“Open for Business”

Financial Report 2009

genesis
ENERGY

“My job is to report the results and make them as accessible as possible.”

/ **Mark Anderson**
General Manager Finance

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“This year, we point to the underlying earnings after tax of $82 million.”

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Income statements

— for the year ended 30 June 2009

Operating revenue	Notes	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Electricity revenue		1,803,081	1,687,392	2,273,345	2,173,283
Gas revenue		135,645	135,645	140,411	140,411
Other revenue	7	18,407	11,307	22,878	15,317
		1,957,133	1,834,344	2,436,634	2,329,011
Operating expenses					
Electricity purchases, transmission and distribution		(937,779)	(842,017)	(1,280,016)	(1,197,523)
Gas purchases and transmission		(110,269)	(110,269)	(115,460)	(115,460)
Fuels consumed		(344,752)	(344,752)	(401,548)	(401,548)
Employee benefits		(62,156)	(58,514)	(55,288)	(51,890)
Other operating costs		(299,784)	(288,884)	(283,662)	(272,389)
		(1,754,740)	(1,644,436)	(2,135,974)	(2,038,810)
Earnings before finance costs, income tax, depreciation, amortisation and financial instruments		202,393	189,908	300,660	290,201
Depreciation	20	(70,891)	(70,746)	(70,588)	(70,433)
Amortisation	9	(16,694)	(12,557)	(14,821)	(10,587)
Loss on revaluation of property, plant and equipment	20	(261,389)	(261,389)	–	–
Impairment	10	(25,824)	(25,250)	(38,365)	(20,761)
Other gains and losses	11	(3,187)	(4,974)	(7,983)	(4,920)
Share of profit/(loss) of equity accounted investments	19	67	–	–	–
		(377,918)	(374,916)	(131,757)	(106,701)
Profit/(loss) before finance costs and income tax		(175,525)	(185,008)	168,903	183,500
Finance income	12	4,197	3,479	1,382	454
Finance costs	13	(17,333)	(17,854)	(28,707)	(29,491)
Profit/(loss) before income tax		(188,661)	(199,383)	141,578	154,463
Income tax credit/(expense)	14	52,945	53,892	(42,520)	(54,914)
Profit/(loss) for the year		(135,716)	(145,491)	99,058	99,549
Attributable to:					
Equity holders of the Company		(135,716)	(145,491)	99,058	99,549
		(135,716)	(145,491)	99,058	99,549

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

Balance sheets

— as at 30 June 2009

Assets	Notes	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Current assets					
Cash and cash equivalents	15	**28,017**	**6,659**	13,216	5,555
Trade and other receivables	16	**241,187**	**587,394**	470,630	660,792
Inventories	17	**104,301**	**104,301**	87,279	87,279
Derivative financial instruments	18	**6,525**	**6,525**	6,694	7,176
Current tax receivable		**21,068**	**–**	24,213	421
Total current assets		**401,098**	**704,879**	602,032	761,223
Non-current assets					
Trade and other receivables	16	**31,643**	**2,698**	42,322	3,379
Derivative financial instruments	18	**4,155**	**4,155**	6,556	6,686
Other financial assets	19	**–**	**30,253**	–	30,253
Investments accounted for using equity method	19	**791**	**–**	723	–
Property, plant and equipment	20	**1,912,182**	**1,542,842**	1,851,215	1,585,490
Intangible assets	21	**133,002**	**129,833**	125,459	122,316
Oil and gas exploration and development assets	22	**102,555**	**–**	78,442	3,148
Total non current assets		**2,184,328**	**1,709,781**	2,104,717	1,751,272
Total assets		**2,585,426**	**2,414,660**	2,706,749	2,512,495
Liabilities					
Current liabilities					
Trade and other payables	23	**243,494**	**219,075**	470,665	377,700
Borrowings	24	**131,453**	**131,453**	75,889	75,889
Derivative financial instruments	18	**20,028**	**20,926**	13,670	13,670
Current tax payable		**–**	**2,915**	–	–
Provisions	25	**4,534**	**3,442**	8,174	4,155
Total current liabilities		**399,509**	**377,811**	568,398	471,414
Non-current liabilities					
Borrowings	24	**492,871**	**492,871**	474,801	474,801
Derivative financial instruments	18	**14,141**	**17,864**	13,850	14,923
Provisions	25	**49,100**	**30,120**	17,607	17,607
Deferred tax liabilities	26	**236,965**	**178,685**	225,320	192,267
Total non current liabilities		**793,077**	**719,540**	731,578	699,598
Total liabilities		**1,192,586**	**1,097,351**	1,299,976	1,171,012
Net assets		**1,392,840**	**1,317,309**	1,406,773	1,341,483
Shareholders' equity	27	**1,392,840**	**1,317,309**	1,406,773	1,341,483

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

On behalf of the Board, 25 August 2009.

Brian Corban CNZM, QSO
Chairman

Joanna Perry
Deputy Chair

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

Statement of changes in equity

— for the year ended 30 June 2009

	Notes	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Profit/(loss) for the year		(135,716)	(145,491)	99,058	99,549
Change in cash flow hedge reserve	27	(4,735)	(5,201)	10,477	2,521
Change in asset revaluation reserve	27	162,918	162,918	(5)	(5)
Net income or (expense) recognised directly in equity for the year		158,183	157,717	10,472	2,516
Total recognised income and expense for the year		22,467	12,226	109,530	102,065
Dividends provided for or paid	28	(36,400)	(36,400)	(28,500)	(28,500)
Changes in equity for the year		(13,933)	(24,174)	81,030	73,565
Equity at the beginning of the year		1,406,773	1,352,482	1,325,743	1,269,430
Correction of prior period error					
- Retained earnings	6	–	(10,999)	–	(1,512)
Restated equity at the beginning of the year		1,406,773	1,341,483	1,325,743	1,267,918
Equity at the end of the year		1,392,840	1,317,309	1,406,773	1,341,483

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

Cashflow statements

— for the year ended 30 June 2009

Cash flows from operating activities	Notes	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Cash was provided from:					
Receipts from customers		**2,167,152**	**2,046,148**	2,189,926	2,080,992
Interest received		**4,197**	**3,479**	1,382	454
Taxation credits/(debits)		**(58)**	**3,560**	529	3,900
		2,171,291	**2,053,187**	2,191,837	2,085,346
Cash was applied to:					
Payments to suppliers		**1,846,846**	**1,707,322**	1,909,283	1,807,787
Payments to employees		**61,577**	**57,962**	54,841	51,467
Taxation paid		**–**	**–**	18,605	17,646
		1,908,423	**1,765,284**	1,982,729	1,876,900
Net cash inflow from operating activities	35	**262,868**	**287,903**	209,108	208,446
Cash flows from investing activities					
Cash was provided from:					
Proceeds from disposal of property, plant and equipment		**2,386**	**2,386**	103	103
Receipts of principal from finance lease receivable		**5,348**	**–**	4,382	–
Advances and loans repaid		**–**	**–**	125	125
Net advances and loans from subsidiaries		**–**	**–**	–	18,444
		7,734	**2,386**	4,610	18,672
Cash was applied to:					
Purchase of property, plant and equipment		**189,873**	**106,731**	217,958	67,012
Purchase of intangibles	21	**20,278**	**20,074**	12,932	12,695
Purchase of oil and gas exploration and development assets	22	**36,519**	**7,880**	27,257	3,148
Purchase of investments	19	**–**	**–**	500	500
Net advances and loans to subsidiaries		**–**	**145,598**	–	191,000
		246,670	**280,283**	258,647	274,355
Net cash (outflow) to investing activities		**(238,936)**	**(277,897)**	(254,037)	(255,683)

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

Cash flows from financing activities	Notes	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Cash was provided from:					
Proceeds from new borrowings		225,000	225,000	121,650	121,650
		225,000	225,000	121,650	121,650
Cash was applied to:					
Repayment of borrowings		150,500	150,500	–	–
Interest paid and other finance charges		44,032	43,803	42,562	42,337
Repayment of principal on finance lease liabilities		3,199	3,199	3,295	3,295
Ordinary dividend paid		36,400	36,400	28,500	28,500
		234,131	233,902	74,357	74,132
Net cash inflow from/(outflow to) financing activities		(9,131)	(8,902)	47,293	47,518
Net increase/(decrease) in cash and cash equivalents		14,801	1,104	2,364	281
Cash and cash equivalents at beginning of year		13,216	5,555	10,852	5,274
Cash and cash equivalents at end of year		28,017	6,659	13,216	5,555
Cash and cash equivalents is comprised of:					
Cash at bank and on hand		28,017	6,659	13,216	5,555
	15	28,017	6,659	13,216	5,555

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

Notes to the financial statements

— for the year ended 30 June 2009

1 General information

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

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

2 Summary of accounting policies

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

(a) Basis of preparation

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

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

Compliance with IFRS

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

Entities reporting

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

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

Statutory base

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

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

Historical cost convention

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

Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3 or in the relevant accounting policy.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Goods and Services Tax

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Genesis Power Limited (the Company) as at 30 June 2009 and the results of all subsidiaries for the year then ended. Genesis Power Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of settlement, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

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

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

(ii) Joint ventures

Jointly controlled assets

Jointly controlled assets involve the joint control, or the joint ownership, by the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred.

