

Asset revaluation reserve

The asset revaluation reserve is used to record movements in the fair value of generation assets in accordance with the property, plant and equipment accounting policy.

Cash flow hedging reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow

hedging instruments related to hedge transactions that have not yet occurred.

(w) Dividends

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

3. Prior period adjustment

The comparative results for the Group and Parent have been restated for a prior period error relating to Wholesale contract revenues that were misstated. The error was detected during the current financial year and, in accordance with the requirements stated in NZ IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' certain comparative figures have been restated as shown below. The error had the effect of overstating the Group and Parent's profit for the previous year. The error has been corrected by restating for each affected financial statement line item the prior period presented as described below.

	Group and Parent 2012 \$000
Impact on profit:	
(Decrease) in electricity revenue	(5,356)
Decrease in income tax expense	1,500
Net (decrease) in profit for the year	(3,856)
Represented by changes in the following balance sheet line items:	
(Decrease) in cash and cash equivalents	(5,356)
Decrease in tax payable	1,500
Net (decrease) in total equity	(3,856)
Impact on cash flow statement:	
Net (decrease) in receipts from customers	(5,356)
(Decrease) in cash and cash equivalents at 30 June 2012	(5,356)

The corresponding notes have also been restated to reflect the changes above.

4. Adoption of new and revised accounting standards, interpretations and amendments

There have been no new and revised accounting standards, interpretations or amendments effective during the year which have a material impact on the Group's accounting policies or disclosures.

5. Accounting standards, interpretations and amendments in issue not yet effective

NZ IFRS 9 *Financial Instruments* is effective for annual reporting periods beginning on or after 1 January 2015. The Group is therefore required to adopt this standard by 30 June 2016. The standard is not expected to have a material impact on the Group's financial statements.

NZ IFRS 10 *Consolidated Financial Statements* is effective for annual reporting periods beginning on or after 1 January 2013. The Group is therefore required to adopt this standard by 30 June 2014. NZ IFRS 10 introduces a single basis for consolidation for all entities regardless of the type of investment it is. The standard is not expected to have a material impact on the Group's financial statements.

NZ IFRS 11 *Joint Arrangements* is effective for annual reporting periods beginning on or after 1 January 2013. The Group is therefore required to adopt this standard by 30 June 2014. NZ IFRS 11 classifies joint arrangements as either joint operations or joint ventures. NZ IFRS 11 requires joint operators to recognise assets, liabilities, revenue and expenses in relation to their interests in the joint operation whereas joint ventures are required to be accounted for using the equity

method. The initial assessment by the Group indicates that the jointly controlled assets and entities held by the Group (refer to note 26) are likely to be classified as joint operations under NZ IFRS 11 and hence the standard is unlikely to have a material impact on the Group's financial statements.

NZ IFRS 12 *Disclosure of Interests in Other Entities* is effective for annual reporting periods beginning on or after 1 January 2013. The Group is therefore required to adopt this standard by 30 June 2014. NZ IFRS 12 introduces extensive new disclosure requirements. The Group has yet to determine the impact this standard will have on the financial statement disclosures.

NZ IFRS 13 *Fair Value Measurement* is effective for annual reporting periods beginning on or after 1 January 2013. The Group is therefore required to adopt this standard by 30 June 2014. NZ IFRS 13 establishes a single framework for measuring fair value which it applies to both financial and non-financial items measured at fair value. It also introduces a number of new disclosure requirements. The Group has two categories of assets and liabilities carried at fair value being generation assets and derivatives. The Group has yet to determine the impact this standard will have on these balances and associated disclosures.

All other standards, interpretations and amendments approved but not yet effective in the current year are either not applicable to the Group or are not expected to have a material impact on the Group's financial statements and therefore have not been discussed.

6. Segment reporting

For management purposes, the Group is currently organised into four segments as follows:

Segment	Activity
Customer experience	Supply of energy (electricity, gas and LPG) to end-user customers as well as related services.
Energy management	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.
Oil and gas	Exploration, development, production and sale of gas, LPG and light oil.
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.

The segments are based on the different products and services offered by the Group. No operating segments have been aggregated.

	Group					
	Customer experience \$000	Energy management \$000	Oil and gas \$000	Corporate \$000	Inter-segment items \$000	Total \$000
YEAR ENDED 30 JUNE 2013						
Operating revenue						
Electricity revenue	1,115,418	1,120,523	-	-	(492,067)	1,743,874
Gas revenue	124,669	133,393	46,788	-	(92,383)	212,467
Petroleum revenue	-	-	80,516	-	-	80,516
Other revenue	2,848	8,984	18,714	2,824	-	33,370
Total revenue	1,242,935	1,262,900	146,018	2,824	(584,450)	2,070,227
Operating expenses						
Electricity purchase, transmission and distribution	(947,776)	(464,265)	-	-	492,067	(919,974)
Gas purchase and transmission	(111,724)	(154,278)	-	-	48,791	(217,211)
Petroleum production, marketing and distribution	-	-	(31,501)	-	-	(31,501)
Fuel consumed	-	(303,526)	51	-	43,592	(259,883)
Employee benefits	(24,964)	(34,120)	(7)	(24,460)	-	(83,551)
Other operating costs	(117,540)	(83,319)	(5,386)	(15,413)	-	(221,658)
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses	40,931	223,392	109,175	(37,049)	-	336,449
Depreciation, depletion and amortisation	(3,990)	(77,891)	(40,387)	(12,696)	-	(134,964)
Impairment of non-current assets	(2,346)	(4,233)	-	-	-	(6,579)
Revaluation of generation assets	-	1,006	-	-	-	1,006
Change in fair value of financial instruments	-	33,497	(2,573)	(472)	-	30,452
Other gains (losses)	-	(1,455)	49	(147)	-	(1,553)
Profit (loss) before net finance expense and income tax	34,595	174,316	66,264	(50,364)	-	224,811
Finance revenue	135	-	121	485	-	741
Finance expense	(248)	(2,908)	(2,491)	(73,608)	-	(79,255)
Profit (loss) before income tax	34,482	171,408	63,894	(123,487)	-	146,297
Other segment information						
Capital expenditure	5,402	145,576	3,091	13,114	-	167,183

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. Segment reporting continued

	Group					
	Customer experience \$000	Energy management \$000	Oil and gas \$000	Corporate \$000	Inter- segment items \$000	Total \$000
YEAR ENDED 30 JUNE 2012						
Operating revenue						
Electricity revenue	1,081,485	1,313,589	-	-	(471,828)	1,923,246
Gas revenue	121,956	162,043	48,351	-	(96,564)	235,786
Petroleum revenue	-	-	85,804	-	-	85,804
Other revenue	3,922	10,825	102	5,141	-	19,990
Total revenue	1,207,363	1,486,457	134,257	5,141	(568,392)	2,264,826
Operating expenses						
Electricity purchase, transmission and distribution	(895,762)	(580,967)	-	-	471,828	(1,004,901)
Gas purchase and transmission	(118,802)	(181,470)	-	-	50,886	(249,386)
Petroleum production, marketing and distribution	-	-	(35,046)	-	-	(35,046)
Fuel consumed	-	(334,106)	-	-	45,678	(288,428)
Employee benefits	(29,119)	(30,869)	-	(20,765)	-	(80,753)
Other operating costs	(110,342)	(87,532)	(4,299)	(16,850)	-	(219,023)
Earnings before net finance expense, income tax, depreciation, amortisation, fair value changes and other gains and losses	53,338	271,513	94,912	(32,474)	-	387,289
Depreciation, depletion and amortisation	(4,890)	(77,486)	(56,297)	(13,424)	-	(152,097)
Impairment of non-current assets	-	(12,145)	(24)	(200)	-	(12,369)
Change in fair value of financial instruments	-	(18,716)	9,643	(2,245)	-	(11,318)
Other gains (losses)	-	(2,470)	387	(1,035)	-	(3,118)
Profit (loss) before net finance expense and income tax	48,448	160,696	48,621	(49,378)	-	208,387
Finance revenue	67	-	110	2,597	-	2,774
Finance expense	(480)	(3,413)	(1,549)	(85,908)	-	(91,350)
Profit (loss) before income tax	48,035	157,283	47,182	(132,689)	-	119,811
Other segment information						
Capital expenditure	4,219	40,800	23,252	11,350	-	79,621

Inter-segment revenue

Sales between segments is based on transfer prices developed in the context of long-term contracts.

Geographic information

All business segments operate within New Zealand.

Major customer information

The Group has no individual customers that account for 10 per cent or more of the Group's external revenue (2012: none).

7. Other revenue

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Other operating revenue	9,852	12,727	9,852	12,727
Finance and operating lease income	3,215	5,923	1,076	1,234
Government grants	17	67	17	67
Miscellaneous income	1,686	1,273	1,678	1,223
Insurance compensation	18,600	-	-	-
	33,370	19,990	12,623	15,251

The insurance proceeds relate to the Group's share in an insurance settlement payment to the Kupe Joint Ventures Oil and Gas Project for claims in respect of its offshore subsea utilities umbilical cable and umbilical clamps during the construction phase of the project.

8. Other operating expenses

	Note	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Other operating expenses include:					
Auditor's remuneration:					
- Audit services (Deloitte) ¹		350	452	350	452
- Other services (Deloitte) ²		51	51	51	51
Directors' fees		480	534	480	534
Bad debts		6,437	8,501	6,437	8,191
Allowance for doubtful receivables	20	(1,041)	(1,884)	(1,041)	(2,037)
Donations		316	229	316	229
Employee benefits expense – defined contributions		2,735	2,566	2,735	2,566
Inventory write-downs		31	928	31	928
Rental expenses on operating leases		8,298	8,203	8,298	7,980

1 The 31 December 2011 half-year review fee is included in the 2012 audit services fee for Deloitte disclosed above.

2 During the year, other services provided by Deloitte related to Trustee Reporting and review of the Global Reporting Initiative ('GRI') report (2012: GRI report and Trustee reporting).

9. Depreciation, depletion and amortisation

	Note	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Depreciation of property, plant and equipment	22	80,571	80,373	80,571	80,259
Depreciation and depletion of oil and gas assets	23	40,386	56,297	-	-
Amortisation of intangibles	24	12,752	12,462	12,752	12,361
Amortisation of finance lease receivable reset adjustment		1,255	2,965	-	-
		134,964	152,097	93,323	92,620

10. Impairment of non-current assets

	Note	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Impairment of property, plant and equipment	22	6,579	12,345	6,579	12,345
Impairment (reversal) of oil and gas assets	23	-	24	-	24
		6,579	12,369	6,579	12,369

Impairment of property, plant and equipment relates to expenditure of a capital nature on Huntly units 1 to 4 and 6 included in the Energy management segment. The expenditure is immediately impaired when incurred as the fair value of these units is nil (refer to note 22).

Impairment of oil and gas assets in the prior year relates to the exploration and evaluation assets relating to Mangatua gas and condensate field which was not economic to develop further. The amount written off represents capitalised exploration expenditure on that field to date and includes allowances for restoration and rehabilitation.

11. Change in fair value of financial instruments

	Note	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Change in fair value of derivatives	32	32,803	(7,980)	35,377	(17,623)
Fair value interest rate risk adjustment on borrowings	30	(2,351)	(3,338)	(2,351)	(3,338)
		30,452	(11,318)	33,026	(20,961)

12. Other gains (losses)

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Net gain (loss) on financial liabilities measured at amortised cost:				
- Net realised foreign exchange (loss)	(351)	(830)	(213)	(1,166)
- Net unrealised foreign exchange gain	188	52	2	2
Other gains (losses):				
- Net (loss) on disposal of property, plant and equipment	(266)	(561)	(266)	(561)
- Net (loss) on disposal of emission units	(1,124)	(1,779)	(1,124)	(1,779)
	(1,553)	(3,118)	(1,601)	(3,504)

13. Finance revenue

	Note	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Interest from other loans and receivables and short-term deposits		741	2,774	621	2,654
Interest from subsidiaries	28	-	-	17,785	22,220
		741	2,774	18,406	24,874

14. Finance expense

	Note	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Interest on borrowings (excluding Capital Bonds)		46,049	61,281	46,049	61,281
Interest on Capital Bonds		29,214	23,414	29,214	23,414
Interest on finance lease liabilities		599	819	599	819
Interest on other loans and payables		220	234	220	222
Interest on advances from subsidiaries	28	-	-	7,545	7,962
Total interest expense		76,082	85,748	83,627	93,698
Other finance charges		486	1,762	486	1,711
Time value of money adjustments on provisions	31	5,006	4,293	2,515	2,745
		81,574	91,803	86,628	98,154
Capitalised finance expenses	22	(2,319)	(453)	(2,319)	(453)
		79,255	91,350	84,309	97,701
Weighted average capitalisation rate		0.2%	0.0%	0.2%	0.0%

Interest on Capital Bonds includes \$4.6 million of accelerated bond issue amortisation costs. These costs were accelerated following the capital bond modification process. Refer to note 30 for further details.

15. Income tax

	Note	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Income tax expense (credit)					
Current tax					
- Current year		20,683	29,633	8,864	21,123
- Under (over) provided in prior years		982	568	870	857
Deferred tax					
- Current year (excluding change in tax rate)		20,710	5,066	17,397	2,604
- Under (over) provided in prior years		(602)	(1,849)	(493)	(1,553)
Income tax expense (credit)		41,773	33,418	26,638	23,031
Current tax		21,665	30,201	9,734	21,980
Deferred tax	16	20,108	3,217	16,904	1,051
		41,773	33,418	26,638	23,031

15. Income tax continued

Reconciliation of income tax expense (credit) on pre-tax accounting profit to income tax expense (credit)

Note	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Profit (loss) before income tax	146,297	119,811	92,257	80,627
Income tax at 28%	40,963	33,547	25,832	22,576
Tax effect of adjustments:				
– Under (over) provided in prior years	380	(1,281)	377	(696)
– Non taxable/deductible items	430	1,152	429	1,151
	41,773	33,418	26,638	23,031

Income tax recognised directly in other comprehensive income

Cash flow hedges	32	(2,296)	(720)	(1,784)	(648)
Revaluation of generation assets		43,030	-	43,030	-
	16	40,734	(720)	41,246	(648)

Imputation credits

Imputation credits available for use in subsequent reporting periods	297,151	294,505	261,386	290,644
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16. Deferred tax liability

		Group				
Note	Property, plant and equipment \$000	Oil and gas assets \$000	Provisions \$000	Finance lease liabilities \$000	Other \$000	Total \$000
Balance as at 1 July 2011	414,614	(50,985)	(28,343)	(6,109)	(10,951)	318,226
Amount recognised in profit or loss	15	(1,208)	14,926	559	(5,268)	3,217
Amount recognised in other comprehensive income	15	-	-	-	(720)	(720)
Balance as at 30 June 2012	413,406	(36,059)	(34,135)	(5,550)	(16,939)	320,723
Amount recognised in profit or loss	15	(2,469)	15,412	632	5,697	20,108
Amount recognised in other comprehensive income	15	43,030	-	-	(2,296)	40,734
Balance as at 30 June 2013	453,967	(20,647)	(33,299)	(4,918)	(13,538)	381,565

		Parent				
Note	Property, plant and equipment \$000	Provisions \$000	Finance lease liabilities \$000	Other \$000	Total \$000	
Balance as at 1 July 2011	291,674	(18,117)	(6,109)	(11,951)	255,497	
Amount recognised in profit or loss	15	7,859	267	559	(7,634)	1,051
Amount recognised in other comprehensive income	15	-	-	-	(648)	(648)
Effect of amalgamation of subsidiaries		(50)	-	-	(741)	(791)
Balance as at 30 June 2012	299,483	(17,850)	(5,550)	(20,974)	255,109	
Amount recognised in profit or loss	15	7,727	(729)	632	9,274	16,904
Amount recognised in other comprehensive income	15	43,030	-	-	(1,784)	41,246
Balance as at 30 June 2013	350,240	(18,579)	(4,918)	(13,484)	313,259	

16. Deferred Tax Liability continued

Unrecognised deferred tax assets and liabilities

Taxable temporary differences in relation to investments in subsidiaries for which deferred tax liabilities have not been recognised amounts to \$33.5 million (2012: \$25.7 million).

During the year, Stage One of the Tekapo Canal Remediation Project was completed. While it is Management's view that the remediation costs are deductible as repairs and maintenance, they accept that there is a potential risk that these costs may be considered by the Inland Revenue to be capital in nature for tax purposes. Consequently, as a prudent measure, at 30 June 2013 Management treated the costs as capital in nature. Further work is to be done to finalise the treatment of this expenditure for tax return purposes. Potentially if the expenditure is determined to be fully deductible as repairs and maintenance it could reduce tax payable and increase deferred tax liabilities by up to \$29.4 million (2012: Nil).

Tax depreciation deductions are disallowed for buildings with estimated useful lives of 50 years or more from 1 July 2011. As a result, adjustments to deferred tax liabilities totalling \$12.4 million were made in the 2010 and 2011 year relating to generation powerhouse assets, offices and leasehold improvements. While it is Management's view that powerhouse assets should not be captured, they accept that there is a potential risk that a portion of the asset may be considered by the Inland Revenue to be a building for tax purposes with the balance more appropriately being identified as plant. Consequently, as a prudent measure, a deferred tax liability was recognised. In the event that powerhouse assets are not deemed to be buildings by the Inland Revenue, deferred tax liabilities may be reduced by the amount previously recognised.

17. Dividends

A fully imputed dividend of \$57.0 million (10.5 cents per share) was paid during the year (2012: nil).

A fully imputed final dividend of \$57.0 million (10.5 cents per share) was declared subsequent to balance date.

18. Share capital

The share capital is represented by 540,565,000 (2012: 540,565,000) ordinary shares authorised, issued and fully paid. All shares have equal voting rights and share equally in dividends and any surplus on winding up. The shares have no par value.

19. Cash and cash equivalents

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Cash at bank and on hand	22,663	17,728	13,965	9,659
Short-term deposits	-	7,100	-	7,100
	22,663	24,828	13,965	16,759

20. Receivables and prepayments

	Note	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Trade receivables		163,268	223,042	152,295	218,417
Accrued revenue for unread gas and electricity meters		78,048	73,368	78,048	73,368
Allowance for doubtful receivables		(6,567)	(7,937)	(6,567)	(7,937)
		234,749	288,473	223,776	283,848
Net advances to (from) subsidiaries	28	-	-	123,799	193,006
Finance lease receivable		-	6,861	-	-
Emission units receivable		778	2,937	778	2,937
Other receivables		19,100	334	159	192
Prepayments		14,072	12,409	11,208	8,340
Total		268,699	311,014	359,720	488,323
Current		267,984	309,843	359,005	487,152
Non-current		715	1,171	715	1,171
Total		268,699	311,014	359,720	488,323

Estimating accrued revenue for unread gas and electricity meters

The key assumptions used to calculate the accrual for unread gas and electricity meters are volume and price. Where possible, the Group estimates the volume of gas and electricity consumed since the last meter reading up to balance date based on the volume recorded in the last two actual meter readings. The accrual is also compared to electricity purchases and line losses for consistency. Given the accrual involves estimating the volume of gas and electricity consumed, actual invoices could be materially different to the accrual recognised at balance date. If the volume estimated at balance date was to increase or decrease by 15 per cent, the accrual would increase or decrease by \$11.7 million. While a change in volume estimates would have an impact on accrued revenue, it would also have an impact on accrued expenses. There have been no significant changes in the assumptions used to calculate the accrual in comparison to the prior year.

20. Receivables and prepayments continued

Movement in the allowance for doubtful receivables

	Note	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Balance at 1 July		(7,937)	(9,718)	(7,937)	(9,244)
Amounts written off (recovered) during the year		182	(262)	182	(889)
Decrease in allowance recognised in expenditure	8	1,041	1,884	1,041	2,037
Decrease in allowance recognised in other revenue		147	159	147	159
Balance at 30 June		(6,567)	(7,937)	(6,567)	(7,937)

Changes in the allowance for occupier debt is recognised in other revenue in profit or loss. All other allowances for doubtful receivables is recognised in the allowance for doubtful receivables expense within other operating expenses in profit or loss.

The total value of individually impaired receivables included in the allowance for doubtful receivables was \$0.9 million for the Group and \$0.9 million for the Parent (2012: \$1.6 million and \$1.6 million respectively).

Receivables past due but not impaired

Included in trade receivables are receivables that are past due but not impaired. These relate to customers who pay outside normal commercial terms and for whom there is no recent history of default. Below is the value of receivables past due that have not been impaired or provided for in the allowance for doubtful receivables:

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Age category				
30-60 days	1,917	2,411	1,917	2,411
60-90 days	680	706	680	706
>90 days	2,152	1,679	2,152	1,679
Total receivables past due but not impaired or provided for	4,749	4,796	4,749	4,796

Finance lease receivable

On 1 April 1999, Kinleith Cogeneration Limited (a subsidiary company) purchased a finance lease receivable from the Electricity Corporation of New Zealand ('ECNZ') at book value as at that date. The lease related to a 15 year lease of a cogeneration plant. The Group undertook a review of the net asset values at the time of acquisition. This review resulted in an increase in the value of the finance lease receivable by \$38.2 million, known as a reset adjustment. Since acquisition date, the reset adjustment was amortised to profit or loss over the remaining term of the lease, at a rate that resulted in the net investment in the finance lease approximating fair value. The amortisation of the reset adjustment is disclosed in note 9. The lease expired in January 2013.

	Group 2013 \$000	Group 2012 \$000
Gross investment in finance lease:		
Not later than one year	-	7,639
	-	7,639
Unearned finance revenue	-	(2,033)
Present value of future minimum lease receipts	-	5,606
Unamortised finance lease receivable reset adjustment	-	1,255
Net investment in finance lease	-	6,861
The present value of future minimum lease receipts may be analysed as follows:		
Not later than one year	-	5,606
Present value of future minimum lease receipts	-	5,606
The net investment in finance lease may be analysed as follows:		
Not later than one year	-	6,861
Net investment in finance lease	-	6,861

Impairment of emission units receivable

During the year, the Group wrote down the value of its emission units receivable by \$1.9 million (2012: \$6.6 million) to reflect the net recoverable value of the asset. The Group's accounting policy for emission obligations is to recognise the liability at the average cost of its emission units on hand and receivable; consequently, the Group wrote down its emission obligation by the same amount. The write-down of both the emission units on hand and receivable, and the emission obligation was offset in the profit and loss as this reflects the substance of the transaction. There was no overall impact on net profit as a result of the write-down.

21. Inventories

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Fuel	94,538	105,995	94,538	105,995
Petroleum products	472	1,801	17	27
Consumables and spare parts	19,146	19,350	19,146	19,350
Total	114,156	127,146	113,701	125,372
Current	77,226	127,146	76,771	125,372
Non-current	36,930	-	36,930	-
Total	114,156	127,146	113,701	125,372

Fuel inventories consist mainly of coal used in electricity production. The amount of fuel inventories (excluding natural gas) expensed during the year was \$119.6 million (2012: \$132.6 million).

Petroleum products consist of LPG and light crude oil held for resale, produced from the Kupe production facility. The amount of petroleum products expensed during the year was \$17.8 million (2012: \$18.8 million).

Consumables and spare parts are held to service or repair operating plant. Consumables and spare parts relating to Huntly units 1 to 4 and 6 are impaired when incurred as the fair value of these units is nil. During the year, \$0.005 million (2012: \$0.9 million) of consumables and spare parts relating to Huntly were impaired.

22. Property, plant and equipment

	Note	Generation assets \$000	Buildings and improvements \$000	Group Other property, plant and equipment \$000	Capital work in progress \$000	Total \$000
Carrying value at 1 July 2011		2,540,696	1,637	21,949	63,131	2,627,413
Additions		-	-	-	47,233	47,233
Capitalised finance expenses	14	-	-	-	453	453
Change in rehabilitation and contractual arrangement assets		(927)	-	-	-	(927)
Transfer to (from) capital work in progress		66,944	-	15,960	(82,904)	-
Disposals		(800)	-	-	-	(800)
Impairment	10	(12,345)	-	-	-	(12,345)
Depreciation expense	9	(73,801)	(47)	(6,525)	-	(80,373)
Carrying value at 30 June 2012		2,519,767	1,590	31,384	27,913	2,580,654
Additions		-	-	-	144,689	144,689
Revaluation gains (losses)		155,573	-	-	-	155,573
Capitalised finance expenses	14	-	-	-	2,319	2,319
Change in rehabilitation and contractual arrangement assets		4,060	-	-	-	4,060
Transfer to (from) capital work in progress		109,455	1,588	4,143	(115,186)	-
Impairment	10	(6,579)	-	-	-	(6,579)
Depreciation expense	9	(73,686)	(128)	(6,757)	-	(80,571)
Carrying value at 30 June 2013		2,708,590	3,050	28,770	59,735	2,800,145

Summary of cost and accumulated depreciation and impairment

As at 30 June 2012

Cost	-	2,024	88,963	6,802	97,789
Fair value	2,605,041	-	-	21,111	2,626,152
Accumulated depreciation and impairment	(85,274)	(434)	(57,579)	-	(143,287)
Carrying value at 30 June 2012	2,519,767	1,590	31,384	27,913	2,580,654

As at 30 June 2013

Cost	-	3,613	93,106	59,735	156,454
Fair value	2,708,590	-	-	-	2,708,590
Accumulated depreciation and impairment	-	(563)	(64,336)	-	(64,899)
Carrying value at 30 June 2013	2,708,590	3,050	28,770	59,735	2,800,145

22. Property, plant and equipment continued

			Parent			
	Note	Generation assets \$000	Buildings and improvements \$000	Other property, plant and equipment \$000	Capital work in progress \$000	Total \$000
Carrying value at 1 July 2011		2,540,696	1,637	21,387	62,653	2,626,373
Additions		-	-	-	46,728	46,728
Capitalised finance expenses	14	-	-	-	453	453
Change in rehabilitation and contractual arrangement assets		(927)	-	-	-	(927)
Transfer to (from) capital work in progress		66,944	-	15,942	(82,886)	-
Assets transferred on amalgamation of subsidiaries		-	-	448	-	448
Disposals		(800)	-	-	-	(800)
Impairment	10	(12,345)	-	-	-	(12,345)
Depreciation expense	9	(73,801)	(47)	(6,411)	-	(80,259)
Carrying value at 30 June 2012		2,519,767	1,590	31,366	26,948	2,579,671
Additions		-	-	-	137,391	137,391
Revaluation gains (losses)		155,573	-	-	-	155,573
Capitalised finance expenses	14	-	-	-	2,319	2,319
Change in rehabilitation and contractual arrangement assets		4,060	-	-	-	4,060
Transfer to (from) capital work in progress		109,455	1,588	4,143	(115,186)	-
Impairment	10	(6,579)	-	-	-	(6,579)
Depreciation expense	9	(73,686)	(128)	(6,757)	-	(80,571)
Carrying value at 30 June 2013		2,708,590	3,050	28,752	51,472	2,791,864

Summary of cost and accumulated depreciation and impairment

As at 30 June 2012

Cost	-	2,024	88,945	5,837	96,806
Fair value	2,605,041	-	-	21,111	2,626,152
Accumulated depreciation and impairment	(85,274)	(434)	(57,579)	-	(143,287)
Carrying value at 30 June 2012	2,519,767	1,590	31,366	26,948	2,579,671

As at 30 June 2013

Cost	-	3,613	93,088	51,472	148,173
Fair value	2,708,590	-	-	-	2,708,590
Accumulated depreciation and impairment	-	(563)	(64,336)	-	(64,899)
Carrying value at 30 June 2013	2,708,590	3,050	28,752	51,472	2,791,864

Valuation of generation assets

Generation assets carried at fair value, were revalued at 30 June 2013 to \$2,708.6 million. They form a major part of the total generation site assets.

Total generation site assets are valued at \$2,752.0 million and comprise the generation assets carried at fair value, and certain other property, plant and equipment and capital works in progress of \$15.1 million and \$28.1 million respectively, both of which are carried at cost. Fair value of generation assets is determined using a discounted cash flow model. The valuation was based on the present value of the estimated future cash flows of the assets. The valuation was prepared by the Group and was independently reviewed by PricewaterhouseCoopers ('PwC') which has the appropriate qualifications and experience in valuing generation assets.

22. Property, plant and equipment continued

The net change in fair value was a \$155.6 million increase in the book value of generation assets. The key assumptions and judgements in the valuation model were:

Assumptions	Method of determination
Wholesale electricity price path	In-house market modelling of the wholesale electricity market cross-checked against publicly available price paths
Projected generation output	In-house market modelling of the wholesale electricity market
Fuel and emissions costs	Prices from existing fuel and emission contracts and in-house market modelling where contracted volumes do not fully cover projected requirements
Projected operational and capital expenditure	In-house business plans and projections based on contracted positions and asset-management plans
Capacity and life assumptions for each generation asset	In-house assessments and asset-management plans.
Discount rate	Pre-tax equivalent discount rate scenarios ranging between 11.3 per cent and 12.8 per cent

The selection of variables used to value generation assets requires significant judgement and therefore there is a range of reasonably possible assumptions that could be used in estimating the fair value of these assets. The key assumptions driving potential changes to the forecast internally generated price path are changes in demand, hydrology and new-generation build. Any one of these factors could result in a change to the price path. If the price path and/or generation output volumes increased by 10 per cent, this would result in the carrying value of the generation assets increasing to \$3,236 million. If the price path decreased by 10 per cent, the carrying value would decrease to \$2,269 million. If the discount rate decreased by 1 per cent, this would result in the carrying value of the generation assets increasing to \$3,175 million. If the discount rate increased by 1 per cent, then the carrying value would decrease to \$2,425 million.

The valuation was calculated by generating site except for the Huntly site where it was calculated by type of unit (units 1-4, unit 5 and unit 6). For those sites where the valuation was less than the carrying value prior to revaluation, the change was recognised in the revaluation reserve up to the value that was previously recorded in the revaluation reserve prior to the revaluation. Any remaining difference between the change in fair value and the revaluation reserve for these sites was recognised in profit or loss. For those sites where the valuation was higher than was the carrying value, the change in fair value was recognised in the asset revaluation reserve.

As a consequence of the revaluation, accumulated depreciation on revalued assets was reset to nil at 30 June 2013, and a revaluation surplus of \$154.6 million was recognised in the revaluation reserve and a revaluation gain of \$1.0 million was recognised in profit or loss. The surplus arose in part as a result of the exclusion of corporate overheads, a small reduction in the weighted average cost of capital, offset by a reduction in the short term electricity price path.

Reconciliation of changes to the fair value of assets

	Group and Parent
	Generation assets \$000
Carrying value at 30 June 2013 prior to revaluation	2,553,017
Gain recognised in other comprehensive income	154,567
Gain recognised in profit or loss	1,006
Net gain on revaluation	155,573
Fair value at 30 June 2013	2,708,590

Generation assets carried at historical cost

The table below presents the carrying value of generation assets as if they were recognised on the historical-cost basis:

	Group and Parent	
	2013 \$000	2012 \$000
Cost	2,555,730	2,444,550
Accumulated depreciation and impairment	(874,249)	(802,804)
Carrying value at 30 June	1,681,481	1,641,746

Resource consents

The Group requires resource consents (authorisations to use land, water and air) 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. During the prior year, the resource consents relating to the operation of the Huntly Power Station were extended to 30 June 2037.