These joint ventures do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the ventures themselves.

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

(iii) Associates

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

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

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(d) Revenue recognition

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

(i) Sales of goods

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

(ii) Sales of services

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

(iii) Interest income

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

(iv) Rental income

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

(v) Dividend income

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

(e) Income tax

The income tax expense or income for the period is the tax payable or receivable on the current period's taxable income or expense based on the New Zealand tax rate. This is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

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

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

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

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

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

(f) Leases

(i) The Group is the lessee

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

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

(ii) The Group is the lessor

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

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight line basis over the lease term.

(g) Impairment of assets

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

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

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

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

(h) Cash and cash equivalents

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

(i) Trade receivables

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

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

(j) Inventories

Raw materials and consumables are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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

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

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

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

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the balance sheet.

(l) Investments and other financial assets

(i) Investments

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

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

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

(ii) Other financial assets

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

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

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

(b) Loans and receivables

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

Loans and receivables are included in receivables in the balance sheet (note 16).

(c) Held-to-maturity investments

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

(d) Available-for-sale financial assets

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

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

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

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

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

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

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

(m) Derivatives

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

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

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

The Group has entered into transactions using financial instruments within predetermined policies and limits in order to reduce risks from carrying out its ongoing business. These instruments include forward exchange contracts, interest rate swaps, oil price options, fuel hedges, and electricity derivatives including options and contracts for differences (CfDs). The Group enters into these contracts to hedge underlying exposures to foreign currency, interest rates, oil prices and wholesale electricity prices.

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

The fair values of various financial instruments used for hedging purposes are disclosed in note 18. Movements in the hedging reserve in shareholders' equity are shown in note 27.

(i) Fair value hedge

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

(ii) Cash flow hedge

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

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

(iv) Embedded derivatives

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

(n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques, which include assumptions on both observable data when such data is available and non-observable data in all other instances. The fair value of the financial instruments is based on the discounted value of future cash flows. Assumptions on the determination of cash flows are based on publicly available forecast prices where available and internal models when a forecast price is not available. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. The fair value of electricity CfDs traded on the energy hedge market is based on closing market prices at the balance sheet date. In relation to forecast prices used to determine cash flow forecasts for all other electricity CfDs the following significant assumptions are used where relevant:

- forecast of the forward wholesale electricity price based on an analysis of expected demand, existing supply, the cost of new supply, and fuel and carbon costs;
- that all the CfDs run to full term; and
- forecast of the inflation rate.

The forecast electricity price is used to determine a best estimate of the expected cash flows to be settled on CfDs. The expected cash flows are then discounted using the company's weighted average cost of capital. The fair value determined for instruments not traded on an active market can vary significantly (particularly in respect to electricity CfDs) due to the assumptions used when forecasting the wholesale electricity price. The sensitivity to the movement in assumptions is explained in note 18. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

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

(i) Deferred 'day 1' gains/losses

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

(o) Property, plant and equipment

Generation assets are stated in the balance sheet at cost, or in the case of previously revalued items, at fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity, not to exceed 5 years, to ensure the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any increase arising on the revaluation of generation assets is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such generation assets is charged to profit or loss to the extent that it exceeds the balance, if any, held in the assets revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued generation assets is charged to profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the assets revaluation reserve is transferred directly to retained earnings.

Property and plant in the course of construction for production or administrative purposes, are carried at cost, or in the case of previously revalued items, at fair value at the date of revaluation, less any subsequent accumulated impairment losses. The cost of assets constructed by the Group, including capital work in progress, is the cost of all materials used in construction, direct labour costs of construction, resource management consent costs, and an appropriate proportion of applicable variable and fixed overheads. Where capital work in progress and leased assets are classed as generation assets, the value will be included in the revaluation calculation as at the revaluation date and any impairment applied to that asset will reduce the capital work in progress value accordingly.

Capital expenditure on assets that have been impaired will be expensed as the expenditure is incurred unless the impairment or downward revaluation has been reversed.

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

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

	Estimated useful life
Generation assets	10 to 50 years
Buildings and improvements	10 to 50 years
Other property, plant and equipment	3 to 15 years
Leased plant and equipment	20 to 25 years
Freehold land is not depreciated	

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

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

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

(p) Oil and gas exploration and development assets

(i) Exploration and evaluation expenditure

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

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

(ii) Oil and gas development expenditure

Capitalised development expenditure relates to the development of gas and condensate fields in which the Group has an interest.

Development expenditure is amortised over the estimated life of the field based on the unit of production depletion method, commencing from the first year of commercial production from that field. Development expenditure is assessed annually for indicators of impairment. Any impairment in value is taken to the income statement.

(iii) Mining licences

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

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

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

(q) Intangible assets

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

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

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

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

(ii) Research and development

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

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

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

(iii) Computer software

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

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

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

(iv) Emissions units

Emissions units held are treated as intangible assets, and initially recorded at fair value. Fair value is cost in the case of purchased units or their initial market value in the case of government granted units. Emissions units are not revalued subsequent to initial recognition.

The difference between cost and fair value of government granted units is treated as revenue. The revenue is recognised over the period in which the government granted units are verified.

Emissions obligations are recognised as a current liability as the emissions obligation is incurred. Up to the level of units held, the liability is recorded at the carrying value of emissions units held on hand. When emissions obligations exceed the units held, the liability is calculated using the contract price where a forward contract exists, up to the number of units contracted. The liability for any further shortfall in units is calculated at the market price.

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

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

(r) Trade and other payables

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

(s) Borrowings

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

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

(t) Finance costs

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

Financing costs on capital work in progress and other qualifying assets that take a substantial period of time to construct or prepare for use or sale, are capitalised during the construction period. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Costs cease to be capitalised when the asset is available for productive use. Depreciation of these assets on the same basis as other assets commences when the assets are ready for their intended use.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year. The weighted average interest rate is disclosed in note 18.

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

(i) Interest expense

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

(u) Provisions

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

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

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

(i) Provision for mitigation costs

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

(ii) Provision for rehabilitation and restoration

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

(v) Employee benefits

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

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

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

(iii) Retirement benefit obligations

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

(iv) Termination benefits

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

The Group recognises a liability and an expense for bonuses and recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(w) Contributed equity

Ordinary shares are classified as equity.

(x) Dividends

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

(y) Resource consents

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

(z) Financial liabilities

Financial liabilities that are classified as held-for-trading and financial liabilities designated at fair value through profit or loss are recorded at fair value with any realised and unrealised gains or losses recognised in the income statement. A financial liability is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management to eliminate or reduce accounting mismatches. It is part of financial assets and financial liabilities managed at fair value. Gains or losses reported in the income statement include any interest component. Transaction costs are expensed as they are incurred.

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

(aa) Contingent assets and liabilities

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

(ab) Statement of cash flows

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

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

3 Critical accounting estimates and judgements

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

(i) Goodwill

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

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

The carrying value of goodwill is disclosed in note 21.

(ii) Oil and gas exploration expenditure

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

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

The carrying value of exploration and evaluation expenditure is disclosed in note 22.

(iii) Oil and gas development expenditure

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

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

The carrying value of development expenditure is disclosed in note 22.

(iv) Generation plant and equipment

The Directors value the Company's generation assets and certain work in capital work in progress. The valuation is independently determined by First NZ Capital. The generation assets and capital work in progress is revalued to the present value of the future cash earnings of the assets, on an existing use basis. The key assumptions in the valuation model include the wholesale electricity price path, projected generation output, fuel costs, projected operational and capital expenditure profiles, capacity and life assumptions for each generation plant, the commencement date for the Emissions Trading Scheme, the price of emissions units and discount rates.

The carrying value of generation plant and equipment is disclosed in note 20.

(v) Retail revenue

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

The carrying value of estimated retail revenue is disclosed in note 16(c) .

(vi) Rehabilitation and restoration

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

The carrying value of liabilities for rehabilitation and restoration are disclosed in note 25.

(vii) Financial instruments

Note 18 contains information about the assumptions and the risk factors relating to financial instruments and their valuation, including electricity price hedges which are valued with reference to the Group's financial model for estimated future electricity prices. Accounting judgements have been made in determining the hedge designation for the different types of derivatives employed by the Group to hedge risk exposures.

The carrying values of financial instruments are also disclosed in note 18.

(viii) Trade Receivables

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

4 Underlying earnings after tax

Underlying earnings after tax is presented to allow stakeholders to make an assessment and comparison of underlying earnings after removing significant one-off items and the non-cash change in fair value of financial instruments.

	Group 30 June 2009 $'000	Group 30 June 2008 $'000
Profit/(loss) for the year	**(135,716)**	99,058
Adjustments:		
Fair value changes of financial instruments	**2,863**	7,926
Loss on revaluation of property, plant and equipment	**261,389**	–
Impairment of property, plant and equipment	**9,342**	–
Impairment of exploration and evaluation expenditure	**16,482**	38,365
Inventory write downs	**6,498**	244
Damages	**10,000**	–
Adjustments before income tax	**306,574**	46,535
Income tax	**(88,777)**	(13,960)
Adjustments after income tax	**217,797**	32,574
Underlying earnings after tax	82,081	131,632

Income tax is at 30% after allowing for non-deductible items.

It is the view of the Directors that the one-off items included in the above table are items that, because of their nature or incidence, should be adjusted in order to assist the user's understanding of the underlying business performance. Determining which transactions are to be considered one-off is often a subjective matter. However, circumstances that the Directors believe would give rise to one-off items for separate disclosure would include:

- disposals of interests in businesses
- discontinued operations
- property, plant and equipment revaluation gains/losses
- impairments and impairment reversals
- inventory write-downs.

5 Segment reporting

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

The Group comprises the following main segments:

Retail

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

Production

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

The segment result includes items directly attributable to a segment as well as those that have been allocated.

Other

Items not directly attributable to the Retail or Production segments (including Oil and Gas activities) are included in the Other segment.

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

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

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

	Group 30 June 2009 $'000	Group 30 June 2008 $'000
Retail segment		
Retail revenue	**1,332,177**	1,332,535
Operating expenses	**(1,197,518)**	(1,549,760)
Earnings before finance costs, income tax, depreciation, amortisation and financial instruments	**134,659**	(217,225)
Depreciation	**(1,365)**	(902)
Amortisation	**(6,568)**	(5,213)
Impairment	**(153)**	–
Other gains and losses	**(654)**	(274)
Finance costs	**(1,700)**	(951)
Segment result	**124,219**	(224,565)
Segment assets	**287,234**	291,153
Segment liabilities	**(125,860)**	(296,680)
Segment capital expenditure	**3,960**	11,285
Production segment		
Wholesale revenue	**618,983**	1,100,305
Operating expenses	**(483,020)**	(521,996)
Earnings before finance costs, income tax, depreciation, amortisation and financial instruments	**135,963**	578,309
Depreciation	**(68,346)**	(67,739)
Amortisation	**(1,454)**	(1,494)
Loss on revaluation of property, plant and equipment	**(261,389)**	–
Other gains and losses	**(5,570)**	(6,508)
Finance costs	**(2,804)**	(2,371)
Segment result	**(203,600)**	500,197
Segment assets	**1,721,787**	1,915,991
Segment liabilities	**(168,424)**	(148,199)
Segment capital expenditure	**46,452**	53,379
Other segment		
Other revenue	**10,284**	7,823
Operating expenses	**(74,202)**	(65,254)
Earnings before finance costs, income tax, depreciation, amortisation and financial instruments	**(63,918)**	(57,431)
Depreciation	**(1,180)**	(1,947)
Amortisation	**(8,672)**	(8,114)
Impairment	**(25,670)**	(38,365)
Other gains and losses	**3,036**	(2,844)
Finance costs	**(12,943)**	(25,353)
Segment result	**(109,347)**	(134,054)
Segment assets	**576,405**	499,605
Segment liabilities	**(898,302)**	(855,097)
Segment capital expenditure	**176,437**	277,523

5 Segment reporting continued

	Group 30 June 2009 $'000	Group 30 June 2008 $'000
Reconciliation of segment results to profit for the year		
Retail segment	**124,219**	(224,565)
Production segment	**(203,600)**	500,197
Other segment	**(109,347)**	(134,054)
Total segment results	**(188,728)**	141,578
Items not included in segment results:		
Share of profit/(loss) of equity accounted investments	**67**	–
Income tax expense	**52,945**	(42,520)
Profit for the year	**(135,716)**	99,058
Reconciliation of segment assets and liabilities to balance sheets		
Assets		
Retail segment	**287,234**	291,153
Production segment	**1,721,787**	1,915,991
Other segment	**576,405**	499,605
Total assets included in balance sheets	**2,585,426**	2,706,749
Liabilities		
Retail segment	**(125,860)**	(296,680)
Production segment	**(168,424)**	(148,199)
Other segment	**(898,302)**	(855,097)
Total liabilities included in balance sheets	**(1,192,586)**	(1,299,976)

6 Prior period adjustment

The comparative results for the Company have been restated for a prior period error relating to intercompany interest. The Company overcharged its subsidiaries interest on their outstanding balances. The error had the effect of overstating the Company's profit for two previous periods. The error has been corrected by restating each affected financial statement line item for the prior period(s) presented as described below.

	Company 30 June 2008 $'000	Company 30 June 2007 $'000	Company Combined effect $'000
Impact on profit:			
Increase/(decrease) in interest revenue			
- Other loans and receivables (including advances to subsidiaries)	**(13,195)**	(2,257)	(15,452)
Increase/(decrease) in other finance charges			
- Interest on other loans and payables (including advances from subsidiaries)	**(964)**	–	(964)
	(14,159)	(2,257)	(16,416)
Increase/(decrease) in income tax expense	**4,672**	745	5,417
Net increase/(decrease) in profit for the year	**(9,487)**	(1,512)	(10,999)
Represented by changes in the following balance sheet line items:			
Increase/(decrease) in current tax receivable	**421**	–	421
Increase/(decrease) in trade and other receivables			
- Advances to subsidiaries	**(14,159)**	(1,512)	(15,671)
Decrease/(increase) in current tax payable	**4,251**	–	4,251
Increase/(decrease) in retained earnings	**(9,487)**	(1,512)	(10,999)

All intercompany transactions are eliminated in the Group's results, accordingly the prior period error had no effect on previously reported results of the Group.

7 *Other revenue*

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Other operating revenue	8,857	8,857	7,168	7,168
Finance and operating lease income	7,879	779	8,187	626
Government grants	197	197	–	–
Dividends received	–	–	1	1
Miscellaneous income	1,474	1,474	7,522	7,522
	18,407	11,307	22,878	15,317

8 *Other operating costs*

	Notes	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Other operating costs include:					
Auditors remuneration					
- Audit services		281	275	374	369
- Other assurance services		48	48	–	–
Bad debts		9,253	8,712	4,577	4,451
Damages		10,000	10,000	–	–
Directors' fees	31	514	514	494	494
Doubtful debts	16(a)	2,257	1,652	1,607	1,007
Donations		210	209	293	293
Employee benefits expense – defined contributions		1,440	1,440	1,062	1,062
Inventory write-downs		6,498	6,498	244	244
Rental expenses on operating leases		8,711	6,984	7,829	6,202

9 *Amortisation expense*

	Notes	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Amortisation expense includes:					
Amortisation of other intangibles	21	12,735	12,557	10,731	10,587
Amortisation of oil and gas exploration and development assets	22	–	–	–	–
Amortisation of finance lease receivable reset*		3,959	–	4,090	–
		16,694	12,557	14,821	10,587

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

10 Impairment expense

	Notes	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Impairment expense includes:					
Impairment of property, plant and equipment		9,342	6,512	–	–
Impairment of oil and gas exploration and evaluation expenditure	22	16,482	11,028	38,365	–
Impairment of intercompany loan	31	–	7,710	–	20,761
		25,824	25,250	38,365	20,761

11 Other gains/(losses)

	Notes	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Net ineffective gains/(losses) on cashflow hedges:					
- Electricity contracts for difference		1	1	(8)	(8)
Net fair value gains/(losses) on hedges at fair value through profit or loss:					
- Electricity contracts for difference		(7,019)	(7,019)	(4,854)	(4,854)
- Oil options		3,496	–	(3,064)	–
- Bunker fuel price swaps		659	659	–	–
Fair value changes of financial instruments		(2,863)	(6,359)	(7,926)	(4,862)
Net gain/(loss) on disposal of property, plant and equipment		851	851	(277)	(3)
Net gains/(losses) on financial liabilities measured at amortised cost:					
- Net realised foreign exchange gains/(losses)		848	841	(82)	(51)
- Net unrealised foreign exchange gains/(losses)		(633)	(307)	79	(4)
Net gain/(loss) on acquisition of associate/joint venture	19, 32	(1,390)	–	223	–
		(3,187)	(4,974)	(7,983)	(4,920)

12 Finance income

Interest revenue

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

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Bank deposits	4,176	3,479	1,379	454
Other loans and receivables (including advances to subsidiaries)	21	–	3	–
Interest revenue	4,197	3,479	1,382	454