23. Oil and gas assets

	Note	Group			Total \$000
		Exploration and evaluation expenditure \$000	Oil and gas producing assets \$000	Other oil and gas assets \$000	
Carrying value at 1 July 2011		862	444,690	17,238	462,790
Additions		361	2,087	141	2,589
Change in rehabilitation asset		-	20,092	-	20,092
Impairment	10	(24)	-	-	(24)
Depreciation and depletion expense	9	-	(55,396)	(901)	(56,297)
Carrying value at 30 June 2012		1,199	411,473	16,478	429,150
Additions		92	367	-	459
Change in rehabilitation asset		-	2,632	-	2,632
Depreciation and depletion expense	9	-	(39,493)	(893)	(40,386)
Carrying value at 30 June 2013		1,291	374,979	15,585	391,855

Summary of cost and accumulated depreciation and impairment

As at 30 June 2012

Cost	19,716	533,388	18,511	571,615
Accumulated depreciation, depletion and impairment	(18,517)	(121,915)	(2,033)	(142,465)
Carrying value at 30 June 2012	1,199	411,473	16,478	429,150

As at 30 June 2013

Cost	19,808	536,387	18,511	574,706
Accumulated depreciation, depletion and impairment	(18,517)	(161,408)	(2,926)	(182,851)
Carrying value at 30 June 2013	1,291	374,979	15,585	391,855

Change in rehabilitation asset

The change in rehabilitation asset relates to the rehabilitation and restoration provision for the Kupe Joint Venture onshore and offshore facility. In 2013, the key assumption around long-term inflation was reviewed resulting in the year-end provision being adjusted by \$2.6 million (2012: \$20.1 million adjustment relating to a review of the estimated removal costs).

The Group has a 31 per cent interest in the Kupe Joint Venture. Kupe production facilities commenced commercial operations on 22 March 2010.

The table below presents the proven oil and gas reserves used to deplete the oil and gas producing assets. The Group has a 31 per cent interest in the reserves shown;

	Kupe permit						Total petajoules equivalent	
	Sales gas petajoules		LPG kilotonnes		Light oil kilobarrels			
	2013	2012	2013	2012	2013	2012	2013	2012
Kupe - proven (P90)	247.9	213.0	1,048.0	834.9	14,817.0	11,647.0	379.7	317.2
Kupe - proven and probable (P50)	322.7	272.7	1,368.3	1,113.8	18,302.0	18,644.0	489.1	431.4

Because the geology of the Kupe oil and gas field subsurface cannot be examined directly, an indirect technique known as volumetrics has been used to estimate the size and recoverability of the reserve. Reserve estimates contain uncertainty and these are reviewed periodically. In July 2012, Origin Energy (as operator of the Kupe Joint Venture) announced revised estimates of the Kupe reserves, which Genesis Energy had independently reviewed. There are high levels of uncertainty in terms of accessibility of reserves through sealing faults and pressure support. Proven reserve estimates have a 90 per cent likelihood of being delivered. A reduction of 10 per cent in these reserves would impact depletion charges by up to \$5.8 million per annum at current production rates.

24. Intangible assets

		Group				
	Note	Goodwill \$000	Computer software \$000	Emission units \$000	Naming rights \$000	Total \$000
Carrying value at 1 July 2011		102,599	15,263	3,907	3,576	125,345
Additions		-	6,418	18,508	2,836	27,762
Disposed or surrendered		-	2	(14,791)	-	(14,789)
Impairment		-	-	(6,756)	-	(6,756)
Amortisation expense	9	-	(10,741)	-	(1,721)	(12,462)
Carrying value at 30 June 2012		102,599	10,942	868	4,691	119,100
Additions		-	15,823	22,185	1,261	39,269
Disposed or surrendered		-	-	(5,361)	-	(5,361)
Impairment		-	-	(16,043)	-	(16,043)
Amortisation expense	9	-	(10,971)	-	(1,781)	(12,752)
Carrying value at 30 June 2013		102,599	15,794	1,649	4,171	124,213

Summary of cost and accumulated depreciation and impairment

As at 30 June 2012

Cost	102,599	91,624	7,624	10,017	211,864
Accumulated amortisation and impairment	-	(80,682)	(6,756)	(5,326)	(92,764)
Carrying value at 30 June 2012	102,599	10,942	868	4,691	119,100
Current	-	-	868	-	868
Non-current	102,599	10,942	-	4,691	118,232
Carrying value at 30 June 2012	102,599	10,942	868	4,691	119,100

As at 30 June 2013

Cost	102,599	107,447	17,692	10,099	237,837
Accumulated amortisation and impairment	-	(91,653)	(16,043)	(5,928)	(113,624)
Carrying value at 30 June 2013	102,599	15,794	1,649	4,171	124,213
Current	-	-	1,649	-	1,649
Non-current	102,599	15,794	-	4,171	122,564
Carrying value at 30 June 2013	102,599	15,794	1,649	4,171	124,213

24. Intangible assets continued

			Parent			
	Note	Goodwill \$000	Computer software \$000	Emission units \$000	Naming rights \$000	Total \$000
Carrying value at 1 July 2011		99,866	15,043	3,907	3,576	122,392
Additions		-	6,418	18,508	2,836	27,762
Assets transferred on amalgamation of subsidiaries		2,733	121	-	-	2,854
Disposed or surrendered		-	-	(14,791)	-	(14,791)
Impairment		-	-	(6,756)	-	(6,756)
Amortisation expense	9	-	(10,640)	-	(1,721)	(12,361)
Carrying value at 30 June 2012		102,599	10,942	868	4,691	119,100
Additions		-	15,823	22,185	1,261	39,269
Disposed or surrendered		-	-	(5,361)	-	(5,361)
Impairment		-	-	(16,043)	-	(16,043)
Amortisation expense	9	-	(10,971)	-	(1,781)	(12,752)
Carrying value at 30 June 2013		102,599	15,794	1,649	4,171	124,213

Summary of cost and accumulated depreciation and impairment

As at 30 June 2012

Cost	102,599	91,624	7,624	10,017	211,864
Accumulated amortisation and impairment	-	(80,682)	(6,756)	(5,326)	(92,764)
Carrying value at 30 June 2012	102,599	10,942	868	4,691	119,100
Current	-	-	868	-	868
Non-current	102,599	10,942	-	4,691	118,232
Carrying value at 30 June 2012	102,599	10,942	868	4,691	119,100

As at 30 June 2013

Cost	102,599	107,447	17,692	10,099	237,837
Accumulated amortisation and impairment	-	(91,653)	(16,043)	(5,928)	(113,624)
Carrying value at 30 June 2013	102,599	15,794	1,649	4,171	124,213
Current	-	-	1,649	-	1,649
Non-current	102,599	15,794	-	4,171	122,564
Carrying value at 30 June 2013	102,599	15,794	1,649	4,171	124,213

Impairment testing of goodwill

For the purpose of impairment testing, goodwill has been allocated to the Customer experience cash-generating unit ('CGU').

The impairment test is based on an estimated discounted cash flow analysis (value in use). Estimated future cash flow projections are based on the Group's five-year business plan for the Customer experience business unit and are extrapolated using a 2 per cent year-on-year growth rate (2012: 2 per cent). The estimated future cash flow projections are discounted using pre-tax equivalent discount rate scenarios ranging between 11 per cent and 12.8 per cent (2012: 11.8 per cent and 13.1 per cent). Any reasonably possible further change in key assumptions on which the recoverable amount is based is not expected to cause the carrying value of the Customer experience goodwill to exceed its recoverable amount.

Key assumptions in the value-in-use calculation were:

Assumptions	Method of determination
Customer numbers and customer churn	Review of actual customer numbers and historical data regarding movements in customer numbers (the historical analysis is considered against expected market trends and competition for customers)
Gross margin	Review of actual gross margins and consideration of expected market movements and impacts
Cost to serve	Review of actual costs to serve and consideration of expected future costs

Impairment of emission units

During the year, the Group wrote down the value of its emission units on hand by \$16.0 million (2012: \$6.8 million) to reflect the net recoverable value of the asset. Refer to note 20 for the impact on net profit.

25. Investments in subsidiaries

On 1 March 2012, Energy Online Limited was amalgamated into the Parent. The amalgamation resulted in an increase in the Parent's assets of \$55.8 million, an increase in liabilities of \$21.8 million and an increase in retained earnings of \$34.0 million.

During 2012, Genesis Power Investments Limited, GP No. 1 Limited, GP No. 2 Limited and GP No. 5 Limited issued additional share capital of \$20.8 million to the Parent.

Name of entity	Principal activity	Interest held	
		2013 %	2012 %
Genesis Power Investments Limited	Holding company	100	100
Kinleith Cogeneration Limited	Special-purpose finance company	100	100
Kupe Holdings Limited	Joint venture holding company	100	100
GP No. 1 Limited	Joint venture holding company	100	100
GP No. 2 Limited	Joint venture holding company	100	100
GP No. 5 Limited	Joint venture holding company	100	100

All subsidiaries have a 30 June balance date and are incorporated in New Zealand.

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

	Parent	
	2013 \$000	2012 \$000
Carrying value at 1 July	50,573	29,753
Acquisition of shares in existing subsidiaries	-	20,820
Carrying value at 30 June	50,573	50,573

26. Investments in associates

Name of entity	Principal activity	Interest held	
		2013 %	2012 %
Gasbridge Limited	Agency for joint venture	50	50

All associates have a 30 June balance date and are incorporated in New Zealand. During the 2012 year, Energyhedge Limited was de-registered. The carrying value of the investment in associates at year-end was nil (2012: nil) and there were no movements in the investment in associates during the year (2012: nil). The Group's share of the net profit for Gasbridge Limited was nil (2012: nil). The Group's share of assets and liabilities was \$0.001 million (2012: \$0.001 million).

27. Jointly controlled assets and entities

The Group has a 31 per cent interest in the Kupe production facility and Petroleum Mining Permit 38146 held by the Kupe Joint Venture. The Group has a 50 per cent interest in the Gasbridge Joint Venture. The Gasbridge Joint Venture was established to investigate the feasibility of developing facilities to import Liquefied Natural Gas at the Port of Taranaki. The Joint Venture has delayed this investigation until further notice.

Name of entity	Principal activity	Interest held	
		2013 %	2012 %
Kupe Joint Venture	Petroleum production and sale	31	31
Gasbridge Joint Venture	Liquefied natural gas importation development	50	50

27. Jointly controlled assets and entities continued

The table below reflects the Group's share of jointly controlled assets and entities.

	Group	
	2013 \$000	2012 \$000
Current assets		
Cash and cash equivalents	8,692	8,054
Receivables and prepayments	626	615
Inventories	848	895
Total current assets	10,166	9,564
Non-current assets		
Oil and gas assets	467,033	459,194
Total non-current assets	467,033	459,194
Total share of assets employed in joint venture	477,199	468,758
Current liabilities		
Payables and accruals	(8,797)	(8,613)
Total share of liabilities employed in joint venture	(8,797)	(8,613)
Revenue	998	282
Petroleum production, marketing and distribution	(19,410)	(24,668)
Share of loss	(18,412)	(24,386)

The Group's share of capital expenditure commitments relating to joint ventures is disclosed in note 34.

28. Related-party transactions

Shareholder and entities controlled and related to the shareholder

The Crown owns 100 per cent of the shares of the Parent. The Parent and Group transact with other Crown-controlled and related entities independently and on an arm's-length basis for the purchase of coal and the use of coal-handling facilities, emission activities including emission unit purchases and sales, scientific consultancy services, electricity transmission, postal services and energy-related products (including electricity derivatives). All transactions with Crown-controlled and related entities are based on commercial terms and conditions and relevant market drivers.

There were no individually significant transactions with the Crown and Crown-controlled and related entities during the year (2012: nil).

Other transactions with Crown-controlled and related entities which are collectively but not individually significant relate to the purchase of coal and electricity derivatives. Approximately 84 per cent (2012: 91 per cent) of the coal acquired by the Group during the year was supplied by Crown-controlled and related entities under coal supply agreements which expire in August 2014. Approximately 29 per cent (2012: 97 per cent) of the value of electricity derivatives held by the Group at year-end are held with Crown-controlled and related entities. The contracts expire at various times with the latest one being December 2025.

Key management personnel compensation

The key management personnel of the Group consist of the Directors and the Executive Management team. Key management personnel compensation is as follows:

	Group	
	2013 \$000	2012 \$000
Short-term benefits	5,016	5,251
Post-employment benefits	160	158
Termination benefits	250	-
Total key management personnel compensation	5,426	5,409

Other transactions with key management personnel or entities related to them

Key management personnel and their families may purchase gas and electricity from the Group on an arm's-length basis. No other transactions took place between key management personnel and the Group or Parent (2012: nil). As at 30 June 2013, the balance payable to key management personnel was \$0.02 million (2012: \$0.02 million).

28. Related-party transactions continued

Subsidiaries

Subsidiaries of the Group are disclosed in note 25. Transactions between the Parent and its subsidiaries are disclosed below:

Name	Transaction	Parent			
		Transaction value (inflow (outflow)) for the year ended 30 June		Outstanding balance (payable) receivable as at 30 June	
		2013 \$000	2012 \$000	2013 \$000	2012 \$000
GP No. 1 Limited	No interest is charged on the advance to/from GP No. 1 Limited.	-	-	(610)	(610)
Genesis Power Investments Limited, Energy Online Limited and Kinleith Cogeneration Limited	Interest is charged to the Parent on advances from subsidiaries. The advances are unsecured and have no repayment terms or conditions. Interest is charged at a rate equal to the Parent's average finance expense. Interest charged is added to the advance account. The outstanding balance includes interest and advances payable.	(7,545)	(7,962)	(114,401)	(102,407)
Kupe Holdings Limited, GP No. 2 Limited and GP No. 5 Limited	Interest is charged by the Parent on advances to subsidiaries. The advances are unsecured and have no repayment terms or conditions. Interest is charged at a rate equal to the Parent's average finance expense. Interest charged is added to the advance account. The outstanding balance includes interest and advances receivable.	17,785	22,220	238,810	296,023
	Supply agreement for the purchase of LPG and gas produced from the Kupe Joint Venture. The contract continues until the total quantity of LPG and gas under the contract has been paid or delivered.	(61,400)	(68,400)	(7,200)	(6,500)
	The Parent has entered into foreign currency swaps with the Kupe companies.	27	(2,443)	(83)	(2,116)
	The Parent has entered into oil swaps and options with the Kupe companies.	3,788	(1,211)	(1,048)	(3,119)
Genesis Power Investments Limited, GP No. 1 Limited, GP No. 2 Limited and GP No. 5 Limited	The Parent acquired additional share capital in these subsidiaries (refer to note 24).	-	(20,820)	-	-
Genesis Power Investments Limited, Energy Online Limited, Kinleith Cogeneration Limited, Kupe Holdings Limited, GP No. 1 Limited, GP No. 2 Limited and GP No. 5 Limited	Transfer of tax losses/(deposits).	(7,074)	(6,636)	-	-

Associates

Associates of the Group are disclosed in note 26. There were no transactions with associates during the year (2012: nil).

Jointly controlled assets and entities

Jointly controlled assets and entities of the Group are disclosed in note 27. There were no transactions with jointly controlled assets and entities during the year (2012: nil).

Other related parties

Genesis Oncology Trust

The Group has a sponsorship agreement with the Genesis Oncology Trust (the 'Trust'). The annual sponsorship paid to the Trust was \$0.2 million (2012: \$0.2 million). In 2013, the Group made additional donations of \$0.3 million (2012: \$0.2 million). The total amount outstanding at year-end was \$0.2 million (2012: \$0.2 million).

The Group provides the Trust with accounting and administrative support free of charge. Albert Brantley (Chief Executive of Genesis Power Limited) is the Chairman of the Trust. Maureen Shaddick (General Counsel and Company Secretary of Genesis Power Limited) is the Deputy Chair of the Trust. The Trust acquired 300,000 Capital Bonds from Genesis Power Limited during 2011 which have yet to be repaid.

Gas Industry Company Limited

The Group has a 12.5 per cent share in the Gas Industry Company Limited which is an industry-owned entity established to fulfil the role of the industry body under the Gas Act 1992. The entity, as the industry body, is the co-regulator of the gas industry, working with both the Government and the gas industry to develop outcomes that meet the Government's policy objectives as stated in the Government's April 2008 Policy Statement on Gas Governance. During the year, the Group made payments to the Gas Industry Company Limited in the form of levies and cost reimbursements totalling \$1.9 million (2012: \$1.8 million).

28 Related-party transactions continued

Other environmental restoration and enhancement, and charitable trusts

The Group has identified a number of other trusts established for charitable or environmental enhancement and restoration purposes which fall within the scope of the definition of related parties. During the year, the Group made payments of \$0.8 million (2012: \$0.1 million) to these trusts.

29. Payables and accruals

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Trade payables and accruals	215,013	268,631	203,098	258,016
Employee benefits	6,160	5,775	6,160	5,775
Emission obligations	4,273	14,415	4,255	14,333
Total	225,446	288,821	213,513	278,124
Current	224,815	288,342	212,882	277,645
Non-current	631	479	631	479
Total	225,446	288,821	213,513	278,124

Trade payables and accruals consist mainly of amounts owing to suppliers for goods and services supplied in the ordinary course of business, and amounts owing to NZX Limited for wholesale electricity purchases from the market.

30. Borrowings

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Revolving credit	189,526	307,438	189,526	307,438
Wholesale term notes	321,366	200,699	321,366	200,699
Retail term notes	228,700	228,005	228,700	228,005
Capital Bonds	279,691	274,058	279,691	274,058
Finance lease liabilities	5,599	9,280	5,599	9,280
Total	1,024,882	1,019,480	1,024,882	1,019,480
Current	412,925	16,494	412,925	16,494
Non-current	611,957	1,002,986	611,957	1,002,986
Total	1,024,882	1,019,480	1,024,882	1,019,480

Refinancing of revolving credit

No significant changes to the revolving credit arrangements occurred during the year.

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Revolving credit				
Expiring 2014	-	125,000	-	125,000
Expiring 2015	200,000	100,000	200,000	100,000
Expiring 2016	125,000	150,000	125,000	150,000
Expiring 2017	150,000	150,000	150,000	150,000
Total available revolving credit facility	475,000	525,000	475,000	525,000
Revolving credit drawn down at 30 June (excluding accrued interest)	189,000	305,000	189,000	305,000
Total undrawn revolving credit facility	286,000	220,000	286,000	220,000
Revolving credit				
Drawn down	189,000	305,000	189,000	305,000
Accrued interest	526	2,438	526	2,438
Total Revolving credit	189,526	307,438	189,526	307,438

30. Borrowings continued

	Note	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Wholesale term notes					
Expiring 2017		125,000	125,000	125,000	125,000
Expiring 2020		120,000	70,000	120,000	70,000
Expiring 2023		70,000	-	70,000	-
Fair value interest rate risk adjustment	11	2,351	3,338	2,351	3,338
Accrued interest		4,490	2,782	4,490	2,782
Capitalised issue costs		(475)	(421)	(475)	(421)
Total wholesale term notes		321,366	200,699	321,366	200,699
Retail term notes					
Expiring 2014		120,000	120,000	120,000	120,000
Expiring 2016		105,000	105,000	105,000	105,000
Accrued interest		4,903	4,911	4,903	4,911
Capitalised issue costs		(1,203)	(1,906)	(1,203)	(1,906)
Total retail term notes		228,700	228,005	228,700	228,005
Capital Bonds					
Expiring 2014		275,000	-	275,000	-
Expiring 2042		-	275,000	-	275,000
Accrued interest		4,897	4,919	4,897	4,919
Capitalised issue costs		(206)	(5,861)	(206)	(5,861)
Total Capital Bonds		279,691	274,058	279,691	274,058

The Parent may redeem all or some of the Capital Bonds on a reset date or on any quarterly interest payment date after the first reset date which is 16 July 2018. On the first reset date and every five years thereafter, the interest rate will reset to be the sum of the five-year swap rate on the relevant reset date plus a margin of 2.40 per cent. Redemptions on a reset date are at par; redemptions on a quarterly interest payment date must be at the greater of par or market value.

The Parent completed a modification process for the Capital Bonds on 15 July 2013. Effective from 15 July 2013, the principal amount of Capital Bonds outstanding will reduce from \$275 million to \$200 million and the interest rate will be modified from 8.50 per cent to 6.19 per cent. As at 30 June 2013, the total \$275 million of Capital Bonds was classified as current, resulting in negative working capital for both Group and Parent. Subsequent to 15 July 2013, the modified \$200 million has been classified as term, expiring on 15 July 2041, and working capital returned to a positive value for both Group and Parent.

Finance lease liabilities

The Parent leases certain equipment relating to the importation of coal situated at the Port of Tauranga under a finance lease arrangement. The lease has a term of eight years with a renewal option for a further three terms of five years. The Parent does not have any right to purchase the leased assets at the end of the lease. There are no restrictions imposed by this lease, such as those concerning dividend distributions, additional debt financing and further leasing arrangements.

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Future minimum lease payments are as follows:				
Not later than one year	4,280	4,280	4,280	4,280
Later than one year but not later than five years	1,783	6,063	1,783	6,063
Future minimum lease payments	6,063	10,343	6,063	10,343
Future finance charges on finance leases	(464)	(1,063)	(464)	(1,063)
Present value of future minimum lease payments	5,599	9,280	5,599	9,280
The present value of future minimum lease payments are as follows:				
Not later than one year	3,958	3,681	3,958	3,681
Later than one year but not later than five years	1,641	5,599	1,641	5,599
Present value of future minimum lease payments	5,599	9,280	5,599	9,280

The weighted average effective interest rate implicit in the leases is 7.05 per cent (2012: 7.05 per cent).

30. Borrowings continued

Security

Except for finance leases, all of the Parent and Group's borrowings are unsecured. The Parent and Group borrow under a negative pledge arrangement, which does not permit the Parent or Group to grant any security interest over its assets, unless it is an exception permitted within the negative pledge.

Finance lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

31. Provisions

Rehabilitation and restoration

The rehabilitation and restoration provision relates to the Meremere generation site, the Huntly ash ponds, the Tekapo Site Establishment Area (SEA) and Kupe production facilities. These sites require remediation as a result of past and present operations. Different methods and techniques can be used to remediate the sites. The provision represents the present value of the Group's best estimate of future expenditure to be incurred based on the Group's assessment of the most appropriate methods to remediate the sites at balance date. Key assumptions include: an estimate of when the rehabilitation and restoration is likely to take place, the possible remediation alternatives available, the expected expenditures attached to each alternative and the foreign currency exchange rate at balance date.

The assumptions used to estimate the rehabilitation and restoration provision requires a balanced judgement as there is a range of possible assumptions that could be used in estimating the carrying value of these obligations. The key assumption that could have a material impact on the Meremere generation site rehabilitation estimate relates to the extent of rehabilitation required at the end of the lease. The extent of rehabilitation depends on the effectiveness of the historical rehabilitation work and the rehabilitation obligations under the lease. The current assumption is that the current remediation work with some further tidy up at the end of the lease in 2017 is sufficient. If future monitoring indicates that the clay caps need further remediation work the provision would need to increase by up to \$1.8 million. The site is monitored regularly and the rehabilitation plan amended as necessary.

The key assumption that could have a material impact on the Huntly ash ponds rehabilitation estimate relates to the extent of rehabilitation work required. The current assumption is that all the ash would be removed from the ponds but, if some of the ash were capped in situ, the provision could decrease by \$2.7 million. The rehabilitation work on the ash ponds is estimated to be completed within the next 13 years.

The key assumptions that could have a material impact on the Kupe production facilities rehabilitation estimate relate to foreign exchange rates, scrap steel prices, labour rates, concrete removal costs, offshore supply vessel and jack-up rig rates and associated mobilisation and demobilisation costs. The majority of costs are based in US dollars and therefore are sensitive to fluctuations in foreign exchange rates. Given the equipment required to complete the rehabilitation comes from overseas the mobilisation and demobilisation costs can fluctuate significantly depending on the volume of other work the contractor has at the time the rehabilitation is required to be completed. If the foreign exchange rate was to decrease by 10 per cent and if the transportation costs for the mobilisation and demobilisation were unable to be shared with other entities, the provision would increase by \$15.7 million. Also affecting the provision are regulations around the removal of the subsea pipeline. Currently, there are no regulations around this and, as such, the provision assumes the subsea pipeline will be flushed and left in situ. The rehabilitation is estimated to be completed in approximately 12 years.

During the year, a rehabilitation provision for the Tekapo SEA was created. The SEA was created for undertaking the Tekapo Canal Remediation Project. Upon completion of the project, Genesis Energy is required by resource consents to rehabilitate the SEA to bare land suitable for farming. The provision represents the present value of the best estimate of future cash flows to be incurred during remediation of the SEA. The rehabilitation work is expected to be completed within the next three years.

Contractual arrangements

The contractual arrangements provision relates to relationship and sponsorship agreements with various parties. The provision represents the present value of the best estimate of cash flows required to settle the Group's obligations under the agreements. The timing of the outflows is between 10 and 35 years.

Other provisions

Other provisions represent the present value of the customer loyalty programme 'Brownie Points' and other minor provisions. A provision has been recognised for 73.9% of the full liability of the Brownie Points programme as this reflects the estimated redemption rate. The timing of the outflows is dependent on customers redeeming their points after achieving a minimum rewards points balance. Unredeemed rewards points expire after a period of three years.

31. Provisions continued

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Rehabilitation and restoration				
Balance at 1 July	59,925	38,329	12,478	12,521
Provisions made during the year	7,850	23,071	5,218	2,980
Provisions reversed during the year	(425)	-	(425)	-
Provisions used during the year	(3,788)	(3,572)	(3,789)	(3,572)
Time value of money adjustment	2,865	2,097	374	549
Balance at 30 June	66,427	59,925	13,856	12,478
Contractual arrangements				
Balance at 1 July	54,771	56,071	54,771	56,071
Provisions made during the year	3,509	5,308	3,509	5,308
Provisions reversed during the year	(55)	(3,580)	(55)	(3,580)
Provisions used during the year	(4,577)	(5,224)	(4,577)	(5,224)
Time value of money adjustment	2,141	2,196	2,141	2,196
Balance at 30 June	55,789	54,771	55,789	54,771
Other provisions				
Balance at 1 July	8,476	10,129	8,476	10,129
Provisions made during the year	4,542	4,943	4,542	4,943
Provisions reversed during the year	(3,311)	(3,248)	(3,311)	(3,248)
Provisions used during the year	(1,813)	(3,348)	(1,813)	(3,348)
Balance at 30 June	7,894	8,476	7,894	8,476
Total	130,110	123,172	77,539	75,725
Current	12,381	12,925	12,381	12,925
Non-current	117,728	110,247	65,158	62,800
Total	130,110	123,172	77,539	75,725

32. Derivatives

The Group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Group uses the following derivatives to hedge its financial risk exposures:

- Interest rate swaps and options
- Foreign exchange swaps and options
- Electricity swaps and options
- Oil swaps and options.

32. Derivatives continued

Net carrying value of derivatives

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
<i>Cash flow hedges designated at fair value through profit or loss</i>				
Foreign exchange swaps	(3,002)	1,082	(3,085)	(1,034)
Interest rate swaps and options	(4,075)	(10,066)	(4,075)	(10,066)
Electricity swaps	(6,319)	4,189	(6,319)	4,189
Oil swaps	1,327	645	-	-
<i>Fair value hedges designated at fair value through profit or loss</i>				
Interest rate swaps and options	2,351	3,338	2,351	3,338
<i>Derivatives not designated as hedges</i>				
Foreign exchange options	-	20	-	20
Electricity swaps and options	(4,709)	(39,109)	(4,709)	(39,109)
Oil swaps and options	(279)	2,474	-	-
Total	(14,706)	(37,427)	(15,837)	(42,662)
<i>Carrying value of derivatives by balance sheet classification</i>				
Current assets	19,246	15,377	19,831	16,200
Non-current assets	5,574	22,913	5,578	22,979
Current liabilities	(17,507)	(11,425)	(18,945)	(16,559)
Non-current liabilities	(22,019)	(64,292)	(22,301)	(65,282)
Total	(14,706)	(37,427)	(15,837)	(42,662)

Derivatives that are settled within 12 months are treated as current.

Change in carrying value of derivatives

	Note	Oil swaps and options \$000	Interest rate swaps and options \$000	Group Foreign exchange swaps and options \$000	Electricity swaps and options \$000	Total \$000
Balance as at 1 July 2011		(7,160)	1,426	573	(21,089)	(26,250)
Total change recognised in electricity and petroleum revenue		(9,068)	-	-	36,518	27,450
Net change in derivatives not designated as hedges		9,643	-	(2,247)	(18,714)	(11,318)
Net change in fair value hedges		-	3,338	-	-	3,338
Total change recognised in the change in fair value of financial instruments	11	9,643	3,338	(2,247)	(18,714)	(7,980)
Gain (loss) recognised in other comprehensive income		636	(10,103)	2,515	13,074	6,122
Settlements		9,068	(1,389)	(87)	(3,256)	4,336
Sales (option fees)		-	-	-	(41,453)	(41,453)
Purchases (option fees)		-	-	348	-	348
Balance as at 30 June 2012		3,119	(6,728)	1,102	(34,920)	(37,427)
Total change recognised in electricity and petroleum revenue		(2,353)	-	-	36,479	34,126
Net change in derivatives not designated as hedges		(2,599)	(492)	(20)	36,852	33,741
Net change in fair value hedges		-	(989)	-	-	(989)
Ineffective gain (loss) on cash flow hedges		-	-	67	(16)	51
Total change recognised in the change in fair value of financial instruments	11	(2,599)	(1,481)	47	36,836	32,803
Gain (loss) recognised in other comprehensive income		528	5,957	(530)	18,165	24,120
Settlements		2,353	-	(3,620)	(23,496)	(24,763)
Sales (option fees)		-	-	-	(44,092)	(44,092)
Purchases (option fees)		-	528	-	-	528
Balance as at 30 June 2013		1,048	(1,724)	(3,001)	(11,028)	(14,705)

32. Derivatives continued

	Note	Parent			Total \$000
		Interest rate swaps and options \$000	Foreign exchange swaps and options \$000	Electricity swaps and options \$000	
Balance as at 1 July 2011		1,426	(2,434)	(21,089)	(22,097)
Total change recognised in electricity revenue		-	-	36,518	36,518
Net change in derivatives not designated as hedges		-	(2,247)	(18,714)	(20,961)
Net change in fair value hedges		3,338	-	-	3,338
Total change recognised in the change in fair value of financial instruments	11	3,338	(2,247)	(18,714)	(17,623)
Gain (loss) recognised in other comprehensive income		(10,103)	879	13,074	3,850
Settlements		(1,389)	2,440	(3,256)	(2,205)
Sales (option fees)		-	-	(41,453)	(41,453)
Purchases (option fees)		-	348	-	348
Balance as at 30 June 2012		(6,728)	(1,014)	(34,920)	(42,662)
Total change recognised in electricity revenue		-	-	36,479	36,479
Net change in derivatives not designated as hedges		(492)	(20)	36,853	36,341
Net change in fair value hedges		(989)	-	-	(989)
Ineffective gain (loss) on cash flow hedges		-	41	(16)	25
Total change recognised in the change in fair value of financial instruments	11	(1,481)	21	36,837	35,377
Gain (loss) recognised in other comprehensive income		5,957	(1,449)	18,165	22,673
Settlements		-	(643)	(23,496)	(24,139)
Sales (option fees)		-	-	(44,093)	(44,093)
Purchases (option fees)		528	-	-	528
Balance as at 30 June 2013		(1,724)	(3,085)	(11,028)	(15,837)

Reconciliation of movements in the cash flow hedge reserve

	Note	Group				Total \$000
		Oil swaps and options \$000	Interest rate swaps and options \$000	Foreign exchange swaps \$000	Electricity swaps \$000	
Balance as at 1 July 2011		-	1,027	(175)	(1,809)	(957)
Total reclassified from the cash flow hedge reserve to profit or loss		-	(1,390)	(88)	(6,373)	(7,851)
Total reclassified from the cash flow hedge reserve to the cost of assets		-	-	(842)	-	(842)
Effective gain (loss) on cash flow hedges recognised directly in the cash flow hedge reserve		636	(10,103)	2,515	13,074	6,122
Total change in cash flow hedge reserve		636	(11,493)	1,585	6,701	(2,571)
Income tax on change in cash flow hedge reserve	15	(178)	3,218	(444)	(1,876)	720
Balance as at 30 June 2012		458	(7,248)	966	3,016	(2,808)
Total reclassified from the cash flow hedge reserve to profit or loss		-	-	(1,527)	(28,431)	(29,958)
Total reclassified from the cash flow hedge reserve to the cost of assets		-	-	(2,363)	-	(2,363)
Effective gain (loss) on cash flow hedges recognised directly in the cash flow hedge reserve		528	5,957	(530)	18,165	24,120
Total change in cash flow hedge reserve		528	5,957	(4,420)	(10,266)	(8,201)
Income tax on change in cash flow hedge reserve	15	(148)	(1,668)	1,238	2,874	2,296
Balance as at 30 June 2013		838	(2,959)	(2,216)	(4,376)	(8,713)

32. Derivatives continued

	Note	Parent		
		Interest rate swaps and options \$'000	Foreign exchange swaps \$'000	Electricity swaps \$'000
Balance as at 1 July 2011		1,027	(2,341)	(1,808)
Total reclassified from the cash flow hedge reserve to profit or loss		(1,390)	2,440	(6,373)
Total reclassified from the cash flow hedge reserve to the cost of assets		-	(842)	-
Effective gain (loss) on cash flow hedges recognised directly in the cash flow hedge reserve		(10,103)	879	13,074
Total change in cash flow hedge reserve		(11,493)	2,477	6,701
Income tax on change in cash flow hedge reserve	15	3,218	(694)	(1,876)
Balance as at 30 June 2012		(7,248)	(558)	3,017
Total reclassified from the cash flow hedge reserve to profit or loss		-	1,450	(28,431)
Total reclassified from the cash flow hedge reserve to the cost of assets		-	(2,065)	-
Effective gain (loss) on cash flow hedges recognised directly in the cash flow hedge reserve		5,957	(1,449)	18,165
Total change in cash flow hedge reserve		5,957	(2,064)	(10,266)
Income tax on change in cash flow hedge reserve	15	(1,668)	578	2,874
Balance as at 30 June 2013		(2,959)	(2,044)	(4,375)
		(9,378)		

The gain (loss) on interest rate swaps and options is recognised in finance expenses, the gain (loss) on foreign exchange swaps and options is recognised in other operating expenses and the gain (loss) on electricity swaps and options is recognised in electricity revenue in the profit or loss.

33. Financial risk-management

Risk-management

The Group's overall risk-management program focuses on the unpredictability of financial markets and seeks to minimise financial risk to the Group. The Board of Directors (the 'Board') has established policies which provide an overall risk-management framework, as well as policies covering specific areas, such as electricity and oil price risk, foreign exchange risk, interest rate risk, credit risk, use of derivatives, and the investment of excess liquidity. Trading in financial instruments, including derivatives, for speculative purposes is not permitted by the Board. Interest rate, foreign exchange and oil price exposures are managed by the central Treasury function ('Treasury') and electricity exposures are managed by the Risk Management Group ('Risk'). Treasury and Risk identify, evaluate and hedge financial risks in close co-operation with the Group's operating units. Compliance with policies and exposure limits is independently reviewed by the Group's internal auditor.

Price risk

The Group is exposed to movements in the spot price of electricity arising through the sale and purchase of electricity to and from the market. The Group is also exposed to movements in the spot price of light crude oil arising from sales of its share of oil from the Kupe production. The Group has limited exposure to changes in the sale price for gas and LPG as most of the volume is forward sold.

Electricity sales and purchases

The Group manages price risk in relation to electricity sales and purchases by entering into electricity swaps and options. Electricity swaps and options are either traded on the ASX or negotiated bilaterally with other energy companies and major customers. Electricity options are entered into as needs are identified and as counterparties seek to hedge their electricity purchase exposure. At balance date, the Group had electricity option contracts giving the counter party the right to exercise a call option and electricity cap contracts.

The aggregate notional face value of the outstanding electricity swaps and options at balance date was \$1,858.6 million (2012: \$1,879.7 million).

Light crude oil sales

The Group manages price risk in respect of oil sales by entering into oil options, which provide a minimum price for future oil sales or oil price swap contracts which provide a fixed price for future oil sales. The Group's Treasury policy sets minimum and maximum control limits ranging from between 50 per cent and 75 per cent for the first 12 months to between 25 per cent and 50 per cent for months 13 to 24.

The aggregate notional value of the outstanding oil swaps and options at balance date was USD 51.4 million (2012: USD 64.0 million).

The value of electricity and oil swaps and options are sensitive to changes in forward prices and oil swaps and options are also sensitive to movements in foreign exchange rates. The table below summarises the impact an increase/decrease in these assumptions would have on the Group's post-tax profit or loss for the year and on the Group's cash flow hedge reserve. The sensitivity analysis is based on the assumption that the relevant market prices (future electricity and oil price paths) had increased/decreased by 10 per cent with all other variables held constant. A positive number represents an increase in profit or the cash flow hedge reserve.

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

33. Financial risk-management continued

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Electricity swaps and options				
Post-tax impact on profit or loss				
+10%	(9,393)	(26,662)	(9,393)	(26,662)
-10%	7,644	21,210	7,644	21,210
Post-tax impact on cash flow hedge reserve (equity)				
+10%	3,385	(24,196)	3,385	(24,196)
-10%	(3,385)	24,196	(3,385)	24,196
Oil swaps and options				
Post-tax impact on profit or loss				
+10%	(756)	(3,336)	-	-
-10%	756	3,338	-	-
Post-tax impact on cash flow hedge reserve (equity)				
+10%	(3,130)	(521)	-	-
-10%	3,131	521	-	-

Foreign currency risk

The Group is exposed to foreign currency risk as a result of capital and operational transactions denominated in a currency other than the Group's functional currency (including the purchase of coal, capital equipment and maintenance, and the sale of gas and petroleum). The currencies giving rise to this risk are primarily the United States dollar, Australian dollar, Euro and Japanese yen.

The Group uses foreign exchange swaps and options to manage foreign exchange risk. All significant capital project commitments and all capital purchase orders where exposure and currency levels are confirmed are hedged. All sales, operational commitments and purchase orders denominated in foreign currency over the equivalent of \$500,000 NZD are also hedged in accordance with the Group's Treasury policy. For ongoing operating commitments the equivalent of at least the next 12 months exposure must be hedged. For the currency exposure arising from the sale of oil and gas, the policy sets minimum and maximum control limits ranging from between 50 per cent and 80 per cent for the first 12 months to between 25 per cent and 50 per cent for months 13 to 24.

The following table details the foreign exchange swaps and options outstanding at balance date. A positive number represents a buy contract and a negative number represents a sell contract.

Currency of contract	Foreign amount		Group Face value		Fair value	
	2013	2012	2013	2012	2013	2012
	'000	'000	\$000	\$000	\$000	\$000
United States dollar	(23,638)	(23,924)	(30,970)	(32,941)	(33)	2,150
Australian dollar	5,237	98	6,521	122	(346)	2
Euro	(150)	7,869	(266)	12,931	(4)	(433)
Japanese yen	1,251,074	1,227,123	19,399	20,473	(2,694)	(620)
British pound sterling	310	87	587	168	28	3
Swiss franc	2,710	-	3,725	-	47	-
Total foreign exchange swaps and options			(1,004)	753	(3,002)	1,102

Currency of contract	Foreign amount		Parent Face value		Fair value	
	2013	2012	2013	2012	2013	2012
	'000	'000	\$000	\$000	\$000	\$000
United States dollar	(7,138)	7,576	(9,293)	9,322	(116)	34
Australian dollar	5,237	98	6,521	122	(346)	2
Euro	(150)	7,869	(266)	12,931	(4)	(433)
Japanese yen	1,251,074	1,227,123	19,399	20,473	(2,694)	(620)
British pound sterling	310	87	587	168	28	3
Swiss franc	2,710	-	3,725	-	47	-
Total foreign exchange swaps and options			20,673	43,016	(3,085)	(1,014)

33. Financial risk-management continued

The value of foreign exchange swaps and options are sensitive to changes in the forward prices of currencies. The table below summarises the impact an increase/decrease in foreign exchange rates would have on the Group's post tax profit or loss for the year and on the Group's cash flow hedge reserve. The sensitivity analysis is based on the assumption that the New Zealand dollar had weakened/strengthened by 10 per cent against the currencies with which the Group has foreign currency risk with all other variables held constant. A positive number represents an increase in profit or the cash flow hedge reserve.

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

Currency of contract	% change in rate	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Post-tax impact on profit or loss					
United States dollar	+10%	-	1	-	1
	-10%	-	(1)	-	(1)
Total foreign exchange swaps and options	+10%	-	1	-	1
Total foreign exchange swaps and options	-10%	-	(1)	-	(1)
Post-tax impact on cash flow hedge reserve (equity)					
United States dollar	+10%	2,033	2,514	618	(128)
	-10%	(2,494)	(3,020)	(788)	160
Australian dollar	+10%	(340)	(8)	(340)	(8)
	-10%	485	10	485	10
Euro	+10%	18	(817)	18	(817)
	-10%	(22)	1,001	(22)	1,001
Japanese yen	+10%	(1,105)	(1,301)	(1,105)	(1,301)
	-10%	1,345	1,598	1,345	1,598
British pound sterling	+10%	(40)	(12)	(40)	(12)
	-10%	50	13	50	13
Swiss Franc	+10%	(248)	-	(248)	-
	-10%	305	-	305	-
Total foreign exchange swaps and options	+10%	318	376	(1,097)	(2,266)
Total foreign exchange swaps and options	-10%	(331)	(398)	1,375	2,782

Interest rate risk

The Group is exposed to interest rate risk as a portion of borrowings have floating interest rates. The Group uses interest rate swaps and options to manage interest rate risk. The Group's policy sets maximum and minimum control limits for fixed interest rate exposure which range from between 50 per cent and 100 per cent of projected debt with an age profile of less than one year to a maximum of 50 per cent for projected debt with an age profile of greater than five years.

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

	Average contracted fixed interest rates		Group and Parent		Fair value	
	2013 %	2012 %	Notional principal amount		2013 \$000	2012 \$000
			2013 \$000	2012 \$000		
Not later than one year	3.75	2.93	200,000	200,000	1,707	(92)
Later than one year and not later than two years	-	3.51	-	50,000	-	(545)
Later than two years and not later than five years	8.10	8.10	25,000	25,000	2,351	3,338
Later than five years	5.25	5.32	180,000	180,000	(5,782)	(9,429)
	4.69	4.70	405,000	455,000	(1,724)	(6,728)

The value of interest rate swaps and options are sensitive to changes in forward interest rates. The table below summarises the impact an increase/decrease in interest rates would have on the Group's post-tax profit or loss for the year and on the Group's cash flow hedge reserve. The sensitivity analysis is based on the assumption that interest rates had been 100 basis points higher/lower with all other variables held constant. A positive number represents an increase in profit or the cash flow hedge reserve.

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

33. Financial risk-management continued

	Group and Parent	
	2013 \$000	2012 \$000
Post-tax impact on profit		
+1%	(710)	(808)
-1%	521	766
Post-tax impact on cash flow hedge reserve (equity)		
+1%	5,825	5,550
-1%	(4,665)	(5,021)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group is exposed to credit risk in the normal course of business arising from trade receivables, finance leases (where the Group is lessor), and with banks and financial institutions where short term deposits are held. The Group is also exposed to credit risk arising from derivative counterparties defaulting on their contractual obligations.

The Group is a producer and retailer of electricity and gas. In terms of wholesale sales to the national grid, credit risk is significantly reduced as the Group purchases from the grid for its retail customer base with credit risk being limited to the net position on settlement. In addition, market security requirements in place ensure that there is no significant credit risk for any one participant. Market participants are required to provide letters of credit to the market clearing agent (NZX Limited) which would be called upon should any market participant default.

Credit risk exposure arising from the supply of electricity and gas to the retail market is mitigated due to the Group's large customer base and, in respect of its larger customers, the diverse range of industries they represent throughout New Zealand. The Group has adopted a policy of dealing only with creditworthy trade counterparties and obtaining collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group also minimises its exposure to credit risk in this area through the adoption of counterparty credit limits, and active credit management practices such as monitoring the size and nature of exposures and mitigating the risk deemed to be over acceptable levels.

A bond is held as collateral from post paid electricity customers where their credit profile does not meet the standard set by the Group. The bond is managed in accordance with the terms and conditions outlined in the supply agreement with individual customers. The bond is returned to the customer at cessation of supply. The value of collateral held at balance date was \$4.4 million (2012: \$5.0 million). The carrying value of the bond is considered to approximate its fair value.

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and other organisations. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. The Group has no significant concentration of credit risk with any one financial institution.

The carrying amounts of financial assets recognised in the balance sheet best represents the Group's maximum exposure to credit risk at the reporting date.

Liquidity risk

The Group's liquidity risk arises from its ability to readily attract cost-effective funding, which is largely driven by its credit standing (Standard & Poor's = BBB+). 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.

33. Financial risk-management continued

The table below details the Group's liquidity analysis for its financial liabilities and derivatives. The table has been drawn up based on the undiscounted cash inflows (outflows) for all financial liabilities and derivatives. The amounts in the table are the undiscounted contractual cash flows. Where the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the internally generated forward price curves existing at balance date. As the amounts included in the tables are contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed in the balance sheet.

	Weighted average effective interest rate %	Group				Total contractual cash flows \$000
		Less than 1 year \$000	1 to 2 years \$000	2 to 5 years \$000	More than 5 years \$000	
As at 30 June 2013						
Non-derivative financial liabilities						
Trade and other payables	Non-bearing	(223,019)	-	-	-	(223,019)
Revolving credit	4.3	(7,563)	(81,995)	(103,608)	-	(193,166)
Wholesale term notes	6.7	(19,817)	(21,119)	(155,272)	(234,271)	(430,479)
Retail term notes	7.8	(136,733)	(16,733)	(121,065)	-	(274,531)
Capital Bonds	9.1	(276,951)	-	-	-	(276,951)
Finance lease payable	7.1	(4,280)	(1,783)	-	-	(6,063)
		(668,363)	(121,630)	(379,945)	(234,271)	(1,404,209)
Derivative assets (liabilities)						
Net settled derivatives						
Interest rate swaps and options (cash flow hedges)		(1,015)	(670)	(2,864)	(1,233)	(5,782)
Interest rate swaps and options (fair value hedges)		741	560	1,050	-	2,351
Electricity swaps (cash flow hedges)		(4,154)	(742)	(2,483)	1,060	(6,095)
Electricity swaps and options (not designated as hedges)		6,807	(8,190)	(3,326)	-	(4,933)
Oil swaps (cash flow hedges)		1,049	278	-	-	1,327
Oil swaps and options (not designated as hedges)		(279)	-	-	-	(279)
Gross settled derivatives						
Foreign exchange swaps (cash flow hedges)						
- Inflows		405	218	-	-	623
- Outflows		(3,521)	(104)	-	-	(3,625)
		33	(8,650)	(7,623)	(173)	(16,413)

The foreign exchange swaps cash flows above include \$0.7 million inflow in the less-than-one-year category in relation to capital projects which would not be recognised in profit or loss.

The parent completed a modification process for the Capital Bonds on 15 July 2013. The modified \$200 million has been classified as term, expiring 15 July 2041. Refer to note 30 for further details.

The net liquidity risk position under one year is positive when taking into account non-derivative financial assets and undrawn funding facilities.

33. Financial risk-management continued

As at 30 June 2012	Weighted average effective interest rate %	Group				Total contractual cash flows \$'000
		Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	More than 5 years \$'000	
Non-derivative financial liabilities						
Trade and other payables	Non-bearing	(285,016)	-	-	-	(285,016)
Revolving credit	4.4	(13,376)	(13,376)	(333,085)	-	(359,837)
Wholesale term notes	7.4	(14,449)	(14,449)	(165,653)	(87,430)	(281,981)
Retail term notes	7.8	(16,733)	(136,733)	(121,065)	-	(274,531)
Capital Bonds	9.1	(23,375)	(23,375)	(70,125)	(837,281)	(954,156)
Finance lease payable	7.1	(4,280)	(4,280)	(1,783)	-	(10,343)
		(357,229)	(192,213)	(691,711)	(924,711)	(2,165,864)
Derivative assets (liabilities)						
Net settled derivatives						
Interest rate swaps and options (cash flow hedges)		(1,522)	(1,022)	(3,613)	(4,988)	(11,145)
Interest rate swaps and options (fair value hedges)		790	728	2,036	-	3,554
Electricity swaps (cash flow hedges)		4,804	2,045	(717)	5,948	12,080
Electricity swaps and options (not designated as hedges)		1,362	5,043	(3,621)	-	2,784
Oil swaps (cash flow hedges)		-	671	-	-	671
Oil swaps and options (not designated as hedges)		2,216	286	12	-	2,514
Gross settled derivatives						
Foreign exchange swaps (cash flow hedges)						
- Inflows		2,451	234	-	-	2,685
- Outflows		(1,180)	(407)	-	-	(1,587)
Foreign exchange options (not designated as hedges)						
- Inflows		7,317	-	-	-	7,317
- Outflows		(7,512)	-	-	-	(7,512)
		8,726	7,578	(5,903)	960	11,361

The foreign exchange swaps and options cash flows above include \$0.4 million outflow in the less-than-one-year category in relation to capital projects which would not be recognised in profit or loss.

33. Financial risk-management continued

As at 30 June 2013	Parent					
	Weighted average effective interest rate %	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	More than 5 years \$'000	Total contractual cash flows \$'000
Non-derivative financial liabilities						
Trade and other payables	Non-bearing	(211,086)	-	-	-	(211,086)
Revolving credit	4.3	(7,563)	(81,995)	(103,608)	-	(193,166)
Wholesale term notes	6.7	(19,817)	(21,119)	(155,272)	(234,271)	(430,479)
Retail term notes	7.8	(136,733)	(16,733)	(121,065)	-	(274,531)
Capital Bonds	9.1	(276,951)	-	-	-	(276,951)
Finance lease payable	7.1	(4,280)	(1,783)	-	-	(6,063)
		(656,430)	(121,630)	(379,945)	(234,271)	(1,392,276)
Derivative assets (liabilities)						
Net settled derivatives						
Interest rate swaps and options (cash flow hedges)		(1,015)	(670)	(2,864)	(1,233)	(5,782)
Interest rate swaps and options (fair value hedges)		741	560	1,050	-	2,351
Electricity swaps (cash flow hedges)		(4,154)	(742)	(2,483)	1,060	(6,319)
Electricity swaps and options (not designated as hedges)		6,807	(8,190)	(3,326)	-	(4,709)
Gross settled derivatives						
Foreign exchange swaps (cash flow hedges)						
- Inflows		3,944	258	-	-	4,202
- Outflows		(7,038)	(104)	-	-	(7,142)
		(715)	(8,888)	(7,623)	(173)	(17,399)

The foreign exchange swaps and options cash flows above include \$0.7 million inflow in the less-than-one-year category in relation to capital projects which would not be recognised in profit or loss.

The Parent completed a modification process for the Capital Bonds on 15 July 2013. The modified \$200 million has been classified as term, expiring 15 July 2041. Refer to note 30 for further details.

The net liquidity risk position under one year is positive when taking into account non-derivative financial assets and undrawn funding facilities.

33. Financial risk-management continued

As at 30 June 2012	Weighted average effective interest rate %	Parent				Total contractual cash flows \$000
		Less than 1 year \$000	1 to 2 years \$000	2 to 5 years \$000	More than 5 years \$000	
Non-derivative financial liabilities						
Trade and other payables	Non-bearing	(274,319)	-	-	-	(274,319)
Revolving credit	4.4	(13,376)	(13,376)	(333,085)	-	(359,837)
Wholesale term notes	7.4	(14,449)	(14,449)	(165,653)	(87,430)	(281,981)
Retail term notes	7.8	(16,733)	(136,733)	(121,065)	-	(274,531)
Capital Bonds	9.1	(23,375)	(23,375)	(70,125)	(837,281)	(954,156)
Finance lease payable	7.1	(4,280)	(4,280)	(1,783)	-	(10,343)
		(346,532)	(192,213)	(691,711)	(924,711)	(2,155,167)
Derivative assets (liabilities)						
Net settled derivatives						
Interest rate swaps and options (cash flow hedges)		(1,522)	(1,022)	(3,613)	(4,988)	(11,145)
Interest rate swaps and options (fair value hedges)		790	728	2,036	-	3,554
Electricity swaps (cash flow hedges)		4,804	2,045	(717)	5,948	12,080
Electricity swaps and options (not designated as hedges)		1,362	5,043	(3,621)	-	2,784
Gross settled derivatives						
Foreign exchange swaps (cash flow hedges)						
- Inflows		2,697	259	-	-	2,956
- Outflows		(3,583)	(418)	-	-	(4,001)
Foreign exchange options (not designated as hedges)						
- Inflows		7,317	-	-	-	7,317
- Outflows		(7,512)	-	-	-	(7,512)
		4,353	6,635	(5,915)	960	6,033

The foreign exchange swaps and options cash flows above include \$0.4 million outflow in the less-than-one-year category in relation to capital projects which would not be recognised in profit or loss.

Capital risk-management

The Group manages its capital in a prudent manner to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholder through the appropriate balance of debt and equity. This is achieved by ensuring that the level and timing of its capital investment programmes, equity raisings and dividend distributions are consistent with the Group's capital structure strategy. This strategy remains unchanged from previous years. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 30, cash and cash equivalents as disclosed in note 19 and equity attributable to the shareholder of Genesis Power Limited, comprising issued capital, reserves and retained earnings as disclosed in the balance sheet. During 2013, the Parent issued wholesale term notes which are included in the borrowings disclosed in note 30. The Group's Capital Bonds are treated as 50 per cent equity by Standard & Poor's for credit rating assessment purposes. This treatment supports the Group's strategy of managing its capital in a prudent manner.

Under the Group's debt funding facilities, the Group has given undertakings that the ratio of debt to equity will not exceed a prescribed level and the interest cover will not be below a prescribed level. For the purpose of these undertakings, the Capital Bonds and related interest costs are treated as 50 per cent equity. The covenants are monitored on a regular basis to ensure they are complied with. There were no breaches in covenants during the year (2012: nil).

33. Financial risk-management continued

Fair values

The carrying value of financial assets and liabilities in the balance sheet approximates their fair values with the exception of the finance lease receivable, wholesale term notes, retail term notes and Capital Bonds. A comparison of the fair value and carrying value of these instruments is disclosed below:

	Group		Parent	
	Carrying value \$000	Fair value \$000	Carrying value \$000	Fair value \$000
As at 30 June 2013				
Wholesale term notes	(321,366)	(333,366)	(321,366)	(333,366)
Retail term notes	(228,700)	(241,409)	(228,700)	(241,409)
Capital Bonds	(279,691)	(275,000)	(279,691)	(275,000)
As at 30 June 2012				
Finance lease receivable	6,861	7,541	-	-
Wholesale term notes	(200,699)	(215,640)	(200,699)	(215,640)
Retail term notes	(228,005)	(247,053)	(228,005)	(247,053)
Capital Bonds	(274,058)	(296,450)	(274,058)	(296,450)

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

- The fair values of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Where market prices are not available, estimated discounted cash flow analyses using the applicable yield curve or available forward price data for the duration of the instruments is used.
- Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument, the two key types of variables used are:
 - (i) Future price curve (for the relevant underlying interest rates, foreign exchange rates or commodity prices)
 - (ii) Discount rates.

Financial instruments fair value hierarchy

The Group's financial instruments are categorised into one of three levels as follows:

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

Level two – the fair value is derived from inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Financial instruments in this level include interest rate swaps and options, foreign exchange swaps and options, and oil swaps and options and electricity derivatives which are valued using observable electricity price paths.

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

There were no transfers between levels one, two and three during the year (2012: nil).

Note	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Level 2				
Derivatives				
- Interest rate swaps and options	(1,724)	(6,728)	(1,724)	(6,728)
- Foreign exchange swaps and options	(3,002)	1,102	(3,085)	(1,014)
- Oil swaps and options	1,048	3,119	-	-
- Electricity swaps (not designated as hedges)	(1,895)	2,138	(1,895)	2,138
	(5,573)	(369)	(6,704)	(5,604)
Level 3				
Derivatives				
- Electricity swaps (cash flow hedges)	(6,319)	4,189	(6,319)	4,189
- Electricity swaps and options (not designated as hedges)	(2,814)	(41,247)	(2,814)	(41,247)
	(9,133)	(37,058)	(9,133)	(37,058)
Total derivatives	(14,706)	(37,427)	(15,837)	(42,662)

A reconciliation of movements in level three instruments has been disclosed in note 32.

33. Financial risk-management continued

Valuation of interest rate swaps and options

The valuation of interest rate swaps and options is based on a forward interest rate price curve discounted at the forward interest rate price curve at balance date. The forward interest rate price curve used in the valuation ranged from 2.5 per cent to 5.4 per cent (2012: 2.5 per cent to 4.8 per cent) and the forward interest rate price curve at balance date used in the valuation ranged from 2.5 per cent to 4.8 per cent (2012: 2.5 per cent to 4.8 per cent).

Valuation of foreign exchange swaps and options

The valuation of foreign exchange swaps is based on forward foreign exchange rate curves at balance date, discounted at the forward interest rate price curve at balance date. The underlying spot foreign exchange rates used in the valuation were USD 0.77, AUD 0.85, JPY 76.7, EUR 0.59, GBP 0.51, CHF 0.73 (2012: USD 0.80, AUD 0.78, JPY 63.6, EUR 0.63 and GBP 0.51) and the forward interest rate curve used in the valuation ranged from 2.5 per cent to 4.8 per cent (2012: 2.5 per cent to 4.8 per cent). Options are valued based on the valuation obtained from counterparty banks.

Valuation of oil swaps and options

The valuation of oil swaps is based on the forward oil price and foreign exchange rate curves at balance date discounted at the forward interest rate price curve at balance date. The average forward oil price used in the valuation was USD 98.76 (2012: USD 97.43), the foreign exchange rate curve was USD 0.77 (2012: USD 0.80) and the forward interest rate price curve used in the valuation ranged from 2.5 per cent to 4.8 per cent (2012: 2.5 per cent to 4.8 per cent). Oil options are based on the valuations obtained from counterparty banks converted to New Zealand dollars using the spot rate at the valuation date. The spot rate used in the valuations was USD 0.77 (2012: USD 0.80).

Valuation of electricity swaps and options

The valuation of electricity swaps in level two is based on the ASX forward price curve that relates to the derivative.

The valuation of electricity swaps in level three is based on a forecasted internally generated electricity price path which incorporates assumptions relating to electricity demand, 79 years of historical hydrological inflow data and existing and future generation plant.

The valuation of electricity options is based on a discounted cash flow model over the life of the agreement. The key assumptions in the model are: the callable volumes, strike price and option fees outlined in the agreement, the forecasted internally generated electricity price path, day one gains and losses, emission credits and the discount rate. The options are deemed to be called when the internally generated price path is higher than are the strike prices after taking into account obligations relating to the specific terms of each contract. The discount rate used in the model was 2.5 per cent to 4.8 per cent (2012: 2.5 per cent to 4.8 per cent) and the emission credit price used ranged between \$7.92 and \$15.43 (2012: \$7.92 and \$15.43).

The selection of variables used to value the electricity swaps and options for level three requires significant judgement and, therefore, there is a range of reasonable assumptions that could be used in estimating the fair value of these derivatives. The key assumptions driving potential changes to the forecasted internally generated price path are changes in demand, hydrology and new-generation build. Any one of these factors could result in a change to the price path. If the price path increased by 10 per cent, this would result in the carrying value of the electricity derivatives increasing to \$16.6 million liability (2012: \$107.6 million liability). If the price path decreased by 10 per cent, the carrying value would decrease to \$4.1 million liability (2012: \$26.7 million asset).

Deferred 'day 1' gains (losses)

Where the Group estimates fair values of derivatives using forecasted internally generated future price paths, as is the case with electricity derivatives, the instrument is fair valued at inception and the difference arising between the estimated fair value and its cost (nil) is a deferred day 1 gain (loss). For electricity options, the valuation adjustment is effectively amortised based on expected call volumes over the term of the contract. The carrying value of derivatives is disclosed net of the day 1 adjustments.

The following table details the movements and amounts of deferred 'day 1' gains (losses) included in the fair value of electricity derivatives held at balance date:

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Balance at 1 July	40,178	47,017	40,178	47,017
Deferred day 1 gains (losses) on new derivatives	3,586	3,942	3,586	3,942
Deferred day 1 gains (losses) realised during the year	(17,807)	(10,781)	(17,807)	(10,781)
Balance at 30 June	25,957	40,178	25,957	40,178

34. Commitments

Capital commitments

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Not later than one year	36,146	22,496	36,146	17,033
Later than one year but not later than five years	4,709	8,468	4,709	8,468
Total capital commitments	40,855	30,964	40,855	25,501

The capital commitments disclosed above include no amounts in relation to Kupe Joint Venture (2012: \$5.5 million).

Operating lease commitments

Where the Group is lessee

The Group leases building accommodation for its Customer experience and Corporate offices, and land for its generation sites under operating lease arrangements. The Group also leases vehicles and certain office equipment. These leases are of a rental nature and are on normal commercial terms and conditions. These leases have varying lease periods of up to 20 years. In some cases, renewal rights exist with market review clauses. The Group does not have any options to purchase the leased assets at the expiry of the lease period.