13 Finance costs

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Interest paid (a)	**43,838**	**44,588**	41,333	42,296
Other finance charges	**2,527**	**2,298**	2,218	2,039
Time value of money adjustments on provisions	**1,200**	**1,200**	657	657
	47,565	**48,086**	44,208	44,992
Interest paid and other finance charges capitalised to assets	**(30,232)**	**(30,232)**	(15,501)	(15,501)
	17,333	17,854	28,707	29,491
Weighted average capitalisation rate on borrowings	**5.3%**	**5.3%**	3.3%	3.3%

(a) Interest paid

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

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Interest on borrowings	**41,026**	**41,026**	38,830	38,830
Interest on finance lease liabilities	**1,639**	**1,639**	1,756	1,756
Interest on other loans and payables (including advances from subsidiaries)	**1,173**	**1,923**	747	1,710
Interest paid	43,838	44,588	41,333	42,296

14 Income tax expense

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
(a) Income tax expense				
Current tax expense/(income)	**3,159**	**27,142**	32,252	59,876
Deferred tax expense/(income) – temporary differences	**(56,183)**	**(81,117)**	14,662	3,125
Deferred tax expense/(income) – change in corporate tax rate	**–**	**–**	(1,495)	(371)
Current tax expense/(income) – under/(over) provided in prior years	**79**	**83**	(2,142)	(1,720)
Deferred tax expense/(income) – under/(over) provided in prior years	**–**	**–**	(757)	(5,996)
Income tax expense/(income)	(52,945)	(53,892)	42,520	54,914
Income tax expense is attributable to:				
- Profit from continuing operations	**(52,945)**	**(53,892)**	42,520	54,914
	(52,945)	(53,892)	42,520	54,914

14 Income tax expense continued

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
(b) Reconciliation of prima facie income tax expense on pre-tax accounting profit to income tax expense				
Profit/(loss) before income tax	**(188,661)**	**(199,383)**	141,578	154,463
Income tax at 30% (2008: 33%)	**(56,598)**	**(59,815)**	46,721	50,973
Tax effect of adjustments:				
- Non-taxable impairment of intercompany loan	**–**	**2,313**	–	6,851
- Non-taxable gains/(losses) on joint venture participation	**(417)**	**–**	580	–
- Non-deductible expenditure	**3,000**	**3,000**	–	–
- Other adjustments	**991**	**527**	(387)	5,177
Change in corporate tax rate	**–**	**–**	(1,495)	(371)
Under/(over) provided in prior years	**79**	**83**	(2,899)	(7,716)
Income tax expense/(income)	**(52,945)**	**(53,892)**	42,520	54,914
Weighted average tax rate	**28.1%**	**27.0%**	30.0%	35.6%

(c) Imputation credits

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Imputation credit account				
Balance at beginning of year	**261,422**	**243,869**	257,135	240,543
Tax payments, net of refunds	**7**	**7**	18,324	17,363
Credits attached to dividend distributions	**(17,263)**	**(17,263)**	(14,037)	(14,037)
Balance at end of year	**244,166**	**226,613**	261,422	243,869
Imputation credits are available directly and indirectly to shareholders of the Company through:				
Company	**226,613**		243,869	
Subsidiaries	**17,553**		17,553	
	244,166		261,422	

15 Cash and cash equivalents

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Cash at bank and on hand	**28,017**	**6,659**	13,216	5,555
	28,017	**6,659**	13,216	5,555

(a) Cash at bank and on hand

The interest rate for cash at bank ranges from 0.0% to 2.23% per annum (2008: 0.0% to 8.01%).

(b) Fair value

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

*16 Trade and other receivables**

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Current assets				
Trade receivables	231,592	216,664	446,266	432,805
Allowance for doubtful receivables (a)	(10,092)	(9,713)	(9,079)	(8,763)
	221,500	206,951	437,187	424,042
Advances to subsidiaries**	–	370,713	–	232,167
Finance lease receivable (b)	9,901	–	9,210	–
Other receivables	4,991	4,987	251	248
Prepaid insurance	2,091	2,091	1,696	1,696
Other prepayments	2,704	2,652	22,286	2,639
	241,187	587,394	470,630	660,792
Term assets				
Advances to related parties	–	–	–	–
Finance lease receivable (b)	28,945	–	38,943	–
Other prepayments	2,698	2,698	3,379	3,379
	31,643	2,698	42,322	3,379

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

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

(a) Allowance for doubtful receivables

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

	Notes	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Movement in allowance for doubtful receivables					
Opening balance		(9,079)	(8,763)	(17,400)	(16,958)
Amounts written off/(recovered) during the year		451	(91)	860	134
(Increase)/decrease in allowance recognised in expenditure	8	(2,257)	(1,652)	(1,607)	(1,007)
(Increase)/decrease in allowance recognised against income		793	793	(510)	(510)
(Increase)/decrease in allowance recognised in receivables		–	–	9,578	9,578
Closing balance		(10,092)	(9,713)	(9,079)	(8,763)

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

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Age category				
Current	957	902	1,389	1,335
0-30 days	1,006	831	1,586	1,481
30-60 days	1,025	936	671	609
60-90 days	775	745	549	516
More than 90 days	6,165	6,135	4,959	4,897
Unbilled	1,266	1,266	1,500	1,500
Unallocated payments	(1,102)	(1,102)	(1,575)	(1,575)
Total impaired receivables provided for	10,092	9,713	9,079	8,763

16 Trade and other receivables continued

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

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Age category				
30-60 days	**2,586**	2,586	**2,808**	2,808
60-90 days	**1,118**	1,118	**1,480**	1,480
More than 90 days	**2,024**	2,024	**3,353**	3,353
Total receivables past due date not impaired or provided for	**5,728**	**5,728**	7,641	7,641

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

(b) Finance lease receivable

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

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Finance lease receivable				
Gross investment in finance lease:				
Not later than 1 year	**12,995**	**–**	12,038	–
Later than 1 year and not later than 2 years	**13,076**	**–**	12,109	–
Later than 2 years and not later than 5 years	**20,861**	**–**	31,606	–
	46,932	**–**	55,753	–
Unearned finance income	**(19,465)**	**–**	(23,143)	–
Present value of future minimum lease receipts	**27,467**	**–**	32,610	–
Unamortised finance lease receivable reset adjustment*	**11,379**	**–**	15,543	–
Net investment in finance lease	38,846	–	48,153	–
The present value of future minimum lease receipts may be analysed as follows:				
Not later than 1 year	**6,160**	**–**	5,252	–
Later than 1 year and not later than 2 years	**7,225**	**–**	6,160	–
Later than 2 years and not later than 5 years	**14,082**	**–**	21,198	–
	27,467	–	32,610	–
The net investment in finance lease may be analysed as follows:				
Not later than 1 year	**9,901**	**–**	9,210	–
Later than 1 year and not later than 2 years	**10,643**	**–**	9,901	–
Later than 2 years and not later than 5 years	**18,302**	**–**	29,042	–
	38,846	–	48,153	–

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

16 Trade and other receivables continued

(c) Estimates for unread gas and electricity meters

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

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Estimates for unread gas and electricity meters	90,044	77,082	94,883	85,075

(d) Fair values

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

(e) Interest rate risk exposures

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

17 Inventories

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Fuel stocks	**86,645**	**86,645**	72,262	72,262
Consumables and spare parts	**17,656**	**17,656**	15,017	15,017
	104,301	104,301	87,279	87,279

During the year the Group wrote down certain inventory by $6.5 million (2008: $0.2 million).

18 Financial instruments

(a) Fair value of derivative financial instruments

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

		Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Current assets					
Interest rate swap contracts	Cash flow hedge	–	–	2,423	2,419
Foreign exchange contracts	Cash flow hedge	**1,347**	**1,347**	2,211	2,697
Electricity contracts for difference	Cash flow hedge	**2,765**	**2,765**	5	5
Electricity contracts for difference and options	Held for trading	**908**	**908**	2,055	2,055
Oil options	Held for trading	**846**	**846**	–	–
Bunker fuel price swaps	Held for trading	**659**	**659**	–	–
Total current derivative financial instrument assets		6,525	6,525	6,694	7,176
Non-current assets					
Interest rate swap contracts	Cash flow hedge	–	–	188	188
Foreign exchange contracts	Cash flow hedge	–	–	208	338
Electricity contracts for difference	Cash flow hedge	**90**	**90**	4,709	4,709
Electricity contracts for difference and options	Held for trading	**342**	**342**	378	378
Oil options	Held for trading	**3,723**	**3,723**	1,073	1,073
Total non-current derivative financial instrument assets		4,155	4,155	6,556	6,686
Total derivative financial instrument assets		10,680	10,680	13,250	13,862

		Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Current liabilities					
Interest rate swap contracts	Cash flow hedge	(13,205)	(13,205)	(69)	(69)
Foreign exchange contracts	Cash flow hedge	(2,716)	(2,768)	(9,995)	(9,995)
Electricity contracts for difference	Cash flow hedge	(2,515)	(2,515)	(1,547)	(1,547)
Electricity contracts for difference and options	Held for trading	(1,592)	(1,592)	(2,059)	(2,059)
Oil options	Held for trading	–	(846)	–	–
Total current derivative financial instrument liabilities		(20,028)	(20,926)	(13,670)	(13,670)
Non-current liabilities					
Interest rate swap contracts	Cash flow hedge	(1,148)	(1,148)	(1,256)	(1,256)
Foreign exchange contracts	Cash flow hedge	(545)	(545)	(1,873)	(1,873)
Electricity contracts for difference	Cash flow hedge	(12,146)	(12,146)	(4,745)	(4,745)
Electricity contracts for difference and options	Held for trading	(302)	(302)	(5,976)	(5,976)
Oil options	Held for trading	–	(3,723)	–	(1,073)
Total non-current derivative financial instrument liabilities		(14,141)	(17,864)	(13,850)	(14,923)
Total derivative financial instrument liabilities		(34,169)	(38,790)	(27,520)	(28,593)
Total net financial instruments		(23,489)	(28,110)	(14,270)	(14,731

(b) Fair values

The carrying amount of derivative financial assets and liabilities recorded in the financial statements approximates their fair values. The fair value of all other non-derivative financial assets and financial liabilities are disclosed in note 18 (k) to the financial statements.