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Not later than one year	9,133	9,617	8,439	7,227
Later than one year but not later than five years	29,852	29,270	27,876	22,101
Later than five years	22,797	17,257	20,081	15,594
Total operating lessee commitments	61,782	56,144	56,396	44,922

Lease commitments are disclosed exclusive of GST.

35. Contingent assets and liabilities

The Group and Parent had contingent assets and liabilities at 30 June 2013 in respect of:

Land claims, law suits and other claims

The Parent acquired interests in land and leases from ECNZ on 1 April 1999. These interests in land and leases may be subject to claims to the Waitangi Tribunal and may be resumed by the Crown. The Parent would expect to negotiate with the new Maori owners for occupancy and usage rights of any sites resumed by the Crown. Certain claims have been brought to or are pending against the Parent, ECNZ and the Crown under the Treaty of Waitangi Act 1975. Some of these claims may affect land and leases purchased by the Parent or its subsidiaries from ECNZ. In the event that land is resumed by the Crown, the resumption would be affected by the Crown under the Public Works Act 1981 and compensation would be payable to the Company.

The Board of Directors cannot reasonably estimate the adverse effect (if any) on the Parent if any of the foregoing claims are ultimately resolved against it, or any contingent or currently unknown costs or liabilities crystallise. There can be no assurances that these claims will not have a material adverse effect on the Group's business, financial condition or results of operations.

There are no other known material contingent assets or liabilities (2012: nil).

36. Events occurring after balance date

Subsequent to balance date, the Environment Court issued revised resource consents for the Group's Castle Hill Wind Farm. Negotiations with landowners and community groups appealing the wind farm have now been resolved by mutual consent. The Group is consented to erect up to 286 three-megawatt turbines.

The Parent completed a modification process for the Capital Bonds on 15 July 2013. Effective from 15 July 2013, the principal amount of Capital Bonds reduced from \$275 million to \$200 million. Refer to note 30 for further information.

The Parent, subsequent to balance date, declared a final fully imputed dividend of \$57.0 million (10.5 cents per share). In addition, certain subsidiary companies have declared fully imputed intercompany dividends totalling \$96.8 million.

Subject to shareholder approval and completion of the relevant Companies Office processes, the Company proposes to change its legal name on 9 September 2013 from 'Genesis Power Limited' to 'Genesis Energy Limited'.

There have been no other significant events subsequent to balance date.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GENESIS POWER LIMITED AND GROUP'S REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The Auditor-General is the auditor of Genesis Power Limited (the Company) and Group. The Auditor-General has appointed me, Ian Marshall, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the Company and Group, on her behalf.

We have audited the financial statements of the Company and Group on pages 159 to 201, that comprise the balance sheet as at 30 June 2013, the comprehensive income statement, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

Financial statements

In our opinion the financial statements of the Company and Group on pages 159 to 201:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the Company and Group's:
 - financial position as at 30 June 2013; and
 - financial performance and cash flows for the year ended on that date.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the Company and Group as far as appears from an examination of those records.

Our audit was completed on 28 August 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgment, are likely to influence shareholder's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error.

In making those risk assessments, we consider internal control relevant to the preparation of the Company and Group's financial statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the Company and Group's financial position, financial performance and cash flows.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 19(1) of the State-Owned Enterprises Act 1986.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out other assurance assignments in respect of trustee reporting and review of the Global Reporting Initiative Report, which are compatible with those independence requirements. Principals and employees of our firm also deal with Genesis Power Limited on arm's length terms within the ordinary course of trading activities of the Group. Other than the audit, these assignments and arm's length transactions, we have no relationship with or interests in Genesis Power Limited or any of its subsidiaries.



Ian Marshall
Deloitte

On behalf of the Auditor-General
Hamilton, New Zealand

Deloitte.

6.5 AUDITOR'S REPORT

Deloitte

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13 March 2014

The Board of Directors
Genesis Energy Limited
PO Box 17188
Greenlane
Auckland 1546

Dear Directors

INDEPENDENT AUDITOR'S REPORT

This report is issued in respect of the public offer of ordinary shares in Genesis Energy Limited (the "Company") by Her Majesty the Queen in Right of New Zealand (the "Crown"), in terms of the Prospectus dated 13 March 2014 ("Prospectus").

This report is made solely to the directors of the Company (the "directors"), in accordance with clause 28 of Schedule 1 to the Securities Regulations 2009 ("Schedule 1"). Our work has been undertaken so that we might state to the directors those matters we are required to state to them in a report from the auditor and for no other purpose. To the fullest extent permitted by law and subject to Section 61 of the Securities Act 1978, we do not accept or assume responsibility to anyone other than the directors for this report, or for the opinions we have formed.

Directors' Responsibilities

The directors are responsible for the preparation and presentation of:

- financial statements as required by clause 23 of Schedule 1. The financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group"), on pages 159 to 201, comprise the consolidated and separate balance sheets as at 30 June 2013 and the consolidated and separate comprehensive income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information. The directors are responsible to ensure that the financial statements comply with generally accepted accounting practice in New Zealand and give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- interim financial statements on pages 142 to 157 as per clause 24 of Schedule 1 for the six months ended 31 December 2013;
- the summary financial statements of the Group for the years ended 30 June 2009, 2010, 2011, 2012, 2013 and the six months ended 31 December 2012 and 2013 as required by clause 9 of Schedule 1; and
- the prospective financial information of the Group for the years ending 30 June 2014 and 30 June 2015, including the assumptions on which the prospective financial information is based, as required by clause 11 of Schedule 1.

Auditor's Responsibilities

We are responsible for:

- expressing an independent opinion on the financial statements of the Group as at 30 June 2013, and for the year ended on that date, prepared and presented by the directors, and reporting our opinion in accordance with clause 28(1) of Schedule 1;
- reporting, in accordance with clause 28(1)(h) of Schedule 1, on the amounts included in the summary financial statements for the years ended 30 June 2009, 2010, 2011, 2012 and 2013, the unaudited interim financial statements for the six months ended 31 December 2012 and the audited interim financial statements for the six months ended 31 December 2013; and
- reporting, in accordance with clause 28(2) of Schedule 1, on the prospective financial information for the years ending 30 June 2014 and 30 June 2015.

This report has been prepared for inclusion in the Prospectus for the purpose of meeting the requirements of clause 28 of Schedule 1. We disclaim any assumption of responsibility for reliance on this report or the amounts and disclosures included in the financial statements, the summary financial statements and the prospective financial information for any purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the Prospectus not mentioned in this report.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/nz/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its Member Firms.

A member of Deloitte Touche Tohmatsu Limited



In addition to the audit we have carried out other assignments in respect of trustee reporting and review of the Global Reporting Initiative Report, which are compatible with those independence requirements. Principals and employees of our firm also deal with Genesis Energy Limited on arm's length terms within the ordinary course of trading activities of the group. Other than the audit, these assignments and the arm's length transactions, we have no relationship with or interests in Genesis Energy Limited or any of its subsidiaries.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

We have also undertaken procedures to provide reasonable assurance that the amounts in the summary financial statements, pursuant to clause 9 of Schedule 1, have been correctly taken from audited financial statements for the years ended 30 June 2009, 2010, 2011, 2012 and 2013, the unaudited interim financial statements for the six months ended 31 December 2012 and the audited interim financial statements for the six months ended 31 December 2013.

In addition, we have undertaken procedures to provide reasonable assurance that the prospective financial information, so far as the accounting policies and calculations are concerned, have been properly compiled on the footing of the assumptions made or adopted by the directors of the Company and are presented on a basis consistent with the accounting policies normally adopted by the Group. The assumptions relate to future events and we are not in a position to, and do not express an opinion on, these assumptions.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- a) proper accounting records have been kept by the Group as far as appears from our examination of those records; and
- b) the financial statements on pages 159 to 201 that are provided pursuant to clause 23 of Schedule 1 and that are audited;
 - i. subject to the Securities Regulations 2009, comply with generally accepted accounting practice in New Zealand;
 - ii. subject to the Securities Regulations 2009, comply with International Financial Reporting Standards; and
 - iii. give a true and fair view of the matters to which they relate;
- c) the amounts in the summary financial statements, in section 6.4.3 on page 135 and pages 136 to 141, pursuant to clause 9 of Schedule 1, have been correctly taken from audited financial statements of the Group for the years ended 30 June 2009, 2010, 2011, 2012 and 2013, the unaudited interim financial statements for the six months ended 31 December 2012 and the audited interim financial statements for the six months ended 31 December 2013; and
- d) the prospective financial information for the years ending 30 June 2014 and 30 June 2015 set out on pages 119 to 122, so far as the accounting policies and calculations are concerned, has been properly compiled on the footing of the assumptions made or adopted by the directors of the Company set out in section 6.3.2 on page 111 and pages 112 to 118 and 123 to 124 of this Prospectus and is presented on a basis consistent with the accounting policies normally adopted by the Group and as outlined in section 6.3.1 on page 111.

Our audits of the financial statements of the Group for the year ended 30 June 2013 and for the six months ending 31 December 2013 were completed on 28 August 2013 and 11 February 2014 respectively, and our unmodified opinions were expressed as at those dates. We have not performed any procedures in relation to the financial statements subsequent to 11 February 2014.

Actual results are likely to be different from the prospective financial information since anticipated events frequently do not occur as expected and the variation could be material. Accordingly we express no opinion as to whether results consistent with the prospective financial information will be achieved.

We completed our work for the purposes of this report on 13 March 2014 and our unqualified opinion is expressed as at that date.

Yours faithfully

Andrew Dick
 Partner
 Deloitte, Auckland
 On behalf of the Auditor-General

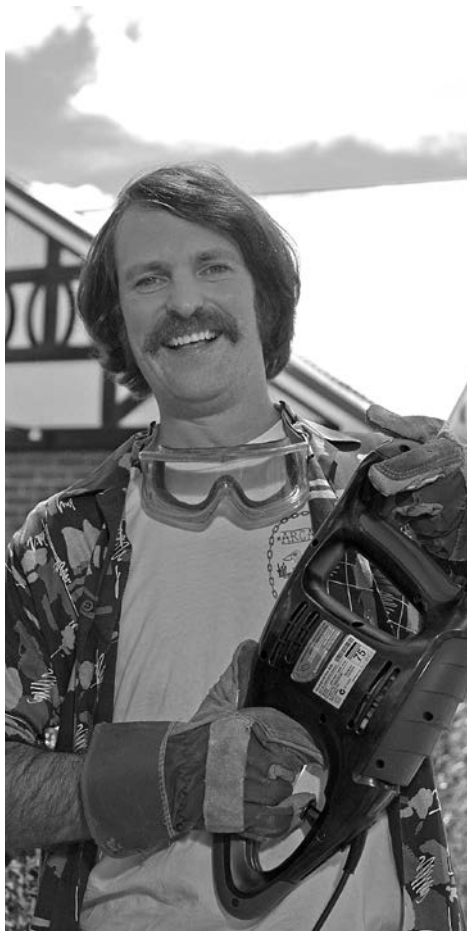


SECTION SEVEN

TERMS OF THE OFFER

IN THIS SECTION

- 7.1 Details of the Offer
- 7.2 Statutory Information
- 7.3 New Zealand Taxation Implications
- 7.4 Information for Australian Institutional Investors



7.1 DETAILS OF THE OFFER

THE OFFER

The Crown is offering to sell 300,000,000 to 490,000,000 Shares in the Company, representing between 30% and 49% of the Shares on issue. This includes the Loyalty Bonus Shares to which New Zealand Applicants may become entitled under the terms of the Offer.

The Offer comprises the Retail Offer (which in turn comprises a General Offer and a Broker Firm Offer), the Institutional Offer and the Participating Iwi Offer.

Determination of the Final Price

The Final Price will be determined by the Crown in its sole discretion on or about 28 March 2014 following a 'bookbuild' managed by the Joint Lead Managers. The Final Price is expected to be announced and posted on the Offer website www.genesisenergyshares.govt.nz and under Genesis Energy's stockcode 'GNE' on www.nzx.com on or about 28 March 2014.⁹¹

In determining the Final Price, consideration may be given to the following factors (amongst others):

- the objectives of the Government under the extension of the mixed ownership model programme;
- the level of demand for Shares in the bookbuild at various prices;
- the desire for an orderly secondary market for the Shares; and
- any other factors the Crown considers relevant in meeting its objectives.

The Final Price will not necessarily be the highest price at which Shares could be sold under the Offer and may be set above, within or below the Indicative Price Range.

Purpose of the Offer

The purpose of the Offer is to provide:

- an opportunity for the Crown to sell up to 49% of its current shareholding in Genesis Energy as part of the extension of the mixed ownership model; and
- Genesis Energy with greater access to capital markets and commercial independence in the form of greater external oversight and transparency, increasing the incentive for improved performance.

Use of Proceeds

The Crown will receive the proceeds of the Offer and will pay the majority of the costs and expenses of the Offer, with the remainder of the costs and expenses to be paid by Genesis Energy. None of the proceeds will be received by Genesis Energy.

Shareholding Structure

On completion of the Offer, assuming the maximum Offer size, the Crown will hold 510,000,000 Shares (51%) in the Company (together with any Shares retained by the Crown and reserved for future transfer, such as Loyalty Bonus Shares, and any Shares acquired by Crown entities under the Offer).

The Public Finance Act and the Constitution provide that the Crown must hold at least 51% of any shares issued by Genesis Energy (including the Shares forming part of this Offer) and any other securities with voting rights in Genesis Energy and that, other than the Crown, no person may have a Relevant Interest in more than 10% of any class of shares or voting securities in Genesis Energy.

The Crown intends that its shareholding in Genesis Energy not sold through the Offer (including any Shares retained by the Crown and reserved for future transfer, such as Loyalty Bonus Shares) will continue to be held by and through the Shareholding Ministers.

Allocation between Retail Offer and Institutional Offer

As at the date of this Prospectus, other than the Crown's commitment to at least 85% New Zealand ownership, no allocation decisions have been made by the Crown.

Allocations:

- to NZX Firms and selected trading banks in the Broker Firm Offer; and
- between the Retail Offer and the Institutional Offer,

will be determined by the Crown, in consultation with its advisers and Genesis Energy. These determinations are expected to be made following the close of the bookbuild process.

The allocation of Shares to the Broker Firm Offer will be determined by the Crown, having regard to the level of demand in the bookbuild and any other factors that the Crown considers appropriate, after consultation with its advisers and Genesis Energy. The Crown will retain the ability to scale back allocations to NZX Firms and selected trading banks in the Broker Firm Offer following the close of the General Offer.

Discretion Regarding the Offer

The Crown reserves the right to withdraw the Offer at any time prior to the allotment of Shares to Applicants. If the Offer or any part of it is withdrawn then all Application amounts, or the relevant Application amounts, will be refunded without interest no later than five Business Days after the announcement of the decision to withdraw the Offer. Any such refund will be made in the manner in which you elect any future dividend payments to be paid.

The Crown also reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application or allocate to any Applicant fewer Shares than applied for.

If the Crown amends the General Offer Closing Date or the Broker Firm Offer Closing Date any such amendment will be announced through NZX.

Questions about the Offer

If you have any queries about the risk or suitability of an investment in the Shares you should consult your financial adviser or an NZX Firm. If you have questions about how to apply under the Offer, you can call **0800 90 30 90** (New Zealand only) during the Offer period or visit www.genesisenergyshares.govt.nz.

Right to Refuse Applications

The Crown reserves the right to refuse any Application or to accept an Application in part only, without providing a reason. If the Crown refuses an Application or accepts an Application in part, all or the relevant balance of the Application amount will be refunded no later than five Business Days after the Allotment Date. No interest will be paid on any Application amount that is refunded to the Applicant. Any such refund will be made in the manner in which you elect any future dividend payments to be paid.

⁹¹ These dates are subject to change.

THE RETAIL OFFER

The Retail Offer, including the Broker Firm Offer, is open to any New Zealand Applicant.

Summary of the Retail Offer

Who can apply for Shares in the Retail Offer?	How many Shares can you apply for?	Will you be allocated all the Shares for which you apply?	Are you eligible for Loyalty Bonus Shares?	How do you apply?
General Offer: New Zealand Applicants	The minimum Application amount is \$1,000.	Applications up to \$1,000 will not be scaled. Applications in excess of \$1,000 will not receive less than \$1,000 worth of Shares. If the Offer is over-subscribed, your Application may be scaled back.	✓	Apply online at: www.genesisenergyshares.govt.nz or by completing the Application Form included with the Investment Statement.
Broker Firm Offer: New Zealand Applicants who are offered a firm allocation by an NZX Firm or a selected trading bank	The minimum Application amount is \$1,000. Your broker will inform you of your firm allocation.	It will be a matter for the NZX Firm or selected trading bank to decide how they make allocations amongst their eligible retail clients and whether your Application will be scaled back. If the Crown exercises its right to scale back Broker Firm Offer allocations following the close of the General Offer, retail client Applications under the Broker Firm Offer will be scaled back at the Crown's discretion. There is no minimum guaranteed allocation under the Broker Firm Offer. Accordingly, final individual allocations under the Broker Firm Offer may be lower than the minimum Application amount of \$1,000.	✓	Contact your NZX Firm or selected trading bank that notified you of your allocation and they will provide you with Application instructions.

Minimum Investment

The minimum dollar amount of Shares for which you can apply is \$1,000. The Crown reserves the right to accept Applications for less than \$1,000, including where \$1,000 is not a multiple of the Final Price. There is no limit on the maximum Application you may make (however, the number of Shares allocated to you will be subject to the 10% shareholding limit).

Number of Shares

Applicants in the Retail Offer will pay the Final Price per Share, which will be determined following the bookbuild process. The Final Price is expected to be announced and posted on the Offer website **www.genesisenergyshares.govt.nz** and under Genesis Energy's stockcode 'GNE' on **www.nzx.com** on or about 28 March 2014.

As the Final Price will be known when you make your Application for Shares, you will be asked to apply for a number of Shares multiplied by the Final Price, which will give a total Application amount.

If the difference between the dollar amount of Shares for which you apply and the value (based on the Final Price) of the Shares you receive due to scaling of your Application is more than the Final Price, this difference will be refunded to you no later than five Business Days after the Allotment Date without Interest. Any such refund will be made in the manner in which you elect any future dividend payments to be paid. If the difference is less than the Final Price, it will be retained by the Crown. If you apply for a total Application amount that is not a multiple of the Final Price, your Application will be rounded down to the nearest multiple of the Final Price and any difference will be retained by the Crown.

Incentives for New Zealand Applicants

The Crown is providing incentives to New Zealand Applicants under the Retail Offer as follows:

Guaranteed allocation (General Offer only)	Applications under the General Offer up to \$1,000 will not be scaled. Applications in excess of \$1,000 under the General Offer will not receive less than \$1,000 worth of Shares.
Loyalty Bonus Shares	Each New Zealand Applicant who continues to hold their Shares in the same registered name for a period of 12 months will be entitled to Loyalty Bonus Shares based upon the ratio of one for 15 up to a maximum number of 2,000 Loyalty Bonus Shares for each New Zealand Applicant.

New Zealand Applicants applying through Custodians will be entitled to these incentives on the same basis as if they were applying directly in the Offer, provided that the eligibility criteria is satisfied.

Loyalty Bonus Shares

You may be entitled to receive Loyalty Bonus Shares from the Crown if you:

- are a New Zealand Applicant who receives an allocation in the Retail Offer; and
- hold the Shares allocated to you continuously in the same registered name until 12 months from the Allotment Date.

The Loyalty Bonus Shares have the effect of providing New Zealand Applicants who retain their Shares for 12 months with additional Shares for no further cash investment (if certain conditions are met). Loyalty Bonus Shares are only available to New Zealand Applicants in the Retail Offer.

The number of Loyalty Bonus Shares that you are entitled to receive will be calculated on the basis of one Loyalty Bonus Share for every 15 Shares allocated to you under the Retail Offer and held continuously in the same registered name until 12 months from the Allotment Date, with no individual Loyalty Bonus Share entitlement exceeding 2,000 Loyalty Bonus Shares.

The number of Loyalty Bonus Shares you will be eligible to receive will be calculated based on the lowest number of Shares held continuously by you between the Allotment Date and 12 months following that date, with any fractional entitlements to Loyalty Bonus Shares to be rounded down to the nearest whole number.

In submitting your Application Form, New Zealand Applicants are automatically applying for Loyalty Bonus Shares to which you may become entitled under the terms of the Retail Offer.

The Loyalty Bonus Shares will be transferred by the Crown from its retained holding of Shares to Shareholders who meet the conditions of eligibility.

The Loyalty Bonus Shares will be fully paid ordinary shares in the Company and, on transfer, will confer equal rights as the Shares transferred on completion of the Offer.

The value of any Loyalty Bonus Shares at the date on which they are transferred to you should reflect the market price of the Shares in the Company at that date.

The table below sets out examples of how to determine the number of Loyalty Bonus Shares to which you may be entitled if you are allocated \$2,000 worth of Shares in the Retail Offer. Your entitlement to Loyalty Bonus Shares will be determined on the first anniversary of the Allotment Date and Loyalty Bonus Shares will be transferred to you within five Business Days following the determination of entitlements.

Determining the number of Loyalty Bonus Shares to which you may be entitled

	Indicative Price Range			
Final Price per Share	\$1.35	\$1.45	\$1.55	\$1.65
Number of Shares allocated (\$2,000 divided by Final Price per Share)	1,481	1,379	1,290	1,212
Entitlement ratio for Loyalty Bonus Shares	1 for 15	1 for 15	1 for 15	1 for 15
Number of Loyalty Bonus Shares entitled to	98	91	86	80
Implied value of entitlement	\$132.30	\$131.95	\$133.30	\$132.00

Note:

1. The Final Price per Share may be set within, above or below the Indicative Price Range.
2. The number of Shares allocated and the number of Loyalty Bonus Shares entitled to after applying the entitlement ratio are rounded down to the nearest whole number.
3. The implied value of your entitlement has been calculated using a value for a Loyalty Bonus Share equal to the applicable price in the Indicative Price Range. There is no guarantee that a Loyalty Bonus Share will have a value equal to that price at the time received by you.

Applications under the Institutional Offer and the Participating Iwi Offer have no entitlement to Loyalty Bonus Shares, as these Applications will not have been made under the Retail Offer.

Conditions of entitlement for Loyalty Bonus Shares

Entitlement to Loyalty Bonus Shares will be subject to certain conditions. One of these conditions is that successful Applicants hold the Shares allocated to them continuously in the same registered name until the first anniversary of the Allotment Date. The requirement to hold Shares in the same registered name means entitlements to Loyalty Bonus Shares will expire in respect of any Shares where ownership changes, including where:

- there is a transfer of Shares from the New Zealand Applicant to another person, including to a family member or trust in which they are a beneficiary; or
- there is a voluntary change in joint ownership arrangements.

The exceptions to this 'same registered name' requirement are:

- a bona fide change of name of the registered holder (for example, by marriage, divorce or deed poll) provided that appropriate documentary evidence in support of the change is provided;
- a transmission to a legal personal representative (for example, an executor or administrator) of a deceased holder pending final administration of the holder's estate;

- a transmission from a deceased holder to a beneficiary (either directly or via the legal personal representative of the deceased);
- a transfer to the surviving joint holder(s) where a joint holder dies;
- a transfer as a result of a Court order or relevant legislation, for example following a marriage dissolution (although the Crown reserves the right to assess each such transfer to determine if it is legitimately out of the control of the original holder);
- an amendment to the register to correct certain registry or broker errors; or
- a transfer to or from a nominee, trustee or other fiduciary party requiring a change in the registered holder details but where there is no change in the underlying beneficial shareholder, provided that the nominee or custodian completes and lodges the necessary nominee declaration form by the end of the calendar month in which the transfer was effected on the register.

All changes within the categories listed above will require the timely lodgement of appropriate documentary evidence with the Registrar, in order for the continued Loyalty Bonus Share entitlement to be recognised. Shareholders or their representatives (including brokers) should make themselves familiar with the process and contact the Registrar to ensure that any transaction they are planning to effect will carry the entitlement to receive Loyalty Bonus Shares to the new holding and that the supporting documentation is in order prior to giving effect to the transaction.

Any change of registered holdings of Shares that does not fall within one of the above exceptions (or for which appropriate supporting documentation is not provided on time) will result in the right to receive the Loyalty Bonus Shares expiring in respect of those Shares, unless the Crown, in its sole discretion, decides to extend the above categories.

The Crown may request documentary evidence from a person seeking to rely on an exception to the 'same registered name' requirement. The Crown may request that such documentary

evidence comprises original documents, certified copies of original documents or statutory declarations.

Risk of non-delivery of Loyalty Bonus Shares

If on the first anniversary of the Allotment Date, any legal impediments to the delivery of Loyalty Bonus Shares to you exist (for example, where you have moved from New Zealand and the securities laws in the jurisdiction where you reside prevent the delivery of such Shares to you or require a regulatory filing or offering document to be made or prepared for such delivery, or where the delivery of such Shares is prohibited by Court order) or it is unduly onerous on the Crown to determine whether any such legal impediments exist, you will not receive Loyalty Bonus Shares. Instead, the Shares to which you would have become entitled will be issued to a nominee who will sell those Shares on your behalf. The Crown may conduct a sale of Loyalty Bonus Shares for this purpose in any manner it considers appropriate. You will be paid the proceeds of the sale after any costs of the sale have been deducted.

Reconstructions

If, prior to the first anniversary of the Allotment Date, the Company reconstructs its capital by way of share consolidation, share split or bonus share issue, the number of Loyalty Bonus Shares you are entitled to receive will be adjusted as appropriate to take account of such capital reconstruction.

Dividends

You will not have any entitlement to any dividends paid on Loyalty Bonus Shares prior to any Loyalty Bonus Shares being transferred to you.

Exemptions relating to Loyalty Bonus Shares

By virtue of the Securities Act (Genesis Energy Limited Crown share offer) Exemption Notice 2014, the Crown and the Company have been exempted from sections 37A(1)(b) and 37A(1)(c) of the Securities Act in respect of the allotment, in the future, of Loyalty Bonus Shares to investors under this Offer. The exemption was granted on the condition that this Prospectus include particulars of all material matters relating to the offer of the Loyalty Bonus Shares.

See *Section 7.3 New Zealand Taxation Implications* for an explanation of the New Zealand taxation implications of receiving Loyalty Bonus Shares.

Application Information

You can apply for Shares by completing the online Application process at www.genesisenergyshares.govt.nz or by completing and submitting the Application Form contained in the Investment Statement.

Online Applications under the General Offer must be completed by 5.00pm on 11 April 2014. If you apply online under the General Offer and choose to pay by cheque, your remittance receipt and cheque should be posted to the Registrar using the freepost number provided in time to be received by 5.00pm on 11 April 2014. If you are submitting a paper Application Form under the General Offer, it must be received by the Registrar no later than 5.00pm on 11 April 2014.⁹²

⁹² These dates are subject to change.

Allocations

The Crown will determine allocations of Shares, in consultation with its advisers and Genesis Energy.

If the General Offer is over-subscribed, your Application for Shares in the General Offer may be scaled. This means that the number of Shares you receive may be lower than the number of Shares for which you apply.

Scaling will be determined by the Crown, in consultation with its advisers and Genesis Energy, and may not be pro rata. The Government has stated that New Zealanders will be at the front of the queue for Shares. If scaling is required for the General Offer:

- New Zealand Applicants who apply for up to \$1,000 worth of Shares will not be scaled, and those who apply for amounts in excess of \$1,000 will receive an allocation of not less than \$1,000 worth of Shares;
- the trustee of the Genesis Energy Executive LTI Plan will receive an allocation priority in respect of any Shares for which it applies on behalf of participating executives (for a description of the Genesis Energy Executive LTI Plan, see *Section 4.2 Board, Management and Corporate Governance*) up to a maximum of \$850,000, representing approximately 0.06% of the Shares⁹³ on issue in the Company.

Shares allocated under the General Offer are expected to be transferred to successful Applicants on 16 April 2014.

BROKER FIRM OFFER

Application Information

An investor who has been offered an allocation by an NZX Firm or selected trading bank that has a firm allocation will be treated as an Applicant under the Broker Firm Offer in respect of that Application. All Broker Firm Offer Applications must be returned to your NZX Firm or the selected trading bank that notified you of your allocation in time for them to send your Application to the Registrar by 5.00pm on 14 April 2014.

Allocations under the Broker Firm Offer

Allocations by NZX Firms and selected trading banks under the Broker Firm Offer to their New Zealand Applicant clients will be determined by those NZX Firms and selected trading banks. It will be a matter for the NZX Firms and selected trading banks to ensure that New Zealand Applicant clients who have received an allocation from them receive their shares. If the Crown exercises its right to scale back Broker Firm allocations following the close of the General Offer, Applications from New Zealand Applicant clients under the Broker Firm Offer will be scaled back at the Crown's discretion. There is no minimum guaranteed allocation under the Broker Firm Offer. Accordingly, final individual allocations under the Broker Firm Offer may be lower than the minimum Application amount of \$1,000.

INSTITUTIONAL OFFER

The Institutional Offer comprises two parts:

- an invitation to New Zealand and Australian-resident Institutional Investors – made under this Prospectus; and
- an invitation to Institutional Investors resident in certain jurisdictions outside New Zealand and Australia – made under this Prospectus.

⁹³ Calculated at the mid-point of the Indicative Price Range.

The Bookbuild Process and Indicative Price Range

The Institutional Offer will be conducted using a bookbuild process. A 'bookbuild' is the term used in initial public offerings to refer to the process of collating demand for shares at various prices from Institutional Investors, including NZX Firms and selected trading banks who bid for shares. The bookbuild process collates the demand of the parties that want shares, how many shares will be sold and the prices at which applicants bid for shares. The information collated in the bookbuild is then used to assist with the determination of the pricing and allocation of shares. NZX Firms and selected trading banks bid into the bookbuild in order to obtain a firm allocation which they can offer to their New Zealand Applicant clients.

Full details of how to participate, including bidding instructions, will be provided by the Joint Lead Managers to invited participants in due course. Participants can bid into the book for Shares only through the Joint Lead Managers. They may bid for Shares at specific price(s). Participants may bid above, within or below the Indicative Price Range of \$1.35 to \$1.65 per Share. The Indicative Price Range may be varied at any time by the Crown.

All successful participants will pay the Final Price for each Share allocated to them.

Allocation Policy under the Institutional Offer

The Crown's allocation policy for NZX Firms participating in the Institutional Offer will be outlined in the bidding instructions, which will be provided by the Joint Lead Managers to invited participants in due course.

The Crown will determine the allocation of Shares among other Institutional Investors that have bid for Shares in the Institutional Offer, after consultation with its advisers and Genesis Energy. There is no assurance that any participant in the Institutional Offer will be allocated any Shares or the number of Shares for which it has bid. The allocation policy will be influenced, but not constrained, by factors such as whether the participant is a New Zealand institution managing significant investments on behalf of New Zealanders (including KiwiSaver or superannuation) or a participant representing collective interests in New Zealand such as Māori trusts or iwi, the price and number of Shares bid for by particular participants, the timeliness of the bid and any other factors that the Crown considers appropriate, after consultation with its advisers and Genesis Energy.

PARTICIPATING IWI OFFER

Iwi Pool

A pool of up to \$94 million worth of Shares (the "Iwi Pool") representing approximately 6.3% of the Shares⁹⁴ on issue in the Company has been reserved by the Crown for allocation to iwi, with a Crown-recognised deed of mandate that currently have unsettled historical claims against the Crown under the Treaty of Waitangi. Iwi that elect to participate in the Offer through the Iwi Pool will receive a payment from the Crown, in the form of Shares, on account of their potential settlement amount. As a result, Applications from Participating Iwi will not be accompanied by a cash payment in full for the dollar amount of Shares for which they have applied.

Participating Iwi that apply for Shares in the Participating Iwi Offer will not be scaled and will receive a guaranteed allocation of Shares. However, Participating Iwi have no entitlement to Loyalty Bonus

Shares. Any shares allocated under the Participating Iwi Offer will not form part of the Crown's shareholding of at least 51% of Genesis Energy's Shares following the Offer.

For Participating Iwi that have established a ratified Post-Settlement Governance Entity ("PSGE"), the Shares will be transferred by the Crown to the PSGE. For Participating Iwi that are yet to establish a PSGE, the Shares will be transferred by the Crown to Public Trust or its nominee ("Public Trust") to be held on trust for Participating Iwi and the Crown, for their respective rights and interests, on the terms set out in a deed of trust between the Crown and Public Trust ("Iwi Trust Deed").

All Shares transferred to PSGEs or Public Trust under this arrangement will be transferred at the Final Price.

To the extent that reserved Shares in the Iwi Pool are not taken up by Participating Iwi, those Shares will be made available for allotment under the Retail Offer or the Institutional Offer, as determined by the Crown in its sole discretion.

Embargo

The PSGE of each Participating Iwi will be required to enter into an embargo agreement with the Crown prior to Shares being transferred to it under the Offer (in the case of Participating Iwi that have a PSGE at that time) or, otherwise, prior to the Shares being released to it in accordance with the Iwi Trust Deed. Under the embargo arrangements, the Shares transferred or released to a PSGE must not be sold, transferred or otherwise disposed of until the later of:

- the date that is two years from the Allotment Date; and
- the date on which an agreement in principle (or equivalent) settling the Participating Iwi's outstanding historical Treaty of Waitangi claims against the Crown has been signed by the Crown and the Participating Iwi,

(the "Embargo Period").

Under the embargo arrangements, a direction will be given to the Registrar to tag the affected Shares in its system as being unavailable for transfer until the expiry of the Embargo Period, or earlier if the PSGE and the Crown so direct.

Release of Shares to iwi under Iwi Trust Deed

The Shares will be held by Public Trust until:

- a recognised PSGE is established by the relevant Participating Iwi; and
- that PSGE enters into an embargo agreement with the Crown on the terms set out above.

If these conditions are satisfied in respect of a Participating Iwi, the Crown will direct Public Trust to release the Shares held on behalf of the Participating Iwi to the relevant PSGE together with any funds held by Public Trust on behalf of the Participating Iwi.

Sale of Shares under Iwi Trust Deed

The Crown may direct Public Trust to sell all of the Shares held by it for a Participating Iwi if:

- the conditions described above under "Release of Shares to iwi under Iwi Trust Deed" have not been satisfied in respect of that Participating Iwi by 31 December 2019; or
- prior to that date, the Participating Iwi initiates proceedings in respect of the Offer, the initial public offering of shares in Mighty River Power or Meridian or the initial public offering of shares in Solid Energy (if and when such offering occurs), or otherwise in connection with the Government's proposed extension of the

⁹⁴ Calculated at the mid-point of the Indicative Price Range.

mixed ownership model programme to Genesis Energy, Mighty River Power, Meridian or Solid Energy.

If the Crown directs Public Trust to sell all of the Shares held by it for a Participating Iwi, Public Trust will be required to pay the net proceeds of sale and the Participating Iwi's share of any funds held by Public Trust on its behalf to the Crown.

Rights Attached to Shares Held in Trust

Except as expressly provided under the Iwi Trust Deed, Participating Iwi will not have any rights in relation to Shares while they are held by Public Trust. Participating Iwi may direct Public Trust to exercise voting rights attached to Shares held on its behalf, in which case Public Trust must vote the voting rights attached to the relevant Shares in accordance with the relevant iwi's direction. If such a direction is not received from a Participating Iwi, Public Trust must not exercise the votes attached to the Shares held for that Participating Iwi.

The Iwi Trust Deed also provides that:

- if Genesis Energy makes a rights issue to Shareholders, Public Trust will sell any entitlements attaching to the Shares held by it and hold the proceeds of sale in trust on the terms of the Iwi Trust Deed;
- Public Trust will not accept any form of takeover offer made under the Takeovers Code Approval Order 2000 in respect of any of the Shares held by it;
- Public Trust will participate, in respect of all of the Shares held by it, in any dividend reinvestment plan implemented by Genesis Energy and the Shares issued to it will be held on trust on the terms of the Iwi Trust Deed;
- Public Trust will not accept any share buy-back offers made by Genesis Energy in respect of any Shares held by it;
- any dividends paid on, or other distributions made in respect of, the Shares held by Public Trust will be placed by Public Trust in interest-bearing bank deposits in its name with a registered bank in New Zealand until paid to a PSGE or the Crown (as the case may be) in accordance with the terms of the Iwi Trust Deed; and
- any shares issued by Genesis Energy as bonus shares in respect of the Shares held by Public Trust will be held by Public Trust on the terms of the Iwi Trust Deed (for the avoidance of doubt, this does not include the Loyalty Bonus Shares which are not available to Participating Iwi).

Application Information

Participating Iwi should contact the Office of Treaty Settlements to confirm whether they may be allocated Shares under the Participating Iwi Offer and for Application instructions. Applications in the Participating Iwi Offer must be received by the Office of Treaty Settlements no later than 5.00pm on 11 April 2014.

PAYMENT AND ALLOTMENTS

Payment

Applications must be accompanied by payment in full for the number of Shares applied for. Payment may be made to the Crown by direct debit or cheque and will be held by the Crown in trust until Shares are allotted to successful Applicants or Application monies are refunded.⁹⁵

Your Application under the General Offer, together with payment for the number of Shares for which you have applied, must be

completed online or received by the Registrar by 5.00pm on 11 April 2014. If you do not return your Application and payment by this time, you may not receive any Shares.

Brokerage, Commission and Stamp Duty

No brokerage, commission or stamp duty is payable by Applicants on subscribing for Shares under the Offer.

See "Preliminary and Issue Expenses" in *Section 7.2 Statutory Information* for details of the brokerage payable to NZX Firms or brokers.

Allotments

Any New Zealand resident with a Common Shareholder Number (CSN) will have their Shares allotted under their CSN, if the CSN was provided on the Application Form.

Applicants who do not have a CSN will be allocated a CSN at the time of Application. The CSN will be advised at the time the allotment of Shares is confirmed and the associated Authorisation Code ("FIN") will be sent as a separate communication on 16 April 2014.

Shares allocated under the Offer are expected to be allotted on 16 April 2014.

Confirming Allocations

Successful Applicants in the General Offer who applied online will be able to confirm their allocation at www.genesisenergyshares.govt.nz using the reference number they receive when their Application is made from 17 April 2014. Successful Applicants in the General Offer who did not apply online will be able to confirm their allocation by calling **0800 90 30 90** from 17 April 2014. A Broker Firm Offer Applicant should contact their NZX Firm or trading bank from whom they received that allocation to find out if their Application was successful.

Holding statements are expected to be sent to all successful Applicants on 17 April 2014. None of the Crown, Genesis Energy, the Joint Lead Managers, the Registrar or any of their respective directors, officers or employees accepts any liability or responsibility should any person attempt to sell or otherwise deal with the Shares before a statement confirming allotments of Shares is received.

CANCELLATION OF SALE OF SHARES

The Crown may cancel the sale of Shares to an Applicant under this Offer if the Applicant misrepresented their entitlement to be allocated Shares under the Offer as a New Zealand Applicant. If the Crown cancels a sale of Shares on those grounds:

- the Company must sell Shares held by that Applicant, up to the number of Shares sold to it under this Offer, irrespective of whether or not those Shares were acquired by the Applicant under this Offer (unless the Applicant had previously sold, transferred or disposed of all of its Shares to a person who was not an associated person of the Applicant); and
- the Applicant will receive from the sale the lesser of:
 - the sale price for the Shares less the costs incurred by the Crown and Genesis Energy; and
 - the aggregate price paid for the Shares less those costs, with any excess amount being payable to the Crown.

⁹⁵ Other than Applications from Participating Iwi.

If an Applicant who misrepresented their entitlement to Shares has sold, transferred or otherwise disposed of Shares to an associated person, then the power of sale will extend to Shares held by that associated person, up to the number of Shares transferred, sold or otherwise disposed of to the associated person by the relevant Applicant.

LISTING AND QUOTATION OF SHARES

NZX – Application for Listing

The Company has applied to NZX for permission to list Genesis Energy, and to quote the Shares, on the NZX Main Board and all the requirements of NZX relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However, NZX accepts no responsibility for any statement in this Prospectus. The NZX Main Board is a registered market operated by NZX, which is a registered exchange regulated under the Securities Markets Act. The Company's NZX stockcode is 'GNE'.

ASX – Application for Listing

An application will be made to ASX after the Investment Statement and this Prospectus have been lodged with ASIC for the Company to be admitted to the official list of the ASX and for quotation of the Shares on the ASX. It is anticipated that the ASX stockcode for the Company's Shares will be 'GNE'.

ASX takes no responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates. The fact that ASX may admit the Company to the official list and quote the Shares on the ASX is not to be taken as an indication of the merits, or as an endorsement by ASX, of the Company or the Shares. The ASX is not a registered market under the Securities Markets Act.

Quotation and Trading

Initial quotation of the Shares on the NZX Main Board and the ASX is expected to occur on or about 17 April 2014. If you wish to sell your Shares on the NZX Main Board after confirming your allocation, you must contact an NZX Firm.

To be eligible to trade Shares on the NZX Main Board you must have an account with an NZX Firm, a CSN and an Authorisation Code ("FIN"). If you do not have an account with a broker you should be aware that opening an account can take a number of days depending on the NZX Firm's new client procedures. If you do not have a CSN, you will be assigned one when you set up an account with an NZX Firm, or you will receive one from the Registrar when you receive your allotment notice for the Offer (which is expected to be sent on the Allotment Date, after trading has commenced). If you applied online, you will also be able to obtain your CSN at www.genesisenergyshares.govt.nz from 17 April 2014 or, if you did not apply online, by calling 0800 90 30 90 from the same date. If you do not have a FIN, it is expected that you will be sent one as a separate communication by the Registrar on 16 April 2014. If you have a broker and have not received a FIN by the date on which you want to trade your Shares, your broker can arrange to obtain your FIN from the Registrar. Your broker will be charged \$20 for requesting your FIN from the Registrar and may pass this cost on to you.

Failure to Achieve Listing

In the event that admission to list the Shares on the NZX Main Board is denied or the Offer does not proceed for any other reason, all Application amounts will be refunded in full without interest no later than five Business Days after the announcement of the decision not

to proceed. Failure to achieve admission to list on the ASX will not, of itself, prevent the Offer from proceeding.

Confirmation of Allocation

You should not attempt to sell your Shares until you know whether any, and how many, Shares have been allocated to you. None of the Crown, Genesis Energy, the Joint Lead Managers, the Registrar or any of their respective directors, officers or employees accepts any liability or responsibility should any person attempt to sell or otherwise deal with Shares before the statements confirming allotments of Shares are received by the Applicants or the successful bidders under the Institutional Offer (as applicable).

CHESS

The Company will apply to participate in ASX's Clearing House Electronic Subregister System ("CHESS"), in accordance with the ASX Settlement Operating Rules. CHESS is an automated transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in a paperless form.

When the Shares become CHESS Approved Securities, holdings will be registered in one of two subregisters, an electronic CHESS subregister or a Company-sponsored subregister. The Shares of a Shareholder who is a participant in CHESS or a person sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the Company-sponsored subregister.

Following the allotment of Shares, any Shareholder who has elected to have their Shares registered in CHESS will be sent an initial statement of holding that sets out the number of Shares that have been allocated. This statement will provide details of the Shareholder's Holder Identification Number (HIN) or, where applicable, the Shareholder Reference Number (SRN) for Company-sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding in the Company.

SUPPLEMENTARY DISCLOSURE AND WITHDRAWAL RIGHT

If any significant adverse developments occur prior to the Allotment Date, the Crown and Genesis Energy may advise investors of those developments by publishing advertisements in newspapers with additional information on the Offer website www.genesisenergyshares.govt.nz, and available by calling 0800 90 30 90, pursuant to an exemption granted by the Financial Markets Authority under the Securities Act. Further details of this exemption are discussed under the heading "Other Material Matters" in *Section 7.2 Statutory Information*.

If the Crown and Genesis Energy advise that a significant adverse development has occurred prior to the Allotment Date, by publishing advertisements in newspapers, then an Applicant may withdraw their Application if it is dated on or before the date of publication of the advertisements and the Applicant's notice of withdrawal is received by or on behalf of the Crown or Genesis Energy within seven days after the date of publication of the advertisements.

Notice of withdrawal must be given:

- by calling 0800 90 30 90; or
- by completing the withdrawal form that will be made available on the Offer website www.genesisenergyshares.govt.nz

Withdrawals made by any other method may not be accepted by the Crown.

If an Applicant does not take any action to effect withdrawal within the relevant time period, the Crown will be entitled to accept the Applicant's Application.

The Crown and Genesis Energy must refund any Applicant who has validly withdrawn their Application (without interest) within five working days after the expiry of the seven day withdrawal period described above.

OFFER MANAGEMENT AGREEMENT

The Crown, Genesis Energy and the Joint Lead Managers have entered into an Offer Management Agreement. Under the Offer Management Agreement, once the Final Price has been determined, the Joint Lead Managers or their affiliates will be obliged to provide settlement support in respect of successful bids in the Institutional Offer to the extent that the Crown does not retain any Shares in respect of which Institutional Investors have defaulted on their payment obligations. The Offer Management Agreement sets out a number of circumstances under which the Joint Lead Managers may terminate the Offer Management Agreement and their settlement support obligations.

See "Material Contracts" in *Section 7.2 Statutory Information* for further information about the Offer Management Agreement.

SELLING RESTRICTIONS

The Offer is being made only to New Zealand Applicants and Participating Iwi in New Zealand and to Institutional Investors and other investors in New Zealand, Australia and certain other jurisdictions.

No person may offer, sell (including resell) or deliver or invite any other person to so offer, sell (including resell) or deliver any Shares or distribute any documents (including this Prospectus) in relation to the Shares to any person outside New Zealand except in accordance with all of the legal requirements of the relevant jurisdiction.

Unless otherwise agreed with the Crown and Genesis Energy, any person or entity subscribing for Shares in the Offer shall, by virtue of such subscription, be deemed to represent that he, she or it is not in a jurisdiction which does not permit the making to him, her or it of an offer or invitation of the kind described in this Prospectus, and is not acting for the account or benefit of a person within such jurisdiction. None of the Crown, Genesis Energy, the Joint Lead Managers, the Registrar or any of their respective directors, officers, employees, consultants, agents, partners or advisers accepts any liability or responsibility to determine whether a person is able to participate in the Offer.

The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws.

Each Applicant in the Retail Offer and the Participating Iwi Offer will be taken to have represented, warranted and agreed as follows:

- It understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws.
- It is not in the United States and is not acting for the account or benefit of a person in the United States.
- It has not and will not send the Prospectus, the Investment Statement or any other material relating to the Offer to any person in the United States.
- It will not offer or sell the Shares in the United States or in any other jurisdiction outside New Zealand and Australia except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

Each successful bidder under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

Canada

General

The Prospectus and the Investment Statement constitutes an offering of the Shares only in the Provinces of Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such Shares. Neither the Prospectus nor the Investment Statement is, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. The Prospectus and the Investment Statement may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of National Instrument 45-106 – Prospectus and Registration Exemptions ("NI 45-106") or "permitted clients" within the meaning of National Instrument 31-103 "Registration requirements, Exemptions and Ongoing Registrant Obligations".

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon the Prospectus or the Investment Statement, the merits of the Shares or the Offer and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the Offer or the resale of such Shares. Any person in the Provinces lawfully participating in the Offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the Shares outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the Shares.

The Crown, Genesis Energy, and the directors and officers of Genesis Energy, are located outside Canada, and as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Crown, Genesis Energy or Genesis Energy's directors or officers. All or a substantial portion of the assets of the Crown and Genesis Energy and such persons are located outside Canada, and as a result, it may not be possible to satisfy a judgment

against the Crown, Genesis Energy or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Crown, Genesis Energy or such persons outside Canada.

Statutory rights of action for damages or rescission

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal advisor.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the Shares purchased pursuant to the Prospectus and/or the Investment Statement (other than (a) a “Canadian financial institution” or a “Schedule III bank” (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against Genesis Energy if the Prospectus or the Investment Statement or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if the Prospectus or the Investment Statement contains a misrepresentation, a purchaser who purchases the Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against Genesis Energy, provided that (a) Genesis Energy will not be liable if it proves that the purchaser purchased the Shares with knowledge of the misrepresentation; (b) in an action for damages, Genesis Energy is not liable for all or any portion of the damages that Genesis Energy proves does not represent the depreciation in value of the Shares as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the Shares were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations

Prospective purchasers of the Shares should consult their own tax advisor with respect to any taxes payable in connection with the acquisition, holding, or disposition of the Shares as any discussion of taxation related matters in the Prospectus and the Investment

Statement is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada

Upon receipt of the Prospectus and/or the Investment Statement, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of these securities (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu’il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d’achat ou tout avis) soient rédigés en anglais seulement.*

China

Neither the Prospectus nor the Investment Statement constitutes an invitation to offer, or an offer for, or a sale of Shares to the public in the People’s Republic of China (“China” excluding, for the purpose of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The Crown does not intend to offer in a public manner or by any means that would be deemed public under the laws and regulations of China. Neither the information contained in this Prospectus nor the Investment Statement has been submitted to or approved by neither the China Securities Regulatory Commission nor any other relevant Governmental authorities in China.

The Shares may only be offered or sold in China to institutional investors, that are “qualified domestic institutional investors” as approved by the relevant Chinese Government authorities to invest in overseas securities. Potential institutional investors in China are responsible for obtaining all relevant approvals from, and completing all relevant procedures with, the relevant Chinese Government authorities as required for a qualified domestic institutional investor investing in overseas securities under the laws and regulations of China before purchasing the Shares.

Hong Kong

This document is strictly confidential to the person to whom it is addressed. If you are not the intended recipient of this document, you are hereby notified that any review, dissemination, distribution or reproduction (in whole or in part) of this document is strictly prohibited.

You are advised to exercise caution in relation to this document. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This document is not a prospectus within the meaning of the Companies Ordinance (Chapter 32, The Laws of Hong Kong) (“CO”) nor is it an offer or invitation to the public within the meaning of the CO and the Securities and Futures Ordinance (Chapter 571, The Laws of Hong Kong) (“SFO”), or an advertisement, invitation or document subject to section 103(1) of the SFO.

This document and the contents within have not been authorised by the Hong Kong Securities and Futures Commission.

No advertisement, invitation or document relating to the Shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere),

which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the SFO and any rules made thereunder.

Japan

The Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the “FIEA”) because the offering is made pursuant to a private placement for the qualified institutional investors exemption as provided for in Article 2, paragraph 3, item 2(a) of the FIEA and the regulations promulgated thereunder. Accordingly, the Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than “qualified institutional investors” as defined in Article 2, paragraph 3, item 1 of the FIEA (“Qualified Institutional Investors”). Any Qualified Institutional Investor who acquires Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Shares is conditional upon the execution of an agreement to that effect.

Singapore

The Offer or invitation which is the subject of this document is only allowed to be made to the persons set out herein. Moreover, this document is not a prospectus as defined in the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and accordingly, statutory liability under the SFA in relation to the content of the document will not apply.

As this document has not been and will not be lodged with or registered as a document by the Monetary Authority of Singapore, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Shares may not be circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor under Section 274 of the SFA; (ii) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Shares are subscribed or purchased under Section 275 of the SFA by a relevant person who is:

- (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Shares under Section 275 of the SFA except:

- (c) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any

person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;

(d) where no consideration is given for the transfer; or

(e) by operation of law.

By accepting this document, the recipient hereof represents and warrants that he, she or it is entitled to receive such report in accordance with the restrictions set forth above and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

South Korea

Neither the Crown nor Genesis Energy are making any representation with respect to the eligibility of any recipients of the Prospectus or the Investment Statement to acquire the Shares under the laws of South Korea, including, without limitation, the Foreign Exchange Transaction Act and regulations thereunder. The Shares have not been, and will not be, registered under the Financial Investment Services and Capital Markets Act of Korea (“FSCMA”) and therefore may not be offered or sold (directly or indirectly) in South Korea or to any resident of South Korea or to any persons for re-offering or resale in South Korea or to any resident of South Korea (as defined under the Foreign Exchange Transaction Act of Korea and its enforcement decree), except as permitted under the applicable laws and regulations of South Korea.

Accordingly, the Shares may not be offered or sold in South Korea other than (i) to “accredited investors” (as defined in the FSCMA) or (ii) in other circumstances that do not constitute an offer to the public within the meaning of the FSCMA.

United Arab Emirates

Neither the Prospectus nor the Investment Statement nor the Shares have been filed with, reviewed, approved, disapproved, registered or passed in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority, or any other Governmental or regulatory authority or securities exchange in the United Arab Emirates, nor has the Company or the Crown received authorisation or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other Governmental authority in the United Arab Emirates to market or sell the Shares within the United Arab Emirates. No marketing of any financial products or services may be made from within the United Arab Emirates and no subscription to any financial products or services may be consummated within the United Arab Emirates. Neither the Prospectus nor the Investment Statement constitutes a public offer of securities in any part of the United Arab Emirates and may not be used for the purpose of an offer or invitation. The Shares may not be offered or sold directly or indirectly to the public in the United Arab Emirates. No services relating to the Shares, including the receipt of applications and/or the allotment or redemption of Shares, may be rendered within the United Arab Emirates by the Company or the Crown.

No offer or invitation to subscribe for Shares is valid in, or permitted from any person in, the Dubai International Financial Centre and neither the Prospectus nor the Investment Statement nor the Shares have been filed with, reviewed, approved, disapproved, registered or passed on in any way by the Dubai Financial Services

Authority or any other Governmental or regulatory authority or securities exchange in the Dubai International Financial Centre, nor has Genesis Energy or the Crown received authorisation or licensing from the Dubai Financial Services Authority or any other Governmental authority in the United Arab Emirates to market or sell the Shares within the Dubai International Financial Centre.

Neither the Prospectus nor the Investment Statement or any other offering material constitutes a public offer or advertisement or solicitation to the public in the United Arab Emirates, and are intended only for the individual recipients thereof to whom the Prospectus and/or the Investment Statement is personally provided and may not be reproduced or used for any other purpose.

United States

The Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. Genesis Energy's Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 ("U.S. Securities Act") or the securities laws of any state or other jurisdiction in the United States and may not be offered or sold in the United States without registration except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws.

European Economic Area

The information in the Prospectus and Investment Statement has each been prepared on the basis that all offers of Shares will be made pursuant to an exemption under Directive 2003/71/EC, as amended (the "Prospectus Directive"), as implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities.

An offer to the public of the Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- (a) to any entity that is authorized or regulated to operate in the financial markets or any other institutional investor whose main business is to invest in financial instruments;
- (b) to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- (c) to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID"); or
- (d) to any person or entity who is recognized as an eligible counterparty in accordance with Article 24 of the MiFID (unless such person or entity has requested to be treated as non-professional client).

For the purposes of the above, the expression an "offer to the public of the Shares" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

France

Neither the Prospectus nor the Investment Statement has been prepared or are being distributed in the context of a public offering of financial securities in France within the meaning of Article L. 411-1 of the French Code Monétaire et Financier and Title I of Book II of the *Règlement Général de l'Autorité des marchés financiers* (the "AMF") and, therefore, neither the Prospectus nor the Investment Statement nor any other offering material relating to the Shares have been or will be filed with the AMF for prior approval or submitted for clearance to the AMF.

Consequently, the Shares may not be, directly or indirectly, offered or sold to the public in France and offers and sales, directly or indirectly, of the Shares shall only be made in France, if any, to (i) providers of the investment service of portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*), and/or to (ii) qualified investors (*investisseurs qualifiés*) acting for their own account, all as defined in and in accordance with Articles L. 411-2 and D. 411-1, D. 411-4, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Code Monétaire et Financier.

Neither the Prospectus nor the Investment Statement nor any information contained therein or any other offering material may be, or caused to be, released, issued or distributed to the public in France or used in connection with any offer for subscription or sale of the Shares to the public in France. The subsequent direct or indirect retransfer of the Shares to the public in France may only be made in compliance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 through L. 621-8-3 of the French Code Monétaire et Financier.

Germany

Neither the Crown nor Genesis Energy nor any other person on behalf of the Crown or Genesis Energy has made an application, registration or filing or taken, or will take, any other action of any kind whatsoever to facilitate any form of offer, purchase, holding or sale of the Shares, or distribution of a prospectus or any other offering material relating to the Shares in the Federal Republic of Germany or to achieve or to ensure a certain form of taxation to be applied to an investment in the Shares (to the extent such action would be required under any applicable law, regulation, order or otherwise).

In particular, no securities prospectus (*Wertpapierprospekt*) within the meaning of the German Securities Prospectus Act (*Wertpapierprospektgesetz – WpPG*) of 22 June 2005, as amended (the "German Securities Prospectus Act") has been or will be published within the Federal Republic of Germany, nor has the either of the Prospectus or the Investment Statement been filed with, notified to or approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) for publication within the Federal Republic of Germany. Any offer or sale of the Shares or any distribution of offering material within the Federal Republic of Germany may violate the provisions of the German Securities Prospectus Act, the German Capital Investment Code (*Kapitalanlagegesetzbuch – KAGB*) of 4 July 2013, as amended, or the German Investment Products Act (*Vermögensanlagengesetz – VermAnlG*) of 6 December 2011, as amended. Potential investors are also advised to consider possible tax consequences of an acquisition, holding and/or disposal of the Shares including, in particular, a potential application of the German Investment Tax Act (*Investmentsteuergesetz – InvStG*) of 15 December 2003, as amended, and should consult their own tax advisers in that respect.

Ireland

The information in the Prospectus and/or the Investment Statement does not constitute a prospectus under any Irish laws or regulations and neither the Prospectus nor the Investment Statement has been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the “Prospectus Regulations”). The Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to “qualified investors” as defined in Regulation 2(11) of the Prospectus Regulations.

Italy

The Offer in the Republic of Italy has not been registered with the Italian Securities and Exchange Commission (the *Commissione Nazionale per le Società e la Borsa*, or “CONSOB”) pursuant to the Italian securities legislation and, accordingly, no offering material relating to the Shares may be distributed in Italy and the Shares may not be offered or sold in Italy in a public offering within the meaning of Article 1.1(t) of Legislative Decree No. 58 of 24 February 1998, as amended (“Decree No. 58”), other than:

- (a) to qualified investors (*investitori qualificati*), as defined in Article 100 of Decree No. 58 by reference to Article 34-ter of CONSOB Regulation no. 11971 of May 14, 1999, as amended (“Regulation No. 11971”); and
- (b) in other circumstances that are exempt from the rules on public offering pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Shares or distribution of any offer document relating to the Shares in Italy (excluding placements where a qualified investor – as defined in Regulation No. 11971 – solicits an offer from the issuer) under the paragraphs above must be:

- (c) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of September 1, 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of October 29, 2007 (as amended) and any other applicable laws; and
- (d) in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws, including any requirement, condition or limitation which may be imposed, from time to time, by CONSOB or the Bank of Italy or other competent authority.

Any subsequent distribution of the Shares in Italy must be made in compliance with the public offering and prospectus requirement rules provided under Decree No. 58 and the Regulation No. 11971, unless an exception from those rules applies. Failure to comply with such rules may result in the sale of such Shares being declared null and void and in the liability of the entity transferring the Shares for any damages suffered by the investors.

Norway

Neither the Prospectus nor the Investment Statement has been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of June 29, 2007. Accordingly, neither the Prospectus nor the Investment Statement shall be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act.

The Shares may not be offered or sold, directly or indirectly, in Norway except to “professional clients” as defined in the Norwegian Securities Regulation of June 29, 2007 no. 876 sections 10-2 through 10-5.

Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“SIX”) or on any other stock exchange or regulated trading facility in Switzerland. The Prospectus and the Investment Statement have been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations, the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland.

Neither the Prospectus nor the Investment Statement nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland. The Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither the Prospectus nor the Investment Statement nor any other offering or marketing material relating to the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, neither the Prospectus nor the Investment Statement will be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (“FINMA”), and the offer of Shares has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

The Offer Document is personal to the recipient only and not for general circulation in Switzerland.

United Kingdom

The Prospectus and the Investment Statement are only being distributed to and are only directed at (i) persons who are outside the United Kingdom, (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (iii) high net worth companies, and other persons to whom they may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). The Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on the Prospectus and Investment Statement or any of their contents.

7.2 STATUTORY INFORMATION

1. Main Terms of the Offer

The issuer of the Shares is Genesis Energy Limited. Genesis Energy Limited was previously called Genesis Power Limited and changed its name on 9 September 2013. Its registered office is set out in the Directory.

The securities being offered under this Offer are fully paid ordinary shares in Genesis Energy.

The maximum number of Shares (including the Loyalty Bonus Shares) being offered under the Offer is 490,000,000.

The consideration to be paid for each Share transferred on the Allotment Date is the Final Price.

New Zealand Applicants who continue to hold their Shares in the same registered name for a period of 12 months will be entitled to Loyalty Bonus Shares for no further cash investment based upon the ratio of 1 for 15, up to a maximum number of 2,000 Loyalty Bonus Shares for each New Zealand Applicant.

An Indicative Price Range of \$1.35 to \$1.65 per Share has been set by the Crown, however, the Crown, in its sole discretion may set the Final Price within, above or below this range. Information about how the Final Price will be determined is set out under the heading “Determination of the Final Price” in *Section 7.1 Details of the Offer*. The Final Price is expected to be announced and posted on the Offer website www.genesisenergyshares.govt.nz and under Genesis Energy’s stockcode ‘GNE’ on www.nzx.com on or about 28 March 2014.

Each Share gives the holder a right to:

- attend and vote at a meeting of Shareholders, including the right to cast one vote per Share on a poll on any resolution, such as a resolution to:
 - appoint or remove a director;
 - adopt, revoke or alter the Constitution;
 - approve a major transaction (as that term is defined in the Companies Act);
 - approve the amalgamation of the Company under section 221 of the Companies Act; or
 - place the Company in liquidation;
- receive an equal share in any distribution, including dividends, if any, authorised by the board and declared and paid by the Company in respect of that Share;
- receive an equal share with other Shareholders in the distribution of surplus assets in any liquidation of the Company;
- be sent certain information, including notices of meeting and company reports sent to Shareholders generally; and
- exercise the other rights conferred upon a Shareholder by the Companies Act and the Constitution.