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Where market prices are not available, use is made of estimated discounted cash flow analyses using the applicable yield curve or available forward price data for the duration of the instruments.
- Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument, the two key types of variables used are:
  (i) Future price curve (for the relevant underlying interest rates, foreign exchange rates or commodity prices)
  (ii) Discount rates.

The selection of variables requires significant judgement, and therefore there is a range of reasonably possible assumptions in respect of these variables that could be used in estimating the fair value of these derivatives.

Deferred 'day 1' gains/losses

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

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Electricity contracts for difference				
Opening deferred 'day 1' gains/(losses)	1,311	1,311	3,756	3,756
Deferred 'day 1' gains/(losses) on new hedges	2,011	2,011	2,031	2,031
Deferred 'day 1' gains/(losses) realised during the year	(7,942)	(7,942)	(4,476)	(4,476)
Closing deferred 'day 1' gains/(losses)	(4,620)	(4,620)	1,311	1,311

18 Financial instruments continued

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

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

		Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Derivative financial instrument					
Electricity contracts for difference and options	Held for trading	24	24	(43,583)	(43,583)
Oil options	Held for trading	–	–	–	–
Bunker fuel price swaps	Held for trading	215	215	–	–

Realised gains or losses on electricity contracts have been reclassified from other gains and losses to electricity revenue when compared to the prior year. The reclassification was to be more comparable with other entities.

(d) Financial risk management objectives

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

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

(e) Capital risk management

The Group manages its capital in a prudent manner to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the appropriate balance of debt and equity. This strategy remains unchanged from previous years. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents as disclosed in note 15 and equity attributable to the shareholders of Genesis Power Limited, comprising issued capital, reserves and retained earnings as disclosed in note 27.

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

(f) Accounting policies

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

(g) Market risk

(i) Currency risk

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

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

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

18 Financial instruments continued

Foreign exchange contracts

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

Outstanding contracts	**Foreign Amount 30 June 2009 '000**	Foreign Amount 30 June 2008 '000	**Face Value 30 June 2009 $'000**	Face Value 30 June 2008 $'000	**Fair Value 30 June 2009 $'000**	Fair Value 30 June 2008 $'000
Group						
- United States Dollar	**13,833**	65,419	**21,882**	96,257	**(593)**	(8,116)
- Australian Dollar	**2,381**	27,916	**2,867**	33,520	**87**	1,696
- Euro	**2,356**	5,262	**5,287**	10,506	**(177)**	540
- Japanese Yen	**931,993**	1,247,447	**16,429**	19,814	**(1,231)**	(3,565)
- British Pound Sterling	**–**	1,545	**–**	4,043	**–**	(4)
Total forward foreign exchange contracts			**46,465**	164,140	**(1,914)**	(9,449)

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

Current assets	**1,347**	2,211
Non-current assets	**–**	208
Current liabilities	**(2,716)**	(9,995)
Non-current liabilities	**(545)**	(1,873)
	(1,914)	(9,449)

Outstanding contracts						
Company						
- United States Dollar	**13,833**	46,678	**21,882**	69,133	**(593)**	(6,097)
- Australian Dollar	**1,683**	6,005	**2,052**	7,269	**35**	304
- Euro	**2,356**	5,150	**5,287**	10,287	**(177)**	526
- Japanese Yen	**931,993**	1,247,447	**16,429**	19,814	**(1,231)**	(3,566)
Total forward foreign exchange contract			**45,650**	106,503	**(1,966)**	(8,833)

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

Current assets	**1,347**	2,697
Non-current assets	**–**	338
Current liabilities	**(2,768)**	(9,995)
Non-current liabilities	**(545)**	(1,873)
	(1,966)	(8,833)

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

18 Financial instruments continued

Sensitivity analysis

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

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

	Post-tax impact on profit		Post-tax impact on cash flow hedge reserve (equity)			
	Group 30 June 2008 +/-10% $'000	Company 30 June 2008 +/-10% $'000	Group 30 June 2008 +10% $'000	Group 30 June 2008 -10% $'000	Company 30 June 2008 +10% $'000	Company 30 June 2008 -10% $'000
- United States Dollar	–	–	(5,847)	6,741	(3,918)	4,815
- Australian Dollar	–	–	(2,139)	2,615	(457)	559
- Euro	–	–	(687)	842	(672)	824
- Japanese Yen			(1,014)	1,250	(1,014)	1,250
- British Pound Sterling	–	–	(256)	313	–	–
Total foreign exchange contracts	–	–	(9,583)	11,761	(6,061)	7,448

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

(ii) Price risk

The Group is exposed to commodity price risk primarily from electricity, oil and bunker fuel prices. To manage its commodity price risk in respect of electricity, the Group utilises electricity swaps and options to hedge against electricity spot price exposure. These instruments are either traded on the Energy Hedge Market or negotiated bilaterally with competitors and customers in order to hedge exposure to price risk on the spot market. Derivatives are valued against market and internally generated price curves. To manage its commodity price risk in respect of oil sales, the Group utilises oil price options which provides a minimum price for future oil sales. To manage its commodity price risk in respect of fuel purchases, the Group utilises bunker fuel price swaps which provides a maximum price for future fuel purchases.

Electricity contracts for difference

The aggregate notional face value of the outstanding electricity derivatives at balance date was $321.0 million (2008: $470.3 million).

The hedged electricity sale and purchase transactions are expected to occur continuously for each half-hour period throughout the period to December 2012. The effective portion of fair value gains and losses on qualifying electricity derivatives as of balance date, recognised in the cash flow hedge reserve in equity, will be continuously released to the income statement in each period in which the underlying sale transactions are recognised.

During 2008 Genesis Energy entered into a five year derivative contract giving the right to a counter party to exercise a call option. When called the contract has minimum and maximum call volumes . In addition there is a minimum call volume for the term of the contract and minimum annual call volumes. Any shortfall in the minimum annual and term volumes is subject to wash-up provisions.

Oil options

The aggregate notional value of the outstanding oil options at balance date was USD 55,999,800 (2008: USD 55,999,800).

The hedged anticipated oil sale transactions are expected to occur continuously for the period of November 2009 to June 2014. Fair value gains and losses on oil options are recognised in the income statement in each period in which the fair value gains and losses occur.

Bunker fuel price swaps

The aggregate notional value of the outstanding bunker fuel price swaps at balance date was USD$767,250 (2008: nil).

The transactions that the bunker fuel price swaps relate to are expected to occur continuously for the period of July 2009 to December 2009. Fair value gains and losses on bunker fuel price swaps are recognised in the income statement in each period in which the fair value gains and losses occur.

18 Financial instruments continued

Sensitivity analysis

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

	Post-tax impact on profit			
	Group 30 June 2009 +10% $'000	**Group 30 June 2009 -10% $'000**	**Company 30 June 2009 +10% $'000**	**Company 30 June 2009 -10% $'000**
Electricity contracts for difference	**(18,075)**	**17,127**	**(18,075)**	**17,127**
Oil options	**(735)**	**1,031**	**–**	**–**
Bunker fuel price swaps	**128**	**(128)**	**128**	**(128)**

	Post-tax impact on cash flow hedge reserve (equity)			
	Group 30 June 2009 +10% $'000	**Group 30 June 2009 -10% $'000**	**Company 30 June 2009 +10% $'000**	**Company 30 June 2009 -10% $'000**
Electricity contracts for difference	**(2,737)**	**2,735**	**(2,737)**	**2,735**

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

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

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

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

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

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

18 Financial instruments continued

(iii) Interest rate risk

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

Interest rate swaps

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

	Average contracted fixed interest rates*		Notional principal amount		Fair value	
Floating to fixed contracts	30 June 2009 %	30 June 2008 %	30 June 2009 $'000	30 June 2008 $'000	30 June 2009 $'000	30 June 2008 $'000
Group						
Not later than 1 year	**7.78**	7.19	**100,000**	62,806	**(2,718)**	707
Later than 1 year and not later than 2 years	**8.30**	7.20	**70,000**	50,000	**(5,022)**	927
Later than 2 years and not later than 5 years	**8.16**	8.11	**70,000**	140,000	**(6,613)**	(348)
	8.04	7.70	**240,000**	252,806	**(14,353)**	1,286

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

Current assets	**–**	2,423
Non-current assets	**–**	188
Current liabilities	**(13,205)**	(69)
Non-current liabilities	**(1,148)**	(1,256)
	(14,353)	1,286

	Average contracted fixed interest rates*		Notional principal amount		Fair value	
Floating to fixed contracts	30 June 2009 %	30 June 2008 %	30 June 2009 $'000	30 June 2008 $'000	30 June 2009 $'000	30 June 2008 $'000
Company						
Not later than 1 year	**7.78**	7.12	**100,000**	60,000	**(2,718)**	703
Later than 1 year and not later than 2 years	**8.30**	7.20	**70,000**	50,000	**(5,022)**	927
Later than 2 years and not later than 5 years	**8.16**	8.11	**70,000**	140,000	**(6,613)**	(348)
	8.04	7.69	**240,000**	250,000	**(14,353)**	1,282

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

Current assets	**–**	2,419
Non-current assets	**–**	188
Current liabilities	**(13,205)**	(69)
Non-current liabilities	**(1,148)**	(1,256)
	(14,353)	1,282

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

The hedged anticipated interest payment transactions are expected to occur at various dates between one month and five years from balance date as a result of the maturities of the underlying borrowings. The effective portion of fair value gains and losses on qualifying interest swap contracts, recognised in the cash flow hedge reserve in equity as of balance date, will be continuously realised in the income statement in each period in which interest payments are recognised until maturities of the underlying borrowings.

18 Financial instruments continued

Sensitivity analysis

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

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

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

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

(h) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group is exposed to credit risk in the normal course of business arising from trade receivables, finance leases (where the group is lessor), and with banks and financial institutions where deposits are held.

The Group has adopted a policy of only dealing with credit worthy trade counterparties and obtaining collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group minimises its exposure to credit risk from trade receivables through the adoption of counterparty credit limits. Derivative counterparties and cash transactions are limited to high credit quality financial institutions and other organisations. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded are spread amongst approved counterparties.

As a participant in the electricity market the Group is a generator and retailer of electricity. The Group's exposure to credit risk is therefore reduced significantly to the net position on settlement. Market security requirements in place ensure that there is no significant credit risk for any one party.

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

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

The value of collateral held at balance date was $4.2 million (2008: $4.8 million).

(i) Liquidity risk

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

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

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

18 Financial instruments continued

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

Group	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Total $'000
Year ended 30 June 2009					
Interest rate swap contracts	**(13,685)**	**(8,853)**	**(6,245)**	**–**	**(28,783)**
Foreign exchange contracts	**(1,395)**	**(565)**	**–**	**–**	**(1,960)**
Electricity contracts for difference	**1,958**	**(4,097)**	**(11,938)**	**–**	**(14,077)**
Oil options	**–**	**–**	**–**	**–**	**–**
Bunker fuel price swaps	**664**	**–**	**–**	**–**	**664**
	(13,122)	**(13,515)**	**(18,183)**	**–**	**(44,820)**

Group	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Total $'000
Year ended 30 June 2008					
Interest rate swap contracts	2,426	(712)	(580)	–	1,134
Foreign exchange contracts	(7,996)	(1,840)	–	–	(9,836)
Electricity contracts for difference	(19,684)	(5,373)	21,979	–	(3,078)
Oil options	–	–	–	–	–
Bunker fuel price swaps	–	–	–	–	–
	(25,254)	(7,925)	21,399	–	(11,780)

Company	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Total $'000
Year ended 30 June 2009					
Interest rate swap contracts	**(13,685)**	**(8,853)**	**(6,245)**	**–**	**(28,783)**
Foreign exchange contracts	**(1,447)**	**(565)**	**–**	**–**	**(2,012)**
Electricity contracts for difference	**1,958**	**(4,097)**	**(11,938)**	**–**	**(14,077)**
Oil options	**–**	**–**	**–**	**–**	**–**
Bunker fuel price swaps	**664**	**–**	**–**	**–**	**664**
	(13,174)	**(13,515)**	**(18,183)**	**–**	**(44,872)**

Company	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Total $'000
Year ended 30 June 2008					
Interest rate swap contracts	2,423	(712)	(580)	–	1,131
Foreign exchange contracts	(7,517)	(1,699)	–	–	(9,216)
Electricity contracts for difference	(19,684)	(5,373)	21,979	–	(3,078)
Oil options	–	–	–	–	–
Bunker fuel price swaps	–	–	–	–	–
	(24,778)	(7,784)	21,399	–	(11,163)

The above table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instruments that settle net, and gross undiscounted cash inflows/(outflows) where these instruments settle gross. Where the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the internally generated forward price curves existing at balance date. The difference between this table and 18(a) is due to discounting of future cash flows.

18 Financial instruments continued

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

The following tables set out the Group's exposure to interest rate risk and the contractual repricing or maturity dates for its non-derivative financial assets and liabilities. These tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities.

Group	Weighted average effective interest rate* %	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Total $'000
Year ended 30 June 2009						
Financial assets						
Cash and cash equivalents	Varying	28,017	–	–	–	28,017
Trade and other receivables	Non-bearing	226.491	–	–	–	226,491
Finance lease receivable	19.2	12,995	13,076	20,861	–	46,932
Other financial assets	Non-bearing	–	–	–	791	791
Total financial assets		267,503	13,076	20,861	791	302,231
Financial liabilities						
Trade and other payables	Non-bearing	243,494	–	–	–	243,494
Money market borrowings	4.1	4,300	–	–	–	4,300
Revolving credit borrowings	7.1	179,955	78,608	195,794	105,000	559,357
Wholesale term notes	7.2	6,990	5,407	16,237	86,955	115,589
Retail term notes	7.8	22,621	17,562	170,022	119,333	329,538
Finance lease payable	7.1	3,348	3,595	11,063	1,801	19,807
Total financial liabilities		460,708	105,172	393,116	313,089	1,272,085

Group	Weighted average effective interest rate* %	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Total $'000
Year ended 30 June 2008						
Financial assets						
Cash and cash equivalents	Varying	13,216	–	–	–	13,216
Trade and other receivables	Non-bearing	437,438	–	–	–	437,438
Finance lease receivable	19.2	12,038	12,109	31,606	–	55,753
Other financial assets	Non-bearing	–	–	–	723	723
Total financial assets		462,692	12,109	31,606	723	507,130
Financial liabilities						
Trade and other payables	Non-bearing	470,665	–	–	–	470,665
Money market borrowings	8.8	69,800	–	–	–	69,800
Revolving credit borrowings	8.2	192,884	52,500	177,195	–	422,579
Wholesale term notes	7.2	5,389	5,389	16,166	93,861	120,805
Finance lease payable	7.1	4,811	4,825	13,252	6,056	28,944
Total financial liabilities		743,549	62,714	206,613	99,917	1,112,793

18 Financial instruments continued

Company	Weighted average effective interest rate* %	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Total $'000
Year ended 30 June 2009						
Financial assets						
Cash and cash equivalents	Varying	6,659	–	–	–	6,659
Trade and other receivables	Non-bearing	211,938	–	–	–	211,938
Advances to subsidiaries	7.7	370,713	–	–	–	370,713
Other financial assets	Non-bearing	–	–	–	30,253	30,253
Total financial assets		589,310	–	–	30,253	619,563
Financial liabilities						
Trade and other payables	Non-bearing	219,075	–	–	–	219,075
Money market borrowings	4.1	4,300	–	–	–	4,300
Revolving credit borrowings	7.1	179,955	78,608	195,794	105,000	559,357
Wholesale term notes	7.2	6,990	5,407	16,237	86,955	115,589
Retail term notes	7.8	22,621	17,562	170,022	119,333	329,538
Finance lease payable	7.1	3,348	3,595	11,063	1,801	19,807
Total financial liabilities		436,289	105,172	393,116	313,089	1,247,666

Company	Weighted average effective interest rate* %	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Total $'000
Year ended 30 June 2008						
Financial assets						
Cash and cash equivalents	Varying	5,555	–	–	–	5,555
Trade and other receivables	Non-bearing	424,290	–	–	–	424,290
Advances to subsidiaries	7.9	247,838	–	–	–	247,838
Other financial assets	Non-bearing	–	–	–	30,253	30,253
Total financial assets		677,683	–	–	30,253	707,936
Financial liabilities						
Trade and other payables	Non-bearing	377,700	–	–	–	377,700
Money market borrowings	8.8	69,800	–	–	–	69,800
Revolving credit borrowings	8.2	192,884	52,500	177,195	–	422,579
Wholesale term notes	7.2	5,389	5,389	16,166	93,861	120,805
Finance lease payable	7.1	4,811	4,825	13,252	6,056	28,944
Total financial liabilities		650,584	62,714	206,613	99,917	1,019,828