A Shareholder’s ability to exercise these rights is subject to restrictions contained in the Constitution, the NZX Listing Rules and the ASX Listing Rules.

As the holder of at least 51% of the Shares, the Crown generally will be able to control the outcome of matters put to Shareholders that require majority approval, including resolutions for the election and removal of directors. Further, the Crown’s shareholding is likely to have significant influence over the outcome of special resolutions

put to Shareholders that require the approval of a 75% majority (for example, resolutions approving changes to the Constitution or approving major transactions of Genesis Energy), especially given the number of shareholders in listed companies who typically do not exercise their respective voting rights.

See “Shareholding Restrictions” in *Section 4.3 Relationship between Genesis Energy and the Crown* to find out more about the restrictions contained in the Constitution.

2. Name and Address of Offeror

The Crown is the offeror of the Shares. The Crown’s address in New Zealand is set out in the Directory.

The net amount of consideration received by Genesis Energy in respect of its existing ordinary shares was \$540,565,002. Genesis Energy will not receive any consideration for the allotment of Shares to be offered under this Offer.

3. Details of Incorporation of the Issuer

Genesis Energy was incorporated in New Zealand on 16 December 1998 under the Companies Act. Genesis Energy’s registration number is 936775. You can inspect the public file relating to Genesis Energy maintained by the Companies Office of the Ministry of Business, Innovation and Employment on its website at www.business.govt.nz/companies.

4. Principal Subsidiaries of Issuer

As at the date of this Prospectus, the only principal subsidiary (being a subsidiary whose total tangible assets exceeds 5% of the total tangible assets of the Group) of Genesis Energy is Kupe Holdings Limited, which is 100% owned by the Group.

5. Names, Addresses, and Other Information

Directorate

The directors of Genesis Energy and the city, town or district in which their principal residence is based as at the date of this Prospectus are: Rt Hon Dame Jennifer Mary Shipley, DNZM (Auckland), Joanna Mary Gordon Perry (Auckland), Andrew John Clements (Auckland), John Anthony Dell (Auckland), Graeme Roderick Milne (Cambridge), Rukumoana Tira Marie Schaafhausen (Auckland) and John Mitchell Leuchars (Melbourne).

You can contact the directors at the registered office of Genesis Energy as set out in the Directory.

None of the directors is an employee of Genesis Energy or an associated person of Genesis Energy.

Promoter

Under the Securities Act, the Crown is a ‘promoter’ of the Offer. The contact address of the Crown is set out in the Directory.

Secretary

The Company Secretary of Genesis Energy is Maureen Shaddick.

Share Registrar

The share registrar of Genesis Energy is Computershare Investor Services Limited. The contact address of the Registrar is set out in the Directory.

Auditor

Pursuant to the Public Audit Act 2001, the auditor of Genesis Energy must be the New Zealand Controller and Auditor-General. The New Zealand Controller and Auditor-General has appointed Andrew Dick of Deloitte to perform the audit on her behalf. The contact address of the Auditor is set out in the Directory.

Advisers

The names and addresses of the solicitors and other professional advisers who have been involved in the preparation of this Prospectus are set out in the Directory.

Experts

Ernst & Young Transaction Advisory Services Limited, Chartered Accountants, gave its consent and has not withdrawn its consent before delivery of this Prospectus for registration under section 41 of the Securities Act to the distribution of this Prospectus with the inclusion of the Investigating Accountant's Report in this Prospectus in the form and context in which it is included. The registered address of Ernst & Young Transaction Advisory Services Limited is set out in the Directory.

Beca Limited, Consulting Engineers, gave its consent and has not withdrawn its consent before delivery of this Prospectus for registration under section 41 of the Securities Act to the distribution of this Prospectus with the inclusion of the Independent Engineer's Summary Report in this Prospectus in the form and context in which it is included. The registered address of Beca Limited is Ground Floor, 21 Pitt Street, Auckland 1010, New Zealand.

Gaffney, Cline & Associates (Consultants) Pte Limited independent international energy advisory, gave its consent and has not withdrawn its consent before delivery of this Prospectus for registration under section 41 of the Securities Act to the distribution of this Prospectus with the inclusion of the Independent Expert's Summary Report and other statements attributed to it in this Prospectus in the form and context in which they are included. Gaffney, Cline & Associates (Consultants) Pte Limited can be contacted in New Zealand at the address of Genesis Energy set out in the Directory. Gaffney, Cline & Associates (Consultants) Pte Limited's principal place of business outside New Zealand is 80 Anson Road, #31-01C, Fuji Xerox Towers, Singapore 079907.

None of Ernst & Young Transaction Advisory Services Limited, Beca Limited or Gaffney, Cline & Associates (Consultants) Pte Limited is or intends to be a director, officer or employee of either of Genesis Energy or the Crown. However, each of Ernst & Young Transaction Advisory Services Limited, Beca Limited and Gaffney, Cline & Associates (Consultants) Pte Limited have provided, and may in the future provide, professional advisory services to Genesis Energy.

6. Restrictions on Directors' Powers

The Constitution incorporates by reference the requirements of the NZX Listing Rules and the ASX Listing Rules and requires Genesis Energy to comply with the NZX Listing Rules and the ASX Listing Rules for so long as the Shares are quoted on the NZX Main Board and the ASX respectively. The principal restrictions on the powers of the board imposed by the Constitution (including the requirements of the NZX Listing Rules and the ASX Listing Rules incorporated into the Constitution), the NZX Listing Rules and the ASX Listing Rules (which will apply once the Shares are quoted on the NZX Main Board and the ASX respectively) are as follows:

- The board may not issue or acquire any equity securities except in accordance with the provisions of the Companies Act, the Constitution, the NZX Listing Rules and the ASX Listing Rules.

- The board may not act in a manner that contravenes Part 5A of the Public Finance Act.
- The board may not give financial assistance for the purpose of, or in connection with, the acquisition of equity securities issued or to be issued by Genesis Energy, except in limited circumstances and in accordance with the provisions of the Companies Act, the Constitution, the NZX Listing Rules and the ASX Listing Rules.
- The board may not cause Genesis Energy to enter into any transaction or series of linked or related transactions to acquire, sell, lease, exchange or otherwise dispose of (otherwise than by way of charge) assets of Genesis Energy which would change the essential nature of the business of Genesis Energy, or in respect of which the gross value is in excess of 50% of the average market capitalisation of Genesis Energy, without the prior approval of Shareholders in accordance with the Constitution, the NZX Listing Rules and the ASX Listing Rules.
- The board may not allow Genesis Energy to enter into certain material transactions with related parties, a subsidiary, certain substantial holders of Shares, or any associates of any of those persons, if those persons or their associates are, or are likely to become, direct or indirect parties to the material transaction without the prior approval of Shareholders in accordance with the Constitution, the NZX Listing Rules and the ASX Listing Rules. NZX has granted a waiver, and ASX has agreed to grant a waiver, to permit the Company to enter into transmission agreements with Transpower without obtaining Shareholder approval, subject to certain conditions described below under the heading "Other material matters".

In addition, a director may not vote on any matter in which he or she is interested unless the matter is one in respect of which directors are required under the Companies Act to sign a certificate or which relates to the grant of an indemnity for a director or employee.

The Companies Act contains a number of other provisions that could have the effect, in certain circumstances, of imposing restrictions on the powers of the board. For example, directors cannot allow Genesis Energy to:

- enter into any major transaction (as that term is defined in the Companies Act) without the prior approval of a special resolution of Shareholders; or
- take any action which affects the rights attached to the Shares without the prior approval of a special resolution of each interest group (being a group of Shareholders with similar or identical rights).

These provisions apply to any company registered under the Companies Act.

7. Substantial Equity Security Holders of Issuer

The Crown holds its Shares by and through the Shareholding Ministers. The Shareholding Ministers hold Shares for and on behalf of the Crown, which is the beneficial owner of the Shares.

The following table sets out the only registered holdings of equity securities of Genesis Energy as at the date of this Prospectus:

Shareholder	Number of Shares (%)
Minister for State Owned Enterprises	500,000,000 (50%)
Minister of Finance	500,000,000 (50%)

None of the persons named above guarantees or undertakes any liability in respect of the Shares.

8. Description of Activities of Issuing Group

The principal activities carried out by the Group in the previous five years are those involved in operating an energy company with hydro, thermal and wind generation, complemented by energy retailing and fuel production. You can read a full description of the business of the Group in *Section 4.1 Business Description*.

The Group's principal assets are its hydro, thermal and wind power stations, which the Group uses to generate electricity for sale to its direct customers and the wholesale market, as well as a 31% interest in the Kupe Joint Venture, which owns the Kupe oil and gas field and associated processing plant. The Group owns these assets, however, as noted in *Section 4.3 Relationship between Genesis Energy and the Crown*, legal title of some of the land on which some of the assets used by the Group are situated has not yet been transferred to Genesis Energy. In particular a large percentage of the land interests comprising most of the Tongariro Power Scheme and a small percentage of the land interests comprising the Waikaremoana Power Scheme remain with the Crown, which had an obligation to vest the interests in ECNZ. ECNZ was under a similar obligation to vest the interests in Genesis Energy. Under a subsequent agreement between the Crown, ECNZ and Genesis Energy, Genesis Energy assumed ECNZ's rights and obligations as against the Crown regarding these interests.

In relation to those parcels of land in the Waikaremoana Power Scheme and the Tongariro Power Scheme to which Genesis Energy is yet to receive legal title, it is intended that memorials will be registered upon the transfer of legal title to Genesis Energy. Pending such transfer, the Waitangi Tribunal powers of resumption also apply in respect of such land.

Genesis Energy leases the land on which the Huntly Power Station is located from Tainui Corporation Limited, a subsidiary of Tainui Group Holdings Limited, the commercial arm of Waikato-Tainui.

See in *Section 4.1 Business Description* for further details of Genesis Energy's generation assets and *Section 4.3 Relationship between Genesis Energy and The Crown*.

The principal assets of the issuing group are subject to obligations in favour of other persons that modify or restrict Genesis Energy's ability to deal with the assets. These obligations include restrictions on how those assets may be dealt with, as noted below:

Bank facility agreements

Genesis Energy has bilateral bank facility agreements in place with a number of registered banks. Each of those bilateral facility agreements is provided on substantially the same terms and conditions, including terms restricting dealings with assets. Each of Genesis Energy's wholly-owned subsidiaries⁹⁶ is a guarantor in respect of the bank facility agreements (each a "Guarantor", and together with Genesis Energy, the "Guaranteeing Group") and a party to the negative pledge deed described below.

Under each of the bank facility agreements, Genesis Energy must not, and must procure that no Guarantor will, without the prior consent of the relevant lender, dispose of the beneficial ownership of:

- (a) the whole of its assets;

- (b) any material part of its assets (a material part being assets disposed of in any 12 month period representing 10% or more (by book value) of the total assets of the Group); or
- (c) any part of its assets which would have a material adverse effect on:
 - (i) the business, operation or financial condition of the Guaranteeing Group (taken as a whole);
 - (ii) the ability of Genesis Energy or the Guaranteeing Group (taken as a whole) to perform its obligations under the bank facility agreements and associated finance documents ("Transaction Documents"); or
 - (iii) the validity or enforceability of the whole or any material part of any Transaction Document or any material rights or remedies of any member of the Guaranteeing Group under the Transaction Documents.

Certain disposals are not taken into account for the purpose of this restriction, including:

- (a) disposals (including the payment of cash) in the ordinary course of Genesis Energy's or the Guarantor's (as applicable) ordinary business;
- (b) the temporary application of funds, not immediately required in its business, in the purchase or making of investments in accordance with its usual treasury policies, or the realisation of such investments;
- (c) the application of the proceeds of the issue of securities (whether debt or equity) for the purpose stated in the prospectus or other offering document relating to the issue;
- (d) the payment of, or reinvestment of, dividends or other distributions which does not result in a breach of the bank facility agreements;
- (e) a disposal required by law or directive or (if applicable) a provision or provisions in Genesis Energy's statement of corporate intent of a kind referred to in paragraphs (a) to (h) of section 14(2) of the State-Owned Enterprises Act 1986; or
- (f) a disposal of assets for the purpose of, or as part of, certain permitted lease transactions.

The bank facility agreements also contain other indirect restrictions on the ability of Genesis Energy to deal with its assets. For example, those agreements prohibit any member of the Guaranteeing Group from making a material change to its core business without the prior written consent of the relevant lender. As a result, Genesis Energy cannot deal with its assets in a way which results in a material change of its core business ("core business" is defined in the bank facility agreements to mean the generation, marketing, trading and retailing of energy and related products and services in New Zealand and Australia).

The bank facility agreements also restrict certain transactions with "Related Parties". For example, Genesis Energy cannot dispose of any assets to, or purchase any assets from a Related Party other than in certain circumstances which include:

- (a) any transaction for fair value on reasonable arms'-length commercial terms;
- (b) any transaction comprising or arising from share capital held by Genesis Energy or a relevant Guarantor in that Related Party (including the subscription, purchase, holding, repurchase or redemption of such share capital or the distribution of dividends or other returns on it);
- (c) any transaction if the total value of all such transactions is less than 7.5% of total assets of the consolidated Group; or

⁹⁶ Being Genesis Power Investments Limited, Kupe Holdings Limited, Kinleith Cogeneration Limited, GP No. 1 Limited, GP No. 2 Limited and GP No. 5 Limited, but excluding Genesis Energy Insurance Pte Limited.

- (d) any transaction in connection with or ancillary to the Crown's subscription for or sale of Shares.

Negative Pledge Deed

Genesis Energy and each of the Guarantors are also party to a negative pledge deed dated 12 August 2004 (as amended, the "Negative Pledge Deed"). The benefit of the Negative Pledge Deed has been extended to the bank lenders under the bank facility agreements, the bond trustees in respect of Genesis Energy's senior unsecured notes issued in 2008 and counterparties to certain of Genesis Energy's Derivative arrangements. The Guarantors separately provide a guarantee of Genesis Energy's obligations in respect of the Capital Bonds under the terms of the trust deed for those bonds.

The Negative Pledge Deed prohibits Genesis Energy from creating or allowing to subsist any security (which would include a mortgage, charge, encumbrance, lien or security interest as defined in the Personal Property Securities Act 1999 ("PPSA")) over the whole or any part of its assets, other than certain permitted security interests. The permitted security interests include security interests which arise by operation of law, certain retention of title arrangements and security interests in respect of permitted lease transactions, security interests in joint ventures and certain deemed security interests under the PPSA.

First right of refusal

Genesis Energy leases the land on which the Huntly Power Station is located from Tainui Corporation Limited, a subsidiary of Tainui Group Holdings Limited, the commercial arm of Waikato-Tainui. Under the Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010, Waikato-Tainui has a first right of refusal in respect of Genesis Energy's lease of the Huntly Power Station (including fixtures and fittings at Huntly), which arises if Genesis Energy proposes to transfer the Huntly Power Station or any part of it to a third party.

See *Section 4.3 Relationship between Genesis Energy and the Crown* to find out more about some of the other obligations that modify or restrict Genesis Energy's ability to deal with its assets.

9. Summary Financial Statements

Summary financial statements for each of the five consecutive financial years preceding FY2013 and for H1 2013 and H1 2014 are set out in *Section 6.4.3 Historical Consolidated Summary Financial Information*.

10. Prospects and Forecasts

Section 4.1 Business Description describes the Group generally, together with material information that may be relevant to its trading prospects. The Group's trading prospects are described more particularly in *Section 6.3 Prospective Financial Information*.

Special trade factors and risks which could materially affect the prospects of the Group and which are not likely to be known or anticipated by the general public are set out in *Section 5.0 What are my Risks?*

11. Provisions Relating to Initial Flotations and Minimum Subscription

Directors' Plans

The plans the directors have in respect of the Group during the 12-month period commencing on the date of this Prospectus are to continue to implement its strategy as described in *Section 4.1 Business Description*.

The sources of finance required for these plans will be Genesis Energy's operating cash flow, supplemented by borrowings.

Use of Proceeds

The Company will not receive any proceeds of the Offer. Accordingly, the proceeds of the Offer will not be applied towards the directors' plans set out above.

The Government intends to use the proceeds of the Offer to provide funding for its Future Investment Fund. The Future Investment Fund will be used to invest in capital projects that the Government believes will help grow the economy and improve public services, including schools, hospitals and broadband internet infrastructure. Using the proceeds in this way will reduce pressure on the Government to borrow to fund those projects.

Prospective Statement of Financial Position, Financial Performance and Cash Flows

A prospective statement of financial position (referred to as a "Consolidated Prospective Balance Sheet"), a prospective statement of financial performance (included within the "Consolidated Prospective Comprehensive Income Statement") and a prospective statement of cash flows (referred to as the "Consolidated Prospective Cash Flow Statement") for the accounting periods ending FY2014 and FY2015 are set out in *Section 6.3 Prospective Financial Information* along with the Consolidated Prospective Statement of Changes in Equity.

Minimum Amount

All of the Offer proceeds are payable to the Crown. Accordingly, there is no amount that must be raised by the issue of the Shares for the purposes of section 37(2) of the Securities Act.

12. Acquisition of Business or Subsidiary

Not applicable.

13. Securities Paid up Otherwise than in Cash

Not applicable.

14. Options to Subscribe for Securities of Issuing Group

Not applicable.

15. Appointment and Removal of Directors

Genesis Energy is or will be party to a listing agreement with NZX (a registered exchange) and the method by which directors of Genesis Energy may be appointed to or removed from, or otherwise vacate, office is the same as that contained in the NZX Listing Rules. Directors can be appointed by the Shareholders in a general meeting, or by the board to fill casual vacancies or as additions to the existing directors.

Each director has the power to appoint any person (other than another director of Genesis Energy) as an alternate director, who may be any person not disqualified under the Companies Act from holding the position of a director of a company and who is approved by a majority of the other directors.

In addition, the Minister of Finance must approve the appointment of the Chairman nominated by the board.

16. Interested Persons

For the purposes of the information set out under this heading, ‘specified person’ means:

- a director or proposed director of Genesis Energy, or an associated person of any of them; and
- the Crown, the Shareholding Ministers (as holders of the Shares at the time of the Offer) and an associated person of any of them.

No specified person will be entitled to any remuneration or to recover expenses from the Group other than by way of directors’ fees and reasonable travelling, accommodation and other expenses incurred in the course of performing duties or exercising powers as a director. There is no dollar limit on the expenses that the directors are entitled to recover from Genesis Energy.

The table below sets out details of any shareholdings in Genesis Energy that specified persons have, or have had, at any time during the five years preceding the date of this Prospectus.

Specified Person	Number of Shares Held ⁹⁷
Minister for State Owned Enterprises	500,000,000
Minister of Finance	500,000,000

The Ministers hold their Shares on behalf of the Crown and, accordingly, the Crown has a material interest in Genesis Energy through the Shares held by the Ministers.

Transpower, Meridian, Mighty River Power and Solid Energy are associated persons of the Crown.

Virtual Asset Swap

Genesis Energy has entered into a virtual asset swap (a long-term financial hedge instrument) with Meridian. See ‘Virtual Asset Swaps’ in *Section 4.1 Business Description* for more information about the virtual asset swap with Meridian.

Tekapo Sale Transactions

The Tekapo sale transactions involved the sale by Meridian to Genesis Energy of the Tekapo Power Scheme. Genesis Energy and Meridian entered into a sale and purchase agreement, agreements relating to the provision of transitional and operational services, a water management agreement and lead-in and long-term hedges.

The water management agreement is in place until 2025 and relates to the exercise of water rights held by both Genesis Energy and Meridian in relation to the generating stations on the Waitaki system. More information concerning the lead-in and long-term hedges is described under the heading “Significant Electricity Derivative Contracts” in *Section 4.1 Business Description*.

Genesis Swaption and Tekapo Canal Contract

Genesis Energy and Meridian have entered into the Meridian swaption and the Tekapo canal contract each of which is described under the heading “Significant Electricity Derivative Contracts” in *Section 4.1 Business Description*.

⁹⁷ The number of Shares held includes the 229,717,499 Shares which were issued to each of the Minister for State Owned Enterprises and the Minister of Finance on 10 March 2014. This was the only issue of Shares by the Company in the last five years.

Default Transmission Agreement

Under the Electricity Industry Participation Code (“Code”), a default transmission agreement (also known as the benchmark agreement) applies as a binding contract between Genesis Energy and Transpower. This agreement sets out the terms for connection to Transpower’s grid from Genesis Energy’s generation assets. It provides for grid charges payable by Genesis Energy to Transpower in accordance with a transmission pricing methodology set out in the Code. Genesis Energy may terminate any point of connection on six months’ notice, and Transpower may de-energise any point of connection in certain circumstances, including if Genesis Energy does not comply with its obligations.

Ancillary Service Procurement Contract

Genesis Energy provides ancillary services to Transpower pursuant to the terms of an ancillary service procurement agreement between the parties dated 21 November 2013. Under the agreement, Genesis Energy (as ‘ancillary service agent’) provides frequency keeping, instantaneous reserves and black start services to Transpower.

Mighty River Power Gas Sale and Purchase Agreement

Genesis Energy sells natural gas to Mighty River Power pursuant to a gas sale and purchase agreement, which expires on 31 December 2015.

Solid Energy Coal Supply Agreement

Genesis Energy has entered into an agreement to amend and restate the existing coal supply agreement with Solid Energy, which is further described under the heading “Fuel Supply: Coal” in *Section 4.1 Business Description*. Under the amended and restated coal supply agreement, Genesis Energy is required to purchase, in each contract year, a specified volume of coal from Solid Energy. The amended and restated coal supply agreement expires on 30 June 2017 (with an option for Genesis Energy to forego the final year’s coal supply if an early termination fee is paid by Genesis Energy). The amended coal supply agreement is subject to Ministerial approval under section 41B of the Crown Minerals Act 1991. In the event that Ministerial approval is not granted, the amended and restated agreement would have no legal effect and the parties would revert to the existing coal supply agreement, which expires on 30 June 2014.

Except as set out above, no specified person has, or has had at any time during the five years preceding the date of this Prospectus, any direct or indirect material interest in the Group, or in any contract or arrangement entered into on behalf or in respect of the Group, that is material to either or both of the person who has the interest and the Group.

17. Material Contracts

Genesis Energy has entered into the following material contracts in the past two years:

Company Indemnity

On 13 March 2014 the Crown and the Company entered into a deed of indemnity (the “Company Indemnity”) under which the parties provide certain warranties to each other and the Crown is required to indemnify the Company in respect of certain liabilities which the Company may incur as a result of any claim or proceedings brought or threatened against the Company in respect of the Offer. The Company Indemnity applies only to the extent that any such liability is not covered by insurance effected by the Company in respect of its potential liability under or in relation to any such claim or proceedings. The Crown’s and the Company’s obligations under the Company Indemnity are subject to certain exclusions and limitations

(for example, the indemnity does not apply in respect of criminal liability or liability resulting from wilful misconduct, malice, fraud or recklessness on the part of the Company).

Offer Management Agreement

On 13 March 2014 Genesis Energy, the Crown and the Joint Lead Managers entered into the Offer Management Agreement, which sets out the obligations of the Joint Lead Managers in relation to the operation of the bookbuild and also in relation to the provision of settlement support in certain circumstances described below.

Under the Offer Management Agreement, the Joint Lead Managers commit to conduct the bookbuild in the manner described in this Prospectus.

Once the Final Price has been determined by the Crown, if Institutional Investors default in payment for allocations of Shares or payments by Institutional Investors are uncleared, the Crown, at its discretion, may either require the Joint Lead Managers to purchase some or all of the relevant Shares at the Final Price (and those Shares may then be onsold by the Joint Lead Managers) or retain some or all of those Shares and sell them as and when it determines, subject to the 90-day lock-up period described below. The Joint Lead Managers will be obliged, subject to various conditions and terms, to provide settlement support in respect of Applications under the Institutional Offer in such circumstances described above where the Crown requires the Joint Lead Managers to purchase any Shares that are not retained by the Crown (if any). The Offer is not underwritten other than in respect of such settlement support.

The Joint Lead Managers may terminate the Offer Management Agreement and their settlement support obligations in respect of the Institutional Offer in certain circumstances, including, where on or before settlement of the Institutional Offer (on the Allotment Date, which is expected to occur on 16 April 2014):

- the Offer is withdrawn by the Crown;
- the Crown is prevented from transferring the Shares by any applicable laws or as a result of an order or judgement of a Court or regulatory authority;
- any information or statement in this Prospectus is or becomes untrue, inaccurate, misleading or deceptive or likely to mislead or deceive in any material respect or a material matter is omitted;
- any of the following occurs and, in the reasonable opinion of the Joint Lead Managers, is likely to have a material adverse effect on certain specified matters, including the settlement of the Offer or the Joint Lead Managers' ability to perform their functions:
 - A material adverse change occurs or any event occurs which would give rise to a material adverse change in the Group.
 - There are particular disruptions in certain major financial markets.
 - A representation or warranty contained in the Offer Management Agreement on the part of Genesis Energy or the Crown is not true or correct.
 - There is a breach of any material obligations under the Offer Management Agreement on the part of Genesis Energy or the Crown.

The obligations of the Joint Lead Managers under the Offer Management Agreement are subject to certain conditions. These conditions include:

- receipt by the Joint Lead Managers of various legal and accounting reports, opinions and other sign-offs;
- registration of this Prospectus; and
- all necessary regulatory rulings, exemptions and waivers being granted.

If the conditions of the Offer Management Agreement are not satisfied (or waived, if capable of waiver), the Joint Lead Managers would not be obliged to perform their obligations under the Offer Management Agreement (including their settlement support obligations in respect of Applications under the Institutional Offer). That may not necessarily mean that the Crown would withdraw the Offer or that the Offer would not proceed.

Pursuant to the Offer Management Agreement, the Crown has granted an indemnity to the Joint Lead Managers in relation to losses resulting from a breach by the Crown or Genesis Energy of their respective obligations under the Offer Management Agreement or any unlawful, negligent, reckless or deliberate wrongful act or omission by the Crown or Genesis Energy in relation to the Offer.

The Offer Management Agreement also sets out a number of representations, warranties and undertakings given by Genesis Energy and the Crown to the Joint Lead Managers, and by the Joint Lead Managers to the Crown and Genesis Energy, which are customary for an offering of this nature.

Genesis Energy has agreed that, subject to certain exceptions, during the lock-up period of 90 days from the date of settlement of the Offer, it will not, without the prior written consent of the Joint Lead Managers (not to be unreasonably withheld), allot or issue, issue or grant any right or option in respect of an issue of, create any debt obligation which may be convertible or exchangeable into or redeemable by, or otherwise enter into an agreement entitling a person to the allotment and issue of, in each case, Shares or other equity securities of Genesis Energy.

The Crown has agreed that it will not, during the lock-up period of 90 days from the date of settlement of the Offer, without the prior written consent of the Joint Lead Managers (not to be unreasonably withheld), sell or accept offers for any Shares held by the Crown in excess of the minimum holding requirement under the Public Finance Act (other than in relation to resolving any disputed applications under the Retail Offer).

Deed of Relinquishment

On 25 March 2013, the Crown and the Company entered into a deed of relinquishment under which historical indemnities in relation to water and geothermal energy and land resumption (the "ECNZ Indemnities") given to the Company by the Crown were relinquished. The Company had been entitled to the benefit of them since the split of ECNZ in 1999. The first of these indemnities provided a right to compensation from the Crown in the event that any tax, royalty, levy or impost was imposed upon Genesis Energy's use of water in respect of its hydro power stations and, as a consequence, Genesis Energy incurred costs or expenses (which were not reflected in increased prices for energy, generally) or was deprived of revenue. The second of these indemnities placed an obligation on the Crown to compensate Genesis Energy for any costs arising from any resumption for use in a Treaty settlement of the land acquired by the Company from ECNZ that were not covered by compensation under the Public Works Act 1981.

18. Pending Proceedings

There are no legal proceedings or arbitrations that are pending as at the date of the Prospectus that may have a material adverse effect on the Group. For an overview of the current disputes involving Genesis Energy, refer to the information under the heading “Litigation and Dispute Risks” and “Resource consents and other environmental approvals” in *Section 5.0 What are my Risks?*

19. Preliminary and Issue Expenses

Issue expenses (including brokerage and commission fees, management fees, share registry expenses, legal fees, audit and accounting fees, other professional consulting fees, employee compensation and benefits specifically related to the Offer, advertising costs, printing costs and postage and courier costs) relating to the Offer are estimated to amount to an aggregate of approximately \$29 million, assuming the maximum Offer size. Of this, approximately \$11.6 million is to be paid by Genesis Energy and \$17.4 million is to be paid by the Crown.

The Crown has entered into a Joint Lead Manager Engagement Agreement with the Joint Lead Managers under which each Joint Lead Manager is entitled to receive a base fee of \$750,000 in consideration for the performance of its services as a joint lead manager of the Offer. In addition, the Joint Lead Managers may each receive up to a further \$750,000 by way of performance fees based on achievement of certain agreed performance criteria relating to the achievement of agreement demand and value targets. Also, the Crown has agreed to pay the following selling commissions and fees:

- The Joint Lead Managers will be paid, jointly, a commission of 0.3% of the aggregate proceeds of all Shares sold under the Institutional Offer to Institutional Investors in New Zealand.
- The Joint Lead Managers will be paid, jointly, a commission of 0.6% of the aggregate proceeds of all Shares sold under the Institutional Offer to Institutional Investors outside New Zealand.
- Each NZX Firm and selected trading banks will be paid a fee of 1.25% of the aggregate proceeds of all Shares sold to that NZX Firm or trading bank under the Broker Firm Offer.
- Each NZX Firm and selected trading banks will be paid broker stamping fees equal to 1.0% of the aggregate proceeds of all Shares sold under the General Offer under valid Applications bearing their stamps.
- The Joint Lead Managers will be paid, jointly, a fee equal to 0.1% of the aggregate proceeds of all Shares sold under valid Applications made under the Retail Offer (excluding those for which either a broker stamping fee or a broker firm fee (as described above) is payable to any person).

The two New Zealand Retail Offer Managers will each be paid a \$50,000 fee.

20. Restrictions on Issuing Group

There are no restrictions on the Group making a distribution or borrowing, being restrictions that result from any undertaking given, or contract or deed entered into, by a member of the Group.

Nonetheless, there are a number of contractual restrictions which indirectly affect the Group's ability to borrow or to make distributions. The principal contractual restrictions are described below.

The bank facility agreements (see “Description of Activities of Issuing Group” above) prohibit Genesis Energy and the Guarantors

from making disposals of their assets, as described above, and that restriction would on its face apply to the making of distributions. However, the bank facility agreements expressly permit the making of a distribution which does not result in a breach of the bank facility agreements. In addition, the Leverage financial covenant described below (which is included in the bank facility agreements) may indirectly restrict the distributions which the Group is able to make. A breach of the non-disposal covenant or Leverage financial covenant could trigger an event of default under the banking facility agreements, which could oblige Genesis Energy to repay such facilities.

The trust deed constituting Genesis Energy's Capital Bonds contains a mechanic that allows Genesis Energy to defer interest payments in certain circumstances. While any interest remains unpaid, Genesis Energy may not, unless approved by the holders of the bonds, pay any dividend on, or make any other distribution in respect of, or pay any interest on, any shares (including the Shares) or securities ranking in liquidation *pari passu* or after the Capital Bonds. Should Genesis Energy breach this covenant, it could be required to redeem all of the bonds.

There are no direct restrictions on the ability of any member of the issuing group to borrow under the bank facility agreements or the trust deeds under which the Capital Bonds and Genesis Energy's senior notes are constituted. However the Interest Coverage financial covenant described below (which is included in the bank facility agreements) may indirectly restrict the ability of the issuing group to borrow money, and there may be other indirect restrictions on the issuing group borrowing money (such as the restrictions on dealings with Related Parties described above). Again, a breach of such a covenant could trigger an event of default under the banking facility agreements, which could oblige Genesis Energy to repay such facilities.

Notably, Genesis Energy has entered also into an agreement among lenders dated 29 September 2009 under which Genesis Energy undertakes, in favour of the existing bank lenders, that it will not borrow money on more onerous terms than the terms applying under the existing bank facility agreements (which, as mentioned above, are on substantially the same terms).

In addition, the Company is in any event subject to general company law restrictions (such as satisfaction of the solvency test under the Companies Act) in relation to the payment of dividends, which operate as fetters on the ability to make distributions.

Leverage financial covenant

Genesis Energy undertakes in favour of each bank facility lender that, at all times, “Borrowings” shall not amount to greater than 50% of “Total Capitalisation”.

Borrowings is broadly defined and includes liabilities and indebtedness in respect of money borrowed or raised, guarantees and indemnities, lease payments under finance leases, termination amounts under Derivative transactions and amounts under any other arrangement having the effect of a borrowing or raising of money. Total Capitalisation is the sum of Borrowings and “Net Worth”, which is defined to mean the difference between the total consolidated assets of the Group and the total consolidated liabilities of the Group. This ratio effectively acts as a cap on borrowings and it may also be that assets of the Group are required to be retained rather than distributed to ensure compliance with this undertaking.

Interest Coverage covenant

Genesis Energy undertakes in favour of each bank facility lender that, as at the last day of every 12-month period ending on 30 June and 31 December, the ratio of EBITDA (earnings before interest, tax, depreciation and amortisation) to interest and financing costs for that period shall not be less than 2.5 to 1. The higher the borrowings of the Group, the greater the interest and financing costs will be. As a result, this financial covenant indirectly restricts the ability of the Group to borrow money.

21. Other Terms of Offer and Securities

All terms of the Offer, and all terms of the Shares, are set out in this Prospectus, other than any terms implied by law or any terms set out in a document that has been registered with a public official, is available for public inspection and is referred to in this Prospectus.

22. Financial Statements

Audited financial statements for the 12-month accounting period to 30 June 2013 are set out in *Section 6.4.5 Audited Financial Statements for the Year Ended 30 June 2013*. The financial statements comply with, and have been registered on 15 October 2013 under, the Financial Reporting Act.

23. Additional interim financial statements

Audited interim financial statements for the six-month period to 31 December 2013 and statements as to all material changes in matters contained in the audited interim financial statements for the six-month period to 31 December 2013 from the matters contained in the audited financial statements for the 12-month period to 30 June 2013 are set out in *Section 6.4.4 Audited Interim Financial Statements for the Six Months Ended 31 December 2013*.

Statements as to all transactions that are material related-party transactions under generally accepted accounting practice and were entered into or were being performed in the six-month period to 31 December 2013 are set out in note 12 to the financial statements in *Section 6.4.4 Audited Interim Financial Statements for the Six Months Ended 31 December 2013*.

24. Places of inspection of documents

You may inspect (without charge) during the period of the Offer, during normal business hours, the Constitution, copies of the material contracts referred to above under the heading "Material Contracts" and copies of the financial statements referred to under the heading "Financial Statements" above, at the registered office of Genesis Energy as set out in the Directory. Also, you may inspect copies of those documents on the Companies Office website (without charge) at www.business.govt.nz/companies.

25. Other material matters

Director Indemnity

On 13 March 2014, the Crown and each of the directors of the Company entered into substantively identical deeds of indemnity (each a "Director Indemnity"). The Director Indemnity requires the Crown to indemnify each director in respect of liabilities which the director may incur as a result of any claim or proceedings brought or threatened against the director in respect of the Offer. These include costs incurred in the defence of criminal proceedings where the director is found guilty, if the relevant director acted honestly and in good faith and did not know, and was not reckless as to whether, the relevant act or omission would result in criminal liability, or if the Company or the director acted with the express consent or concurrence of the Crown.

The Director Indemnity applies only to the extent that any such liability is not covered by insurance effected by the Company, or by an indemnity granted by the Company in favour of the director, in respect of the director's potential liability under or in relation to any such claim or proceedings. The Crown's obligations under the Director Indemnity are subject to certain exclusions and limitations (for example, the indemnity does not apply in respect of liability resulting from wilful misconduct, malice, fraud or recklessness on the part of the director).

By virtue of the Securities Act (Genesis Energy Limited Crown share offer) Exemption Notice 2014, the Crown has been exempted from the prohibition on issuers indemnifying directors set out in section 61 of the Securities Act.

Exemptions relating to supplementary disclosure

By virtue of the Securities Act (Genesis Energy Limited Crown share offer) Exemption Notice 2014, the Crown and Genesis Energy have been exempted from section 37A(1)(b) of the Securities Act and Regulation 21 of the Securities Regulations. This exemption enables the Crown and Genesis Energy to produce and publicise a supplementary disclosure document so that potential investors in Genesis Energy can be informed of any significant adverse developments that may arise without the Crown and Genesis Energy incurring costs or delay in producing new offer documents and distributing them to Applicants and potential investors. The exemption is limited to significant adverse developments that occur prior to the Allotment Date. The conditions of the exemption require, amongst other things, that (i) the Crown and Genesis Energy alert potential investors to the publication of the supplementary disclosure by publishing advertisements in newspapers; and (ii) any Applicant may withdraw their Application if it is dated on or before the date of publication of the advertisements and the Applicant's notice of withdrawal is received by or on behalf of the Crown or Genesis Energy within seven days after the date of publication of the advertisements.

Investors will not be contacted or notified personally of any supplementary disclosure made pursuant to this exemption.

Genesis Energy and the Crown are further exempted from section 34(1)(b) of the Securities Act to the extent that this Prospectus is distributed after the significant adverse development has occurred but before the supplementary disclosure has been published alerting investors about the significant adverse development.

NZX Listing Rule waivers, approval and ruling

NZX has granted a waiver in respect of the requirement in Rule 7.9.1 of the NZX Listing Rules that the Crown and Genesis Energy enter into a security agreement with NZX setting out the restrictions on the disposal of Shares by the Crown.

NZX has granted a waiver in respect of the prohibition in Rule 11.1.6 of the NZX Listing Rules on the cancellation or variation of a benefit or right attaching to a share by reason only of a transfer of that share. The effect of this waiver is to permit the suspension of voting and dividend rights under the Constitution if a person other than the Crown has a Relevant Interest in more than 10% of the Shares.

NZX has approved, under Rule 11.1.5 of the NZX Listing Rules, the inclusion in the Constitution of provisions giving effect to Part 5A of the Public Finance Act which provides, amongst other things, that the Crown must hold at least 51% of the Shares and that no person other than the Crown may have a Relevant Interest in more than 10% of the Shares.

See “Shareholding Restrictions” in *Section 4.3 Relationship between Genesis Energy and the Crown* for a more detailed discussion of these provisions of the Constitution.

As a condition of the waivers and approvals in respect of Rules 11.1.5 and 11.1.6 of the NZX Listing Rules the Company will bear a ‘non-standard’ designation on the NZX Main Board.

NZX has also granted a waiver of Rule 9.2.1 to permit the Company to enter into transmission agreements with Transpower which constitute material transactions with a related party without obtaining Shareholder approval where those agreements are entered into in order to comply with the Electricity Industry Participation Code and the amounts payable under those agreements are determined in accordance with the transmission pricing methodology and regulated under the Electricity Industry Participation Code and Part 4 of the Commerce Act 1986 (subject to certain conditions).

In addition, NZX has made a ruling that Genesis Energy is not a “mining issuer” for the purposes of the NZX Listing Rules.

ASX Listing Rule waivers and confirmations

ASX has made an in-principle decision to grant certain waivers and confirmations in respect of the ASX Listing Rules of a similar nature to those granted by NZX to allow the Constitution to contain provisions reflecting the ownership restrictions imposed by the Public Finance Act and to allow the Crown to cancel the sale of Shares to Applicants who acquire Shares under the Retail Offer and are not New Zealand Applicants.

The key waivers and confirmations to be granted include:

- ASX Listing Rules 6.8, 6.9, 6.10.5, 6.12.3, 8.10 and 8.11: waivers and confirmations to permit the Constitution to contain provisions allowing the Crown and the Company to enforce the 10% limit;
- ASX Listing Rules 6.12 and 8.10: waivers and confirmations to permit the Constitution to contain provisions enabling the Company to prevent Shareholders who acquired Shares under the Retail Offer and are not New Zealand Applicants from transferring those Shares and to enable the Company to sell those Shares; and
- ASX Listing Rule 10.1: waiver to permit the Company to acquire or dispose of substantial assets (>5% of accounting equity) from/to associates without shareholder approval on certain conditions including that the parties are only associated by virtue of being Crown owned entities and the transaction is in the ordinary course of the Company’s business.

ASX has made another in-principle decision to grant waivers and confirmations from the ASX Listing Rules which are customary for a New Zealand company listed with both the NZX Main Board and the ASX.

There are no other material matters relating to the Offer, other than those set out in this Prospectus, the financial statements or in contracts entered into in the ordinary course of business of a member of the Group.

26. Directors’ Statement

The directors of Genesis Energy, after due inquiry by them, are of the opinion that none of the following have materially and adversely changed during the period between 31 December 2013 and the date of registration of this Prospectus:

- the trading or profitability of the Group;
- the value of the Group’s assets; or
- the ability of the Group to pay its liabilities due within the next 12 months.

27. Auditor’s report

The Auditor’s report required by clause 28 of Schedule 1 to the Securities Regulations is set out in *Section 6.5 Auditor’s Report*. The financial statements required by clause 28 of Schedule 1 to the Securities Regulations have been audited by Andrew Dick of Deloitte on behalf of the New Zealand Controller and Auditor-General. Deloitte is registered under the Auditor Regulation Act 2011 with registration number AUD187. There are no restrictions or limitations on Deloitte’s registration.

28. Signatures required under the Securities Act

A copy of this Prospectus has been signed by each director of Genesis Energy (or his or her agent authorised in writing), and for and on behalf of Her Majesty the Queen in Right of New Zealand by Her Minister of Finance and Her Minister for State Owned Enterprises.

Signed for and on behalf of **Her Majesty the Queen in Right of New Zealand** by **Her Minister of Finance** and **Her Minister for State Owned Enterprises**:

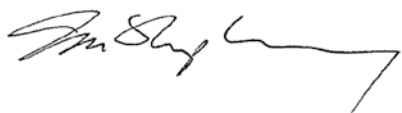


Hon Simon William English
Minister of Finance

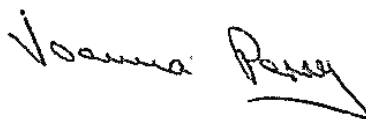


Hon Anthony Boyd Williams Ryall
Minister for State Owned Enterprises

Signed by each director of **Genesis Energy Limited**:



Rt Hon Dame Jennifer Mary Shipley, DNZM



Joanna Mary Gordon Perry



Andrew John Clements



John Anthony Dell



John Mitchell Leuchars



Graeme Roderick Milne



Rukumoana Tira Marie Schaafhausen

7.3 NEW ZEALAND TAXATION IMPLICATIONS

In this section, ‘you’ refers to the person who acquires the Shares.

Tax will affect your return from the Shares.

The following comments are of a general nature. They are based on the law at the date of this Prospectus and do not deal with your specific circumstances.

You should seek your own tax advice in relation to your Shares.

Are You Tax Resident in New Zealand?

Your tax residence status will affect how New Zealand taxes apply to your return on the Shares.

If you are a natural person and you:

- have a permanent place of abode in New Zealand; and/or
- have been present in New Zealand for more than 183 days in a 12-month period, and not subsequently absent from New Zealand for more than 325 days in a 12-month period,

you will be a New Zealand tax resident.

A company is tax resident in New Zealand if it is incorporated in New Zealand, if it has its head office or centre of management in New Zealand or if its directors exercise control of the company in New Zealand.

Generally, Shares held by a trust will be treated as held by a New Zealand tax resident if a New Zealand tax resident has contributed to the trust.

If you are a New Zealand tax resident and are also tax resident in another country, the following summary applying to New Zealand tax residents may not apply to you, and you should seek your own tax advice.

Genesis Energy will assume you are a New Zealand tax resident unless you notify Genesis Energy otherwise.

New Zealand Tax Implications for New Zealand Tax Resident Shareholders

The following is a summary of the New Zealand tax implications of investing in the Shares if you are tax resident in New Zealand.

Distributions you receive from Genesis Energy

Distributions you receive from Genesis Energy will generally be taxable dividends for New Zealand tax purposes. Some distributions you receive from Genesis Energy may not be taxable dividends (for example, non-taxable bonus issues and certain returns of capital).

New Zealand operates an imputation regime under which income tax paid by Genesis Energy gives rise to credits, known as imputation credits, which may be attached to dividends it pays. Imputation credits attached to dividends may be used by New Zealand tax-resident shareholders to offset their tax liability in respect of the dividends. The maximum ratio at which Genesis Energy can attach imputation credits to dividends is 28:72 (that is, \$28 of imputation credits to \$72 of cash dividend).

Genesis Energy will generally be required to deduct resident withholding tax (“RWT”) from dividends it pays to you. Currently, the rate of RWT on dividends is 33%, less the amount of imputation credits attached to the dividend. Accordingly, where imputation credits are attached to dividends at the maximum permitted ratio (that is, the dividends are fully imputed), RWT equal to 5% of

the gross dividend (that is, cash plus imputation credits) will be deducted. Where dividends are partially imputed, the amount of RWT deducted will be greater than 5% of the gross dividend. You will be entitled to a credit against your income tax liability for the amount of RWT deducted. Genesis Energy will not deduct RWT from dividends you receive if you hold a current RWT exemption certificate and have provided a copy of that certificate to Genesis Energy before the dividend is paid to you.

Example of a Fully Imputed Taxable Dividend

The following is an illustrative example of a fully imputed cash dividend of \$72 paid to a New Zealand tax-resident shareholder that does not have an RWT exemption certificate:

Plus	Cash dividend	\$72	A fully imputed cash dividend of \$72 will have \$28 of imputation credits attached, giving a gross dividend of \$100. The gross dividend is taxable income to the recipient.
	Imputation credits attached	\$28	
	Gross dividend	\$100	
Less	RWT at 33%	\$33	The RWT deducted by Genesis Energy will be 33% of the gross dividend less the amount of imputation credits attached.
	Imputation credits attached	(\$28)	
	RWT deducted	\$5	
Less	Cash dividend	\$72	After RWT is deducted, the recipient will receive a net cash dividend of \$67. The recipient will be entitled to a credit against their personal income tax liability for the imputation credits attached to the dividend and the RWT deducted. Therefore, a recipient on a 33% marginal tax rate will not have any further tax to pay in respect of the dividend. A recipient on a marginal tax rate lower than 33% may be able to use excess tax credits to satisfy a tax liability on other income, or obtain a refund of tax.
	RWT deducted	(\$5)	
	Net cash dividend received	\$67	

Filing an income tax return

If you are not otherwise required to file an income tax return, receiving dividends from Genesis Energy will not change that generally. If you are on a tax rate of less than 33% you may be able to reduce your other tax liabilities, or receive a refund of some or all of the RWT deducted from dividends paid to you, by filing a tax return.

If you file a tax return, you must include in your taxable income not only the cash dividend you receive, but also the imputation credits attached to, and RWT deducted from, your Genesis Energy dividend. The total amount included in your taxable income is referred to as the gross dividend. You will be able to use attached imputation credits and a credit for RWT deducted to satisfy (or partially satisfy) your tax liability on the gross dividend. If the attached imputation credits and RWT deducted exceed the amount of tax on the gross dividend, your tax liability on other income you earn may be reduced as a result of receiving the Genesis Energy dividend.

Loyalty Bonus Shares

The following statement applies to New Zealand Applicants eligible to receive the Loyalty Bonus Shares. You will not be taxable on the receipt of the Loyalty Bonus Shares. The Loyalty Bonus Shares are not a dividend. IRD has issued a ruling confirming no income arises to you under the financial arrangements rules. For the purposes of

the financial arrangements rules, the Crown confirms that the Final Price is the lowest price it would have accepted for the Shares on the basis of payment in full on the Allotment Date.

Tax on sale or disposal of Shares

Although New Zealand does not have a general capital gains tax, there are instances where you will be subject to New Zealand tax on gains you make on the sale or disposal of your Shares including the Loyalty Bonus Shares or be allowed a deduction for any loss you make. You must consider your individual circumstances to determine whether any gain on the sale or disposal of your Shares will be taxable (or loss deductible).

Generally, you will be subject to tax on any gain (or allowed to deduct any loss) arising from the sale or disposal of your Shares if you:

- are in the business of dealing in shares;
- acquire your Shares as part of a profit-making undertaking or scheme; or
- acquire your Shares with the dominant purpose of selling them.

Your taxable gain (or tax-deductible loss) will be the difference between the cost of your Shares and the amount received for their sale or disposal. If you receive Loyalty Bonus Shares, a pro rata portion of the cost of your Shares will be treated as the cost of your Loyalty Bonus Shares. If you have a taxable gain, you will likely be required to include that gain in a tax return for the tax year in which the sale occurs. You will need to pay any tax owing in respect of that gain at your marginal tax rate.

New Zealand Tax Implications for Non-Resident Shareholders

The following is a summary of the New Zealand tax implications of investing in the Shares if you are not tax resident in New Zealand and hold less than 10% of the voting interests in Genesis Energy.

Distributions you receive on your Shares

Genesis Energy will deduct non-resident withholding tax ("NRWT") from taxable dividends paid to you. Most distributions by Genesis Energy will be taxable dividends, but non-taxable bonus issues and certain returns of capital will not be taxable dividends. A 15% rate of NRWT will apply:

- to the extent the dividend is fully imputed; or
- if you are resident in a country with which New Zealand has a double taxation agreement that provides for such a rate,

otherwise a 30% rate of NRWT will apply.

If Genesis Energy pays a fully imputed dividend, then Genesis Energy may pay you an additional supplementary dividend which

effectively offsets the NRWT on the dividend. If Genesis Energy pays a partially imputed dividend, the amount of supplementary dividend will be reduced on a pro rata basis so that it will effectively offset the NRWT on part of the dividend only.

Sale or disposal of Shares

Although New Zealand does not have a general capital gains tax, there are instances where you will be subject to New Zealand tax on gains you make on the sale or disposal of your Shares (or allowed a deduction for any loss you make). You must consider your individual circumstances to determine whether any gain on the sale or disposal of your Shares will be taxable (or loss deductible).

Generally, you will be subject to tax on any gain (or be allowed to deduct any loss) arising from the sale or disposal of your Shares where you:

- are in the business of dealing in shares;
- acquire your Shares as part of a profit-making undertaking or scheme; or
- acquire your Shares with the dominant purpose of selling them.

Your taxable gain (or tax-deductible loss) will be the difference between the cost of your Shares and the amount received for their sale or disposal.

If you are a resident of a country which has a double taxation agreement with New Zealand, subject to the particular provisions of the relevant double taxation agreement, any New Zealand tax liability on any income you derive from the sale of shares in New Zealand companies generally may be relieved under the terms of the relevant double taxation agreement unless:

- you have a 'permanent establishment' in New Zealand through which the shares are held; or
- the shares are in a company whose value is derived as to 50% or more from land, buildings and other real property.

Because Genesis Energy's assets largely comprise land, structures affixed to land and natural resources, you may not be entitled to relief from New Zealand tax on any gain on sale by reason of a double taxation agreement.

If you derive a taxable gain on the sale or disposal of your Shares and the New Zealand tax liability is not relieved under a double taxation agreement you will be required to include that gain in a New Zealand tax return for the tax year in which the sale occurred and pay tax on the gain in New Zealand at your applicable rate.

No Stamp Duty or GST

New Zealand does not have stamp duty. New Zealand GST should not apply to your investment in the Shares.

7.4 INFORMATION FOR AUSTRALIAN INSTITUTIONAL INVESTORS

This section contains information for eligible Australian Institutional Investors (as defined below). You should read all of this Prospectus and the Investment Statement before deciding whether or not to purchase Shares in Genesis Energy.

Australian Institutional Offer

The Offer is being made in Australia only to selected investors who are sophisticated or professional investors as respectively referred to in sections 708(8) and 708(11) of the Corporations Act 2001 (Cth) ("Corporations Act") ("Australian Institutional Investors").

No general public offer is being made in Australia. Australian residents who are not Australian Institutional Investors will not be eligible to apply for Shares.

The Institutional Offer in Australia consists of an invitation to Australian Institutional Investors to bid for Shares. For further details see *Section 7.1 Details of the Offer*.

The Institutional Offer in Australia is being made under this Prospectus and the Investment Statement and by relying on trans-Tasman mutual recognition under Chapter 8 of the Corporations Act and the Corporations Regulations 2001 (Cth) ("Corporations Regulations").

This section contains disclosure relevant to Australian Institutional Investors and to comply with requirements for a recognised offer under Chapter 8 of the Corporations Act and the Corporations Regulations.

This Prospectus and the Investment Statement have been prepared to comply with New Zealand regulatory requirements, which differ in some respects from Australian regulatory requirements for an offer of shares. This Prospectus and the Investment Statement are not, and do not purport to be, a prospectus or document containing disclosure to investors for the purposes of, and do not contain all information that would be required for a prospectus or disclosure document, under Part 6D.2 or Part 7.9 of the Corporations Act.

Important Information for Australian Investors

The following statements are required to be included in this Prospectus by Chapter 8 of the Corporations Act and Corporations Regulations.

This Offer to Australian investors is a recognised offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Cth) and the Corporations Regulations 2001 (Cth). In New Zealand, this is Part 5 of the Securities Act 1978 (New Zealand) and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008 (New Zealand).

The Offer and the content of this Prospectus and the Investment Statement are principally governed by New Zealand, rather than Australian, law. In the main, the New Zealand Securities Act 1978 and the Securities Regulations 2009 (New Zealand) set out how the Offer must be made.

There are differences in how securities and financial products are regulated under New Zealand, as opposed to Australian, law. For example, the disclosure of fees for managed investment schemes is different under New Zealand law.

The rights, remedies and compensation arrangements available to Australian investors in New Zealand securities and financial products may differ from the rights, remedies and compensation arrangements for Australian securities and financial products.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Australian Securities and Investments Commission ("ASIC"). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of New Zealand securities and financial products is not the same as that for Australian securities and products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial advisor.

The Offer may involve a currency exchange risk. The currency for the security or financial product is in dollars that are not Australian dollars. The value of the security or financial product will go up and down according to changes in the exchange rate between those dollars and Australian dollars. These changes may be significant.

If you receive any payments in relation to the security or financial product that are not in Australian dollars, you may incur significant fees in having the funds credited to a bank account in Australia in Australian dollars.

If the security or financial product is able to be traded on a financial market and you wish to trade the security or financial product through that market, you will have to make arrangements for a participant in that market to sell the security or financial product on your behalf. If the financial market is a foreign market that is not licensed in Australia (such as a securities market operated by NZX Limited ("NZX")) the way in which the market operates, the regulation of participants in that market and the information available to you about the security or financial product and trading may differ from Australian licensed markets.

Australian Securities and Investments Commission

A copy of this Prospectus and the Investment Statement was lodged with ASIC on 13 March 2014. ASIC accepts no responsibility for the contents of this Prospectus or the Investment Statement or the merits of the investment to which this Prospectus and the Investment Statement relate.

Stock Exchange Listings

Application has been made to NZX for permission to list Genesis Energy and to quote the Shares on the NZX Main Board. An application will be made to ASX after the Investment Statement and this Prospectus have been lodged with ASIC for the Company to be admitted to the official list of the ASX and for quotation of the Shares on the ASX. In accordance with the ASX Listing Rule requirements, the Company confirms that it has sufficient working capital to carry out its stated objectives.

ASX takes no responsibility for the contents of this Prospectus or the Investment Statement or for the merits of the investment to which this Prospectus and the Investment Statement relate. Admission to the official list of ASX and quotation of the Shares on ASX are not guaranteed and are not to be taken as an indication of the merits, or as an endorsement by ASX, of Genesis Energy or the Shares. Failure to achieve admission to list on ASX will not, of itself, prevent the sale of Shares under the Offer from proceeding.

For further details regarding the applications for listing on the NZX and ASX see *Section 7.1 Details of the Offer*.

Continuous Disclosure

Genesis Energy will need to comply with the continuous disclosure rules of both the NZX Listing Rules and the ASX Listing Rules (including as modified by waivers, rulings or exemptions applicable to Genesis Energy or the Shares). All information provided to NZX and ASX in accordance with the NZX Listing Rules and the ASX Listing Rules will be available on the NZX and ASX websites. For more information in relation to Genesis Energy's continuous disclosure process see *Section 4.2 Board, Management and Governance*.

Risks

You should refer to the information set out in *Section 5.0 What are my Risks?*

This is not investment advice. You should seek your own financial advice.

The information provided in this Prospectus is not financial product advice and has been prepared without taking into account the investment objectives, financial circumstances or particular needs of any investor.

Investors should read the whole of this Prospectus and consider all of the risk factors that could affect the performance of Genesis Energy and other information concerning the Shares in light of their own particular investment objectives, financial circumstances and particular needs (including financial and taxation issues) before deciding whether to invest in Genesis Energy.

Trading in and Selling Shares on ASX

See *Section 7.1 Details of the Offer* for further information regarding trading in, and selling, Shares on ASX and CHESS.

Differences between Australian GAAP and NZ GAAP

The financial information provided in respect of Genesis Energy in *Section 6.0 Financial Information* has generally been prepared applying NZ GAAP.

All ongoing financial information prepared by Genesis Energy and provided directly to Shareholders or to NZX or ASX will be prepared in accordance with the requirements of NZ GAAP applicable at that time.

Genesis Energy has adopted certain accounting policies in connection with the preparation of PFI in this Prospectus. Those policies are expected to be used in future reporting periods and are described in *Section 6.3 Prospective Financial Information*. To the extent that Australian generally accepted accounting principles ("Australian GAAP") would require different accounting policies, those differences would not be material to Genesis Energy or its financial results.

There may be some presentation, disclosure and classification differences between financial information prepared in accordance with NZ GAAP and financial information prepared in accordance with Australian GAAP. For example, financial information prepared in accordance with Australian GAAP might contain details of director remuneration or additional oil and gas accounting disclosures which would not be required under NZ GAAP. None of these differences in presentation, disclosure or classification would be expected to change the material financial results reported under NZ GAAP.

Applicable Law

Genesis Energy as a New Zealand company

Genesis Energy is a company incorporated in New Zealand and is principally governed by New Zealand law, rather than Australian law. In Australia, it is registered with ASIC as a foreign company. Its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Corporations Act or by ASIC but instead are regulated by the Companies Act and the New Zealand Financial Markets Authority and Registrar of Companies.

Set out below is a table summarising key features of the laws that apply to Genesis Energy as a New Zealand company (under New Zealand law, including as modified by exemptions or waivers) compared with the laws that apply to Australian publicly listed companies generally. It is important to note that this summary does not purport to be a complete review of all matters of New Zealand law applicable to Genesis Energy or all matters of Australian law applicable to Australian publicly listed companies or to highlight all provisions that may differ from the equivalent provisions in Australia.

Table: Comparison of laws governing Genesis Energy as a New Zealand company with laws governing Australian publicly listed companies generally.

Unless otherwise stated, the Corporations Act provisions do not apply to Genesis Energy as a foreign company.

	New Zealand	Australia
Transactions that require shareholder approval	Under the Companies Act, the principal transactions or actions requiring shareholder approval include: — adopting or altering the constitution of the company; — appointing or removing a director; — major transactions (being transactions involving the acquisition or disposition of assets, the acquisition of rights or interests or the incurring of obligations or liabilities, the value of which is more than half the value of the company's total assets); — amalgamations (other than between the company and its wholly-owned subsidiaries); — putting the company into liquidation; and — changes to the rights attached to shares. In addition to the Companies Act requirements listed above, shareholder approval is required under the NZX Listing Rules for: — director remuneration; — certain transactions with related parties; — certain issues of shares; and — in certain circumstances, the provision of financial assistance for the purpose of, or in connection with, the acquisition of shares.	Under the Corporations Act, the principal transactions or actions requiring shareholder approval are comparable to those under the Companies Act. Shareholder approval is also required for certain transactions affecting share capital (e.g., share buybacks and share capital reductions). Although there is no shareholder approval requirement for major transactions, certain related party transactions require shareholder approval. Shareholder approval is required under the ASX Listing Rules for: — increases in the total amount of directors' fees; — directors' termination benefits in certain circumstances; — certain transactions with related parties; — certain issues of shares; and — if a company proposes to make a significant change to the nature or scale of its activities or proposes to dispose of its main undertaking. The rules will apply to Genesis Energy when it is admitted to the official list of ASX.
Shareholders' right to request or requisition a general meeting	A special meeting of shareholders must be called by the board on the written request of shareholders holding shares carrying together not less than 5% of the voting rights entitled to be exercised on the issue.	The Corporations Act contains a comparable right. Directors must also call a general meeting on the request of at least 100 shareholders who are entitled to vote at a general meeting. Shareholders with at least 5% of the votes that may be cast at the general meeting may also call and arrange to hold a general meeting at their own expense.
Shareholders' right to appoint proxies to attend and vote at meetings on their behalf	A shareholder may exercise the right to vote at a meeting either by being present in person or by proxy. A proxy is entitled to attend and be heard, and to vote, at a meeting of shareholders as if the proxy were the shareholder. A proxy must be appointed by notice in writing signed by or, in the case of an electronic notice, sent by the shareholder to the company. The notice of appointment must state whether the appointment is for a particular meeting or a specified term.	The position is comparable under the Corporations Act.
Changes in the rights attaching to shares	A company must not take action that affects the rights attached to shares unless that action has been approved by a special resolution of each affected interest group. (An "Interest group" in relation to an action or proposal affecting the rights attached to shares means a group of shareholders whose affected rights are identical and whose rights are affected by the action or proposal in the same way and who comprise the holders of one or more classes of shares in the company).	The Corporations Act allows a company to set out in its constitution the procedure for varying or cancelling rights attached to a class of shares. If a company does not have a constitution, or has a constitution that does not set out a procedure, the rights may only be varied or cancelled by: — a special resolution of the class of shares being varied; or — a written consent of members with at least 75% of the votes in the class of shares being varied.