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

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

18 Financial instruments continued

(k) Financial asset and liability fair values

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

Group	30 June 2009 Total carrying value $'000	30 June 2009 Fair value $'000	30 June 2008 Total carrying value $'000	30 June 2008 Fair value $'000
Financial assets				
Cash and cash equivalents	28,017	28,017	13,216	13,216
Trade and other receivables	226,491	226,491	437,438	437,438
Finance lease receivable	38,846	41,957	48,153	48,860
Other financial assets*	791	791	723	723
Total financial assets	294,145	297,256	499,530	500,237
Financial liabilities				
Trade and other payables	243,494	243,494	470,665	470,665
Money market borrowings	4,300	4,300	69,800	69,800
Revolving credit borrowings	297,608	297,608	382,884	382,884
Wholesale term notes	76,433	76,581	75,000	75,000
Retail term notes	226,176	227,608	–	–
Finance lease payable	19,807	19,807	23,006	23,006
Total financial liabilities	867,818	869,398	1,021,355	1,021,355

Company	30 June 2009 Total carrying value $'000	30 June 2009 Fair value $'000	30 June 2008 Total carrying value $'000	30 June 2008 Fair value $'000
Financial assets				
Cash and cash equivalents	6,659	6,659	5,555	5,555
Trade and other receivables	211,938	211,938	424,290	424,290
Advances to subsidiaries	370,713	370,713	232,167	232,167
Other financial assets*	30,253	30,253	30,253	30,253
Total financial assets	619,563	619,563	692,265	692,265
Financial liabilities				
Trade and other payables	219,075	219,075	377,700	377,700
Money market borrowings	4,300	4,300	69,800	69,800
Revolving credit borrowings	297,608	297,608	382,884	382,884
Wholesale term notes	76,433	76,581	75,000	75,000
Retail term notes	226,176	227,608	–	–
Finance lease payables	19,807	19,807	23,006	23,006
Total financial liabilities	843,399	844,979	928,390	928,390

* The Company's investment in its unlisted subsidiaries, are measured at cost which, for the purposes of this financial report, is assumed to approximate their fair value.

19 Other financial assets

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Investments accounted for at historical cost:				
Shares in unlisted subsidiaries (a)	–	**29,753**	–	29,753
Shares in unlisted associates (b)	–	**500**	–	500
Investments accounted for using the equity method:				
Investments in unlisted associates (b)	**791**	–	723	–
	791	30,253	723	30,253

(a) Investments in unlisted subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b) .

Name of entity	Interest held by Company % 2009	Interest held by Company % 2008	Principal activity	Country of incorporation
Genesis Power Investments Limited	100	100	Holding company	New Zealand
Energy Online Limited	100	100	Energy retailer	New Zealand
Kinleith Cogeneration Limited	100	100	Special purpose finance company	New Zealand
Kupe Holdings Limited	100	100	Joint venture holding company	New Zealand
GP No. 1 Limited	100	100	Joint venture holding company	New Zealand
GP No. 2 Limited	100	100	Joint venture holding company	New Zealand
GP No. 4 Limited	100	100	Joint venture holding company	New Zealand
GP No. 5 Limited	100	100	Joint venture holding company	New Zealand
Cardiff Holdings No. 1 Limited	100	100	Joint venture holding company	New Zealand
Cardiff Holdings No. 2 Limited	100	100	Joint venture holding company	New Zealand
Mangatoa No. 1 Limited	100	–	Non-trader	New Zealand
Mangatoa No. 2 Limited	100	–	Non-trader	New Zealand
Mangatoa No. 3 Limited	100	–	Non-trader	New Zealand
Mangatoa No. 4 Limited	100	–	Non-trader	New Zealand
Mangatoa No. 5 Limited	100	–	Non-trader	New Zealand

All subsidiaries have a 30 June balance date.

(b) Investments in unlisted associates

The consolidated financial statements incorporate the Group's share of its associates' results in accordance with the accounting policy described in note 2(b).

Name of entity	Interest held by Company % 2009	Interest held by Company % 2008	Principal activity	Country of incorporation
Gasbridge Limited	50	50	Agency for joint venture	New Zealand
CRL Energy Limited	50	50	Research company	New Zealand

The associates have a 30 June balance date.

19 Other financial assets continued

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

	Notes	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Opening net book value		**723**	**500**	–	–
Acquisitions – at cost		**–**	**–**	500	500
Acquisitions – gain/(loss) on consolidation	11	**–**	**–**	223	–
Share of associates' net profit/(loss) after tax		**67**	**–**	–	–
Closing net book value		791	500	723	500

Investments in associates includes no amount for goodwill (2008: nil).

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

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

	2009 $'000	2008 $'000
Current assets	**640**	765
Non-current assets	**608**	325
	1,248	1,090
Current liabilities	**(457)**	(367)
Non-current liabilities	**–**	–
	(457)	(367)
Group's share of net assets of associate	791	723
Revenue	**2,236**	–
Expenses	**(2,128)**	–
Profit before income tax	**108**	–
Income tax expense	**(41)**	–
Group's share of associate profit for the year	67	–

20 Property, plant and equipment

Group	Capital work in progress $'000	Freehold land $'000	Buildings and improvements $'000	Generation assets $'000	Leased plant and equipment $'000	Other property, plant and equipment $'000	Total $'000
Year ended 30 June 2009							
Opening net book value	327,882	17,721	1,359	1,463,837	25,067	15,349	1,851,215
Additions	143,222	–	77	–	–	3,319	146,618
Revaluation gains/(losses)	(27,254)	–	–	19,554	(20,922)	–	(28,622)
Interest and other finance costs capitalised	24,766	–	–	–	–	–	24,766
Transfer to/(from) capital work in progress	(49,232)	(10,350)	–	59,582	–	–	–
Disposals	–	–	–	(908)	–	(654)	(1,562)
Impairment losses charged to income statement	(9,143)	–	–	–	–	(199)	(9,342)
Depreciation charge	–	–	(43)	(66,081)	(2,018)	(2,749)	(70,891)
Closing net book value	410,241	7,371	1,393	1,475,984	2,127	15,066	1,912,182
As at 30 June 2009							
Cost	397,352	7,371	1,691	–	–	55,419	461,833
Fair Value	12,889	–	–	1,475,984	2,127	–	1,491,000
Accumulated depreciation	–	–	(298)	–	–	(40,353)	(40,651)
Net book value	410,241	7,371	1,393	1,475,984	2,127	15,066	1,912,182

Group	Capital work in progress $'000	Freehold land $'000	Buildings and improvements $'000	Generation assets $'000	Leased plant and equipment $'000	Other property, plant and equipment $'000	Total $'000
Year ended 30 June 2008							
Opening net book value	76,781	2,836	1,256	1,506,617	27,086	16,730	1,631,306
Additions	270,046	14,885	134	–	–	3,735	288,800
Interest and other finance costs capitalised	10,452	–	–	–	–	–	10,452
Transfer to/(from) capital work in progress	(29,397)	–	–	29,397	–	–	–
Transfer to inventory	–	–	–	(8,422)	–	–	(8,422)
Disposals	–	–	–	(74)	–	(259)	(333)
Depreciation charge	–	–	(31)	(63,681)	(2,019)	(4,857)	(70,588)
Closing net book value	327,882	17,721	1,359	1,463,837	25,067	15,349	1,851,215
As at 30 June 2008							
Cost	327,882	17,721	1,614	548,308	31,993	51,593	979,111
Fair Value	–	–	–	1,056,000	–	–	1,056,000
Accumulated depreciation	–	–	(255)	(140,471)	(6,926)	(36,244)	(183,896)
Net book value	327,882	17,721	1,359	1,463,837	25,067	15,349	1,851,215
As at 1 July 2007							
Cost	76,781	2,836	1,480	527,622	31,993	48,117	688,829
Fair Value	–	–	–	1,056,000	–	–	1,056,000
Accumulated depreciation	–	–	(244)	(77,005)	(4,907)	(31,387)	(113,523)
Net book value	76,781	2,836	1,256	1,506,617	27,086	16,730	1,631,306