	New Zealand	Australia
Shareholder protections against oppressive conduct	A shareholder or former shareholder of a company (or any other entitled person) who considers that the affairs of a company have been (or are being, or are likely to be) conducted in a manner that is (or any act or acts of the company have been, or are, or are likely to be) oppressive, unfairly discriminatory, or unfairly prejudicial to him or her in any capacity may apply to the court for relief. The court may, if it thinks it is just and equitable to do so, make such orders as it thinks fit.	Under the Corporations Act, shareholders have statutory remedies for oppressive or unfair conduct of the company's affairs. The court can make any order as it sees appropriate.
Shareholders' rights to bring or intervene in legal proceedings on behalf of the Company	A court may, on the application of a shareholder or director of a company, grant leave to that shareholder or director to bring proceedings in the name and on behalf of the company or any related company, or intervene in proceedings to which the company or any related company is a party, for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company or related company. Leave may only be granted if the court is satisfied that either the company or related company does not intend to bring, diligently continue or defend, or discontinue the proceedings, or it is in the interests of the company or related company that the conduct of the proceedings should not be left to the directors or to the determination of the shareholders as a whole. No proceedings brought by a shareholder or a director or in which a shareholder or a director intervenes with leave of the court (as described above) may be settled or compromised or discontinued without the approval of the court.	The Corporations Act permits a shareholder to apply to the court for leave to bring proceedings on behalf of the company, or to intervene in, proceeding to which the company is a party for the purpose of taking responsibility on behalf of the company for those proceedings, or for a particular step in those proceedings. The court must grant the application if it is satisfied that: — it is probable that the company will not itself bring the proceedings, or properly take responsibility for them, or for the steps in them; — the applicant is acting in good faith; — it is in the best interests of the company that the applicant be granted leave; — if the applicant is applying for leave to bring proceedings, there is a serious question to be tried; and — either at least 14 days before making the application, the applicant gave written notice to the company of the intention to apply for leave and of the reasons for applying, or the court considers it appropriate to grant leave. Proceedings brought or intervened in with leave must not be discontinued, compromised or settled without the leave of the court.
"2 strikes" rule in relation to remuneration reports	There is no equivalent of a "2 strikes" rule in relation to remuneration reports in New Zealand. New Zealand companies are not required to publish remuneration reports so shareholders necessarily cannot vote on them. There is, however, an obligation to state in the company's annual report, in respect of each director or former director of the company, the total of the remuneration and the value of other benefits received by that director or former director from the company during the relevant accounting period and, in respect of employees or former employees of the company who received remuneration and any other benefits in their capacity as employees during the relevant accounting period, the value of which was or exceeded NZ\$100,000 per annum, the number of such employees, stated in brackets of NZ\$10,000.	The Corporations Act requires that a company's annual report must include a report by the directors on the company's remuneration framework (called a remuneration report). A resolution must be put to shareholders at each annual general meeting of the company's shareholders ("AGM") seeking approval for the remuneration report. That approval is advisory only, however, if more than 25% of shareholders vote against the remuneration report at 2 consecutive AGMs (i.e., 2 strikes) an ordinary (50%) resolution must be put to shareholders at the second AGM proposing that a further meeting be held within 90 days at which all of the directors who approved the second remuneration report must resign and stand for re-election.

	New Zealand	Australia
Related party transactions and interests	The Company must comply with NZX Listing Rule requirements in respect of related party transactions, except to the extent this obligation is modified by waivers or rulings granted by NZX Regulation in respect of the Company. In particular, shareholder approval is required for significant transactions between a listed company and a “related party”. The definition of related party catches a number of persons, for example, a director of a listed company, or the holder of a relevant interest in 10% or more of a class of securities of a listed company. A related party who is a party to or a beneficiary of a material transaction (and its associates) are prohibited from voting in favour of a resolution to approve that transaction. The Securities Markets Act 1988 requires a director or officer of a public issuer who has a “relevant interest” in a public issuer to give notice of this fact to NZX and to disclose any such relevant interest in the interests register of the public issuer. The Companies Act requires companies to keep an interests register, and this register is often used for the purposes of any disclosures by directors or officers of any such “relevant interests”. The companies’ annual report must state particulars of entries in the interests register made during the accounting period.	Under the Corporations Act, public companies must obtain shareholder approval before giving a financial benefit to a “related party” of the public company unless an exemption applies. The exemptions include: — the arrangement is on arm’s length terms; — the benefit is reasonable remuneration paid to an officer or employee of the company; — the benefit is a reasonable indemnity or insurance premium given to an officer or employee of the company; — the benefit is given to a closely held subsidiary; — the benefit is given to all shareholders and does not discriminate other shareholders unfairly. In addition, Genesis Energy will be required to comply with ASX Listing Rule requirements in respect of related party transactions. Unless an exception applies, shareholder approval is required for: — the acquisition of a substantial asset from, or disposal of a substantial asset to, among other persons, a related party or a person who, together with their associates, holds a relevant interest in at least 10% of the total votes attached to the voting securities; — issuing or agreeing to issue securities to related parties; — increasing the total of directors’ payments; — certain directors’ termination benefits; and — directors acquiring securities under an employee incentive scheme. The definition of related party includes, among others, entities that control the public company and directors of the public company and of the entity that controls the public company. Under the ASX Listing Rules, Genesis Energy will also be required to disclose the notifiable interests of its directors at prescribed times and any changes to those notifiable interests.

	New Zealand	Australia
Disclosure of substantial holdings	The Securities Markets Act 1988 requires every person who is a “substantial security holder” in a public issuer to give notice to that public issuer and NZX that they are a substantial security holder. “Substantial security holder” means, in relation to a public issuer, a person who has a relevant interest in 5% or more of a class of listed voting securities of that public issuer. The substantial security holder has ongoing disclosure requirements to notify the public issuer and NZX of certain changes in the number of voting securities in which the substantial security holder has a relevant interest or if there is any change in the nature of any relevant interest in the relevant holding or where that person ceases to be a substantial security holder.	The Corporations Act requires every person who is a substantial holder to notify the listed company and ASX that they are a substantial holder and to give prescribed information in relation to their holding if: — the person begins to have, or ceases to have, a substantial holding in the company or scheme; — the person has a substantial holding in the company or scheme and there is a movement of at least 1% in their holding; or — the person makes a takeover bid for securities of the company. A person has a substantial holding if the total votes attached to voting shares in the company in which they or their associates have relevant interests is 5% or more of the total number of votes attached to voting shares in the company, or the person has made a takeover bid for voting shares in the company and the bid period has started and not yet ended. These provisions do not apply to Genesis Energy as an entity established outside Australia. However, Genesis Energy will be required to release to ASX any substantial holder notices that are released to NZX.
How takeovers are regulated	The New Zealand position under the Takeovers Code and Securities Markets Act 1988 is comparable to the Australian position in relation to the regulation of takeovers. Substantial security holder notice requirements apply to relevant interests in 5% or more of a company’s listed voting securities (as discussed above under the heading “Disclosure of substantial holdings”). A 20% threshold applies (whereby a person is prevented from increasing the percentage of voting rights held or controlled by them in excess of that threshold or from becoming the holder or controller of an increased percentage of voting rights if they already hold or control more than 20% of the voting rights), subject to certain “compliance options” (including full and partial offers, 5% creep over 12 months in the 50% to 90% range, and acquisitions with shareholder approval). Compulsory acquisitions are permitted by persons who hold or control 90% or more of voting rights in a company. Under Part 5A of the Public Finance Act 1989 (NZ), no person, other than the Crown, may have a relevant interest in more than 10% of any class of shares in, or any class of voting securities of, Genesis Energy.	The Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a listed company if any person’s voting power in the company will increase from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%. Exceptions to the prohibition apply (e.g., acquisitions with shareholder approval, 3% creep over 6 months, rights issues that satisfy prescribed conditions). Substantial holder notice requirements apply (as discussed above under the heading “How disclosures of substantial holdings are regulated”). Compulsory acquisitions are permitted by persons who hold 90% or more of securities or voting rights in a company. The Australian takeovers regime will not apply to Genesis Energy as a foreign company.

	New Zealand	Australia
Filing of documents	Genesis Energy must prepare and file the following documents with the Companies Office every year: — annual financial statements as an issuer under the Financial Reporting Act 1993 (including the statement of financial position, statement of financial performance, statement of cashflows, statement of movements in equity, statement of accounting policies, notes to the accounts and an audit report); and — an annual return required under the Companies Act. The Companies Office must also be notified of certain changes (e.g., the appointment or resignation of directors or changes to the Company's constitution).	As a foreign registered company, Genesis Energy has limited filing obligations. It is required to file annual accounts with ASIC (including the balance sheet, cash flow statement and profit and loss statement for the last financial year, as well as any other documents required to be prepared under New Zealand law). ASIC must also be notified of certain changes (e.g., the appointment or resignation of directors or changes to the Company's constitution). Filing obligations applicable to Australian registered companies will not apply to Genesis Energy as a foreign company.

Where it is noted that New Zealand law contains comparable provisions to those existing under Australian law, and vice versa, it is emphasised that the summary table only attempts to provide general guidance, and that the detailed provisions may contain differences and may also be subject to differing interpretation by Australian and New Zealand courts.

Australian Taxation

You should seek your own taxation advice on the implications of an investment in Shares.

Privacy

If you apply for Shares, you will be asked to provide personal information to the Crown, Genesis Energy, the Share Registrar and their respective agents who will collect and hold the personal information provided by you in connection with your Application at their respective addresses shown in the *Directory*.

Personal information provided by you will be used for:

- the purposes of considering, processing and corresponding with you about your Application;
- managing and administering your holding of Shares, including sending you information concerning Genesis Energy, your Shares and other matters Genesis Energy considers may be of interest to you by virtue of your holding of Shares; and
- sending you information about Genesis Energy's products and services.

Australian law requires some of the information to be collected in connection with your Application.

To do these things, the Crown, Genesis Energy or the Share Registrar may disclose your personal information to their related companies, respective agents, contractors or third party service

providers to whom they outsource services such as mailing and registry functions. For the avoidance of doubt, this may include the Joint Lead Managers, Solution Dynamics Limited and Reach Investor Solutions Pty Ltd. However, all of these parties will be bound by the same privacy policies as the Crown, Genesis Energy and the Share Registrar. The Crown, Genesis Energy or the Share Registrar may also disclose your personal information to ASX, NZX or other regulatory authorities.

Failure to provide the required personal information may mean that your Application is not able to be processed efficiently, if at all.

If you become a Shareholder, your information may be used or disclosed from time to time to facilitate dividend payments and corporate communications and for compliance by Genesis Energy with legal and regulatory requirements.

Under the Australian Privacy Act 1988 (Cth), you may request access to your personal information held by (or on behalf of) Genesis Energy, the Crown, the Joint Lead Managers and the Share Registrar. You can request access to your personal information by telephoning or writing to Genesis Energy, the Crown, the Joint Lead Manager or the Share Registrar using the details shown in the *Directory*.

GLOSSARY

Allotment Date

The date on which Shares are allotted to successful Applicants, which is expected to be 16 April 2014, unless varied by the Crown

Applicant

Any person named as an applicant on an Application Form

Application

An application to subscribe for Shares offered pursuant to the Investment Statement and this Prospectus made on the Application Form and accompanied by the application amount

Application Form

An application form attached to, or accompanying, the Investment Statement

ASIC

Australian Securities and Investments Commission

ASX

ASX Limited, or the financial market operated by ASX Limited, as the context requires, also known as the Australian Securities Exchange

ASX Listing Rules

The official listing rules of ASX

Auditor

The New Zealand Controller and Auditor-General pursuant to sections 14 and 15 of the Public Audit Act 2001. Andrew Dick of Deloitte was appointed by the New Zealand Controller and Auditor-General to perform the audit on behalf of the New Zealand Controller and Auditor-General

Base-load

The component of the electricity system load which is continuously present over a stated period.

A Base-load power station serves mainly to meet expected Base-load, usually producing electricity at a constant rate and running continuously

bbl

Barrel

Broker Firm Offer

The portion of the Offer that is open to New Zealand Applicant clients of NZX Firms and selected trading banks, who have received an allocation from their NZX Firm or selected trading bank

Broker Firm Offer Closing Date

The last day on which Applications will be accepted under the Broker Firm Offer, which is expected to be 14 April 2014, unless varied by the Crown

Business Day

A day on which the NZX Main Board is open for trading

Capital Bonds

The unsecured debt securities issued by the Company pursuant to an investment statement and a prospectus dated on or about 7 April 2011

CFD

A contract for difference, which is an agreement to pay the difference between an agreed price and the wholesale electricity price for a nominated volume of electricity

Companies Act

Companies Act 1993

Company

Genesis Energy Limited

Constitution

The constitution of the Company, as amended from time to time

Contact Energy

Contact Energy Limited

Crown

Her Majesty the Queen in Right of New Zealand

CSN

Common Shareholder Number

Custodian

An Applicant for Shares that satisfies the Registrar that it:

- is a trustee corporation or a nominee company;
- will hold Shares by reason only of acting for another person in the ordinary course of business of that trustee corporation or nominee company;

- holds a range of other securities which are quoted on a market operated by NZX on the same basis for defined beneficial owners; and
- provides regular reporting and corporate actions services to the underlying beneficial owners; and
 - is owned by or affiliated to an NZX Firm, or routinely and in the ordinary course of business provides these services to NZX Firms or clients of NZX Firms; or
 - has a demonstrable history of applying for shares in public offers on behalf of underlying beneficial owners

Customer Connection

In respect of electricity, an installation control point being an active point of connection on a local network or an embedded network that the distributor nominates as the point at which a retailer is deemed to supply electricity to a consumer; in respect of natural gas, an installation control point being the point at which a consumer installation is deemed to have gas supplied

Derivative

A financial instrument, the price of which is derived from the value of one or more underlying securities, equity indices, debt instruments, commodities, other derivative instruments or any agreed pricing index or arrangement. It can be either a private agreement negotiated between two parties or a standardised agreement traded on an exchange

EBITDAF

Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, revaluations (when they occur), changes in fair value of financial instruments and other gains and losses. EBITDAF is a non-GAAP financial measure that has been reported in Genesis Energy's historical financial statements

ECNZ

Electricity Corporation of New Zealand Limited

Energy Direct New Zealand

Energy Direct New Zealand Limited

ETS

New Zealand Emissions Trading Scheme

Executive LTI Plan

The long-term incentive share plans offered to senior executives of the Company, as described in *Section 4.2 Board, Management and Corporate Governance*

Final Price

The price per Share at which the Shares will be allotted, expected to be determined on or about 28 March 2014

Financial Reporting Act

Financial Reporting Act 1993

FPVV

Fixed price variable volume

Free Cash Flow

EBITDAF less finance expense less income tax expense less stay-in business capital expenditure

FY

Financial year ended, or ending, 30 June

Gas Industry Company

Gas Industry Company Limited

General Offer

The portion of the Offer that is open to any New Zealand Applicant

General Offer Closing Date

The last day on which Applications will be accepted under the General Offer, which is expected to be 11 April 2014, unless varied by the Crown

Genesis Energy

The Company or the Group, as the context requires

Group

Genesis Energy Limited and each of its subsidiaries

GWAP

The generation weighted average price calculated as the average price received for electricity generated expressed in \$/MWh

GWh

Gigawatt hour. One gigawatt hour is equal to 1,000 MWh or 1,000,000 kWh

H1

When preceding a year refers to half-year financial results for the first six months of that financial year

hapū

Māori term used to describe a division or subset of a larger iwi

Huntly Power Station or Huntly

Genesis Energy's power station located in Huntly

HVDC

High voltage direct current

Hydro-firming

The operation of Thermal Generation units so as to allow water to be stored for use during times of more optimal electricity generation or when water is not available

IFRS

International Financial Reporting Standards

Indicative Price Range

\$1.35 to \$1.65 per Share

Institutional Investor

An investor outside the United States to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality with which Genesis Energy and the Crown are willing to comply), including, in New Zealand, persons to whom offers or invitations can be made without the need for a registered prospectus under the Securities Act

Institutional Offer

The invitation to Institutional Investors as described in the Prospectus

Investment Statement

The investment statement in respect of this Offer

IRD

New Zealand Inland Revenue Department

iwi

Māori term for a set of people bound together often by descent from common ancestors or waka (canoe) that migrated to New Zealand. Modern meaning: tribe or tribes

Iwi Trust Deed

A deed of trust between the Crown and the Public Trust in relation to Trust Shares

Joint Lead Managers

First NZ Capital Securities Limited and Credit Suisse (Australia) Limited and UBS New Zealand Limited

kbbl

Kilobarrel

kT

Kilotonne

Kupe Joint Venture

The joint venture between the owners of the Kupe oil and gas field relating to the ownership and operation of the field

Kupe oil and gas field or Kupe

The oil and gas interest in Petroleum Mining Lease (PML) 38146, known as the Kupe oil and gas field located in Taranaki, New Zealand

Locally Net Pivotal

A locally pivotal generator is a generator that must be called upon to generate in order that all demand in an area is served. This can occur when there is insufficient transmission or other local generation to serve the local demand. If the quantity of this necessary generation is greater than are the generator's own retail and hedge commitments in that same area, then the generator is 'locally net pivotal' and has a commercial incentive to set higher wholesale prices in the area during the period when it is locally net pivotal

Long Generation

In the context of electricity portfolio management, this term applies when the aggregate of generation and buy-side contract volumes is greater than the aggregate of customer sales and sell-side contract volumes

Loyalty Bonus Shares

Fully paid ordinary shares in the Company to be transferred by the Crown to successful Applicants under the Retail Offer subject to the terms and conditions set out in the Investment Statement and in this Prospectus including as to eligibility

LPG

Liquefied petroleum gas

LWAP

The load weighted average price calculated as the average price paid for electricity purchased for customers expressed in \$/MWh

Meridian

Meridian Energy Limited

Mighty River Power

Mighty River Power Limited

MW

A megawatt (MW) is a unit of power and equal to 1,000,000 watts (W) or 1,000 kilowatts (kW)

MWh

A megawatt hour (MWh) is the amount of electricity equivalent to a steady power of one MW running for one hour; a megawatt hour is the metering standard unit for the wholesale market

Net Debt

The value of current and non-current borrowings less cash and cash equivalents

Net Profit

Net profit for the period after tax

New Zealand Applicant

An Applicant for Shares who provides the following information with their Application Form:

- a valid New Zealand IRD number;
- a valid New Zealand bank account number;
- a New Zealand address; and
- a declaration that:
 - in the case of an individual, the individual is a New Zealand citizen or permanent resident; or
 - in the case of a New Zealand incorporated company, it is incorporated in New Zealand and the majority of its ultimate beneficial owners consists of persons who are New Zealand citizens or permanent residents; or
 - in the case of a trust, it is established in New Zealand and the majority of its ultimate beneficiaries consists of persons who are New Zealand citizens or permanent residents; or
 - in the case of any other legal entity, it is incorporated or established in New Zealand and the majority of its ultimate beneficial owners, beneficiaries or members consists of persons who are New Zealand citizens or permanent residents

Node

A location where electricity flows into or out of the national grid

NZAS

New Zealand Aluminium Smelters Limited

NZ GAAP or GAAP

New Zealand Generally Accepted Accounting Practice

NZ IFRS

New Zealand equivalents to International Financial Reporting Standards

NZX

NZX Limited, also known as the New Zealand Stock Exchange

NZX Debt Market

The debt security market operated by NZX

NZX Firm

An entity designated as an NZX Firm under the Participant Rules of NZX

NZX Listing Rules

The listing rules applying to the NZX Main Board as amended from time to time

NZX Main Board

The main board equity security market, operated by NZX

Offer

The offer of Shares pursuant to the Investment Statement and this Prospectus

Offer Management Agreement

The agreement dated 13 March 2014 between Genesis Energy, the Crown and the Joint Lead Managers, as described in *Section 7.2 Statutory Information*

Participating Iwi

Iwi, with a Crown-recognised deed of mandate that currently have unsettled historical claims against the Crown under the Treaty of Waitangi and that elect to participate in the Offer and receive a payment from the Crown, in the form of Shares, on account of their potential settlement amount

Participating Iwi Offer

The Offer of Shares to Participating Iwi pursuant to this Prospectus

Peak-load or Peaking

Peak-load refers to the component of the electricity system load caused by peaks or spikes due to peak demand.

Peak-load or Peaking power stations meet peaks or spikes in electricity demand (known as peak demand). Peak-load power stations need to be responsive to quickly achieve the levels of electricity generation required to meet peak demand or take advantage of high wholesale electricity prices. Some power stations may be operating at certain times as Peak-load power stations and at other times serve as Base-load or Hydro-firming

PFI

Prospective Financial Information

PJ

A petajoule is a unit of energy, which is commonly used to measure gas, LPG and oil

Possible Reserves

Those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves

Probable Reserves

Those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than are Proved Reserves but more certain to be recovered than are Possible Reserves

Prospective Period

The financial years ending 30 June 2014 and 30 June 2015

Prospectus

This document

Proved Reserves

Those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and Government relations

PSGE

Post-Settlement Governance Entity

Public Finance Act

Public Finance Act 1989

Q

A quarter of a financial year

Rankine Units

The two 250 MW gas and coal fired units in service at Huntly and the 250 MW unit currently in storage at Huntly, being units 1, 2 and 4

Registrar

Computershare Investor Services Limited

Relevant Interest

A relevant interest has the meaning given to it by sections 5 to 6 of the Securities Markets Act 1988. In broad terms, a person has a “relevant interest” in a Share if the person (a) is the registered holder or

beneficial owner of the Share; or (b) has the power to exercise, or control the exercise of, a right to vote attached to the Share or has the power to acquire or dispose of, or to control the acquisition or disposition of, that Share. A person may also have a relevant interest in a Share in which another person has a relevant interest depending on the nature of the relationship between them

Renewable Generation

Electricity generated using renewable resources such as water, geothermal and wind

Retail Offer

The General Offer and the Broker Firm Offer

RMA

Resource Management Act 1991

rohe

The territory or boundaries of tribal groups

S&P

Standard & Poor's (Australia) Pty. Limited, a financial services company, which carries out credit ratings and other services

Securities Act

Securities Act 1978

Securities Regulations

Securities Regulations 2009

Share

A fully paid ordinary share in Genesis Energy

Shareholder

A holder of one or more Shares in the Company

Shareholding Ministers

The Minister of Finance and Minister for State Owned Enterprises

SME

Small-to-medium enterprise

SOE

A state enterprise under the State-Owned Enterprises Act 1986

Solid Energy

Solid Energy New Zealand Limited

Tekapo Power Scheme

The Tekapo power scheme located at the head of the Waitaki Valley in the Mackenzie District of the South Island

Thermal Generation

Electricity generated using gas, coal or diesel

TOU

Time of use, that is a contract where the prices a customer pays depends on the time they consume electricity or gas

Transpower

Transpower New Zealand Limited

Trust Share

For a Participating Iwi that has yet to establish a PSGE, a Share that is transferred by the Crown to the Public Trust to be held on trust for that Participating Iwi and the Crown

Trustpower

Trustpower Limited

Unit 5

The 403 MW combined-cycle gas turbine unit at Huntly

ADDITIONAL DEFINITIONS FOR THE KEY OFFER STATISTICS AND KEY INVESTMENT METRICS

EV/EBITDAF multiple

EV divided by EBITDAF for the respective forecast financial year. This is a valuation metric that enables comparison with industry competitors and stock market peers.

Implied cash dividend yield

DPS for the respective prospective financial year divided by the Indicative Price Range. Based on the cash cost to the Company, not necessarily the cash received by investors which will depend on individual investor tax rates and the assumption that the investor holds Shares over the full year.

Implied gross dividend yield

DPS for the respective prospective financial year, grossed up for imputation credits expected to be attached to the dividend (calculated at a tax rate of 28%),⁹⁸ divided by the Indicative Price Range. This metric is used to approximate the return to the average investor on a pre-tax basis.

Indicative enterprise value (EV)

The indicative market capitalisation plus prospective Net Debt as at 30 June 2014.

Indicative market capitalisation

The number of Shares on issue following the Offer multiplied by the Indicative Price Range.

Price/earnings ratio

Indicative market capitalisation divided by Net Profit for the respective forecast financial year. This is a valuation metric that enables comparison with industry competitors and stock market peers.

⁹⁸ Refer to assumption 36 under the heading "Specific assumptions in respect of the prospective financial information" in Section 6.3 Prospective Financial Information.

DIRECTORY

THE COMPANY

Genesis Energy Limited

The Genesis Energy Building
660 Great South Road
Greenlane
Auckland 1051

THE CROWN

C/- The Treasury
1 The Terrace
Wellington 6011

REGISTRAR

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622

LEGAL ADVISERS TO THE COMPANY

Russell McVeagh

Level 30, Vero Centre
48 Shortland Street
Auckland 1010

King & Wood Mallesons

Level 61, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

LEGAL ADVISERS TO THE CROWN

Chapman Tripp

Level 35, ANZ Centre
23-29 Albert Street
Auckland 1010

AUDITOR

Andrew Dick of Deloitte

(on behalf of the New Zealand Controller
and Auditor-General)
Deloitte Centre
80 Queen Street
Auckland 1010

INVESTIGATING ACCOUNTANT

Ernst & Young Transaction Advisory Services Limited

Ernst & Young Building
2 Takutai Square, Britomart
Auckland 1010

JOINT LEAD MANAGERS

First NZ Capital Securities Limited and Credit Suisse (Australia) Limited

First NZ Capital Securities Limited
Level 39, ANZ Centre
23-29 Albert Street
Auckland 1010

Credit Suisse (Australia) Limited
Level 31, Gateway Building
1 Macquarie Place
Sydney NSW 2000
Australia

UBS New Zealand Limited

Level 17, PWC Tower
188 Quay Street
Auckland 1010

NEW ZEALAND RETAIL OFFER MANAGERS

ANZ Bank New Zealand Limited

Ground Floor, ANZ Centre
23-29 Albert Street
Auckland 1010

ASB Bank Limited

ASB North Wharf
12 Jellicoe Street
Auckland 1010



we're in it for you

New Zealand Government

Gaffney, Cline & Associates

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(Consultants) Pte. Ltd.
80 Anson Road
#31-01C Fuji Xerox Towers
Singapore 079907
Telephone: +65 6225 6951

www.gaffney-cline.com

JMM/dh/PY-12-2009/L0097

18th March, 2014

The Directors of Genesis Energy Limited
Genesis Energy Limited
660 Great South Road
Greenlane 1051
Auckland
New Zealand

Her Majesty the Queen in right of New Zealand
c/- The Treasury
1 The Terrace
Wellington 6011
New Zealand

Each of the Minister for State-Owned Enterprises and the Minister of Finance

Genesis Energy Limited - Independent Expert's Consent

We refer to:

- (a) the prospectus prepared under the Securities Act 1978 (the Act) dated 13 March 2014 (Prospectus) registered by Genesis Energy Limited and Her Majesty the Queen in right of New Zealand on 13 March 2014;
- (b) The instrument to amend the Prospectus in accordance with Section 43 of the Act dated on or about 18 March 2014 (Prospectus Amendment Instrument);
- (c) the investment statement dated 13 March 2014 (Investment Statement) prepared under the Act; and
- (d) the letter from Gaffney, Cline & Associates (Consultants) Pte Limited (GCA) dated 12 March 2014 (Original Consent Letter) consenting (for the purposes of Section 40 of the Act) to the GCA report on Kupe Reserves and Resources being included in Section 4.5 of the Prospectus and to various other statements attributed to GCA being included in the Prospectus, and consenting (for the purposes of Section 38A of the Act) to the distribution of the Investment Statement with various statements attributed to GCA being included in the Investment Statement - in each case, in the form and context in which those statements are included.

We hereby withdraw our consent as stated in our Original Consent Letter to the GCA report on Kupe Reserves and Resources being included in Section 4.5 of the Prospectus.

We hereby consent (for the purposes of Section 40 of the Act) to the distribution of the Prospectus with our report on Kupe Reserves and Resources (as amended by the Prospectus Amendment Instrument) being included in Section 4.5 of the Prospectus in the form and context in which it is included.

We hereby confirm all other consents given in our Original Consent Letter.

This consent will be treated as not having been withdrawn, unless we notify you in writing of the withdrawal of this consent.

Yours faithfully

GAFFNEY, CLINE & ASSOCIATES (CONSULTANTS) PTE LTD



Robert George
Vice President

GENESIS ENERGY LIMITED

AUTHORITY OF AGENT TO SIGN AMENDMENT TO PROSPECTUS

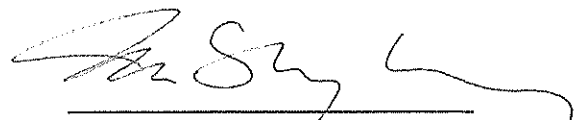
(Section 43(3) of the Securities Act 1978)

Pursuant to section 43(3) of the Securities Act 1978 (New Zealand), an instrument to amend a registered prospectus may be signed by an agent authorised in writing on behalf of a director of the issuer.

I, the undersigned, a director of Genesis Energy Limited, hereby appoint Maureen Grant Shaddick to be my agent to sign on my behalf any instrument to amend the registered prospectus of Genesis Energy Limited, originally dated 13 March 2014.

Dated:

17th March 2014



Dame Jennifer Mary Shipley

GENESIS ENERGY LIMITED

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Dated: 17 March 2014



Andrew John Clements

GENESIS ENERGY LIMITED

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Dated: 17 March 2014



John Anthony Dell

GENESIS ENERGY LIMITED

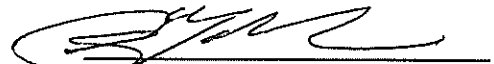
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Dated: *17 March 2014.*


John Mitchell Leuchars

GENESIS ENERGY LIMITED

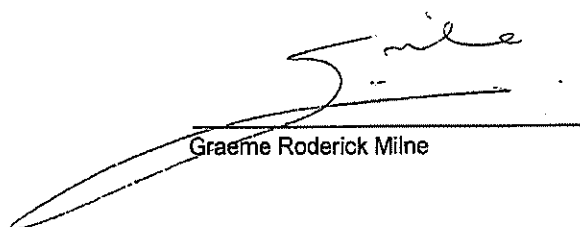
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Dated: 17 March 2014



Graeme Roderick Milne

GENESIS ENERGY LIMITED

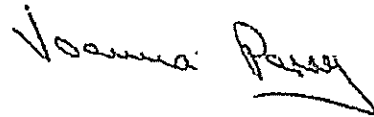
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Dated: 17 March 2014



Joanna Mary Gordon Perry

GENESIS ENERGY LIMITED

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Dated: 17 March 2014


Rukumoana Tia Marie Schaafhausen