20 Property, plant and equipment continued

Company	Capital work in progress $'000	Freehold land $'000	Buildings and improvements $'000	Generation assets $'000	Leased plant and equipment $'000	Other property, plant and equipment $'000	Total $'000
Year ended 30 June 2009							
Opening net book value	**70,478**	**10,350**	**1,359**	**1,463,771**	**25,067**	**14,465**	**1,585,490**
Additions	**60,130**	**–**	**77**	**–**	**–**	**3,270**	**63,477**
Revaluation gains/(losses)	**(27,254)**	**–**	**–**	**19,554**	**(20,922)**	**–**	**(28,622)**
Interest and other finance costs capitalised	**1,317**	**–**	**–**	**–**	**–**	**–**	**1,317**
Transfer to/(from) capital work in progress	**(49,232)**	**(10,350)**	**–**	**59,582**	**–**	**–**	**–**
Disposals	**–**	**–**	**–**	**(908)**	**–**	**(654)**	**(1,562)**
Impairment losses charged to income statement	**(6,313)**	**–**	**–**	**–**	**–**	**(199)**	**(6,512)**
Depreciation charge	**–**	**–**	**(43)**	**(66,015)**	**(2,018)**	**(2,670)**	**(70,746)**
Closing net book value	**49,126**	**–**	**1,393**	**1,475,984**	**2,127**	**14,212**	**1,542,842**
As at 30 June 2009							
Cost	**36,237**	**–**	**1,691**	**–**	**–**	**53,919**	**91,847**
Fair Value	**12,889**	**–**	**–**	**1,475,984**	**2,127**	**–**	**1,491,000**
Accumulated depreciation	**–**	**–**	**(298)**	**–**	**–**	**(39,707)**	**(40,005)**
Net book value	**49,126**	**–**	**1,393**	**1,475,984**	**2,127**	**14,212**	**1,542,842**

Company	Capital work in progress $'000	Freehold land $'000	Buildings and improvements $'000	Generation assets $'000	Leased plant and equipment $'000	Other property, plant and equipment $'000	Total $'000
Year ended 30 June 2008							
Opening net book value	35,264	2,836	1,256	1,506,617	27,086	16,071	1,589,130
Additions	63,172	7,514	134	–	–	3,114	73,934
Interest and other finance costs capitalised	1,342	–	–	–	–	–	1,342
Transfer to/(from) capital work in progress	(29,300)	–	–	29,300	–	–	–
Transfer to inventory	–	–	–	(8,422)	–	–	(8,422)
Disposals	–	–	–	(61)	–	–	(61)
Depreciation charge	–	–	(31)	(63,663)	(2,019)	(4,720)	(70,433)
Closing net book value	70,478	10,350	1,359	1,463,771	25,067	14,465	1,585,490
As at 30 June 2008							
Cost	70,478	10,350	1,614	548,242	31,993	50,208	712,885
Fair Value	–	–	–	1,056,000	–	–	1,056,000
Accumulated depreciation	–	–	(255)	(140,471)	(6,926)	(35,743)	(183,395)
Net book value	70,478	10,350	1,359	1,463,771	25,067	14,465	1,585,490
As at 1 July 2007							
Cost	35,264	2,836	1,480	527,622	31,993	47,094	646,289
Fair Value	–	–	–	1,056,000	–	–	1,056,000
Accumulated depreciation	–	–	(224)	(77,005)	(4,907)	(31,023)	(113,159)
Net book value	35,264	2,836	1,256	1,506,617	27,086	16,071	1,589,130

20 Property, plant and equipment continued

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

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

Generation assets and capital work in progress were revalued to the present value of the future earnings of the assets, on an existing use basis. The economic valuation of the generation assets was $1,197.0 million which is $294 million lower than the accounting valuation as certain generation assets were determined to have a negative value whereas for accounting purposes they were revalued to zero.

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

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

As a consequence of the revaluation, accumulated depreciation on revalued assets was reset to nil at 30 June 2009, and a revaluation surplus of $232.8 million ($162.9 million net of deferred tax) transferred to equity (refer note 27), and a revaluation loss of $261.4 million transferred to the income statement. The revaluation loss relates to the writedown of Huntly Units 1 to 4 and 6 and is consistent with the Company's business plan and forecast use of the assets. There were no revaluation adjustments in 2008.

The current year's depreciation charge on historical revaluations amounted to $10.2 million (2008: $9.2 million).

(a) Carrying amounts that would have been recognised if generation assets were stated at cost

If generation assets were stated on the historical cost basis, the amounts would be as follows:

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Generation assets				
Cost	1,481,032	1,481,032	1,411,489	1,411,489
Accumulated depreciation	(293,477)	(293,477)	(246,182)	(246,182)
Net book value	1,187,555	1,187,555	1,165,307	1,165,307

21 Intangible assets

Group	Notes	Goodwill* $'000	Naming rights $'000	Computer software $'000	Emissions units $'000	Total $'000
Year ended 30 June 2009						
Opening net book value		102,599	5,062	17,798	–	125,459
Additions		–	1,437	7,841	11,000	20,278
Amortisation charge	9	–	(1,432)	(11,303)	–	(12,735)
Closing net book value		102,599	5,067	14,336	11,000	133,002
As at 30 June 2009						
Cost		102,599	8,679	63,936	11,000	186,214
Accumulated amortisation		–	(3,612)	(49,600)	–	(53,212)
Net book value		102,599	5,067	14,336	11,000	133,002

21 Intangible assets continued

Group	Notes	Goodwill* $'000	Naming rights $'000	Computer software $'000	Emissions units $'000	Total $'000
Year ended 30 June 2008						
Opening net book value		102,599	4,327	16,332	–	123,258
Additions		–	2,301	2,037	–	4,338
Additions from internal developments		–	–	8,594	–	8,594
Amortisation charge	9	–	(1,566)	(9,165)	–	(10,731)
Closing net book value		102,599	5,062	17,798	–	125,459
As at 30 June 2008						
Cost		102,599	10,259	56,090	–	168,948
Accumulated amortisation		–	(5,197)	(38,292)	–	(43,489)
Net book value		102,599	5,062	17,798	–	125,459
As at 1 July 2007						
Cost		102,599	7,958	45,459	–	156,016
Accumulated amortisation		–	(3,631)	(29,127)	–	(32,758)
Net book value		102,599	4,327	16,332	–	123,258

Company	Notes	Goodwill* $'000	Naming rights $'000	Computer software $'000	Emissions units $'000	Total $'000
Year ended 30 June 2009						
Opening net book value		**99,866**	**5,062**	**17,388**	**–**	**122,316**
Additions		**–**	**1,437**	**7,637**	**11,000**	**20,074**
Amortisation charge	9	**–**	**(1,432)**	**(11,125)**	**–**	**(12,557)**
Closing net book value		**99,866**	**5,067**	**13,900**	**11,000**	**129,833**
As at 30 June 2009						
Cost		**99,866**	**8,679**	**62,789**	**11,000**	**182,334**
Accumulated amortisation		**–**	**(3,612)**	**(48,889)**	**–**	**(52,501)**
Net book value		**99,866**	**5,067**	**13,900**	**11,000**	**129,833**

Company	Notes	Goodwill* $'000	Naming rights $'000	Computer software $'000	Emissions units $'000	Total $'000
Year ended 30 June 2008						
Opening net book value		99,866	4,327	16,015	–	120,208
Additions		–	2,301	1,800	–	4,101
Additions from internal developments		–	–	8,594	–	8,594
Amortisation charge	9	–	(1,566)	(9,021)	–	(10,587)
Closing net book value		99,866	5,062	17,388	–	122,316
As at 30 June 2008						
Cost		99,866	10,259	55,153	–	165,278
Accumulated amortisation		–	(5,197)	(37,765)	–	(42,962)
Net book value		99,866	5,062	17,388	–	122,316
As at 1 July 2007						
Cost		99,866	7,958	44,759	–	152,583
Accumulated amortisation		–	(3,631)	(28,744)	–	(32,375)
Net book value		99,866	4,327	16,015	–	120,208

*Goodwill represents the excess of the purchase price paid for businesses acquired over the fair value of identifiable assets and liabilities taken over. In the case of customers acquired, goodwill represents the price paid for the customers. Goodwill is assessed as having an indefinite useful life and is not amortised but is subject to annual impairment testing or whenever there are indications of impairment. All other intangible assets are assessed as having finite lives and are subject to amortisation.

21 Intangible assets continued

(a) Impairment tests for goodwill

For the purpose of impairment testing all goodwill is allocated to the cash generating unit (CGU) of Retail. The unit's impairment test is based on an estimated discounted cash flow analysis (value in use). Estimated future cash flow projections are based on the Group's five year business plan for the underlying Retail business and are extrapolated on a consistent basis (2008: growth rate of 2%). The estimated future cash flow projections are discounted using pre-tax equivalent discount rate scenarios ranging between 10.5% and 12.0% (2008: 11.5% and 13.5%).

Key assumptions in the value in use calculation for the Retail cash generating unit and the approach to determining their value are:

Assumptions	Method of determination
Customer numbers and customer churn	Review of actual customer numbers and historical data regarding movements in customer numbers. The historical analysis is considered against expected market trends and competition for customers.
Gross margin	Review of actual gross margins and consideration of expected market movements and impacts.
Cost to serve	Review of actual costs to serve and consideration of expected market movements and impacts.

No impairments were recognised for goodwill or the other listed intangible assets as at 30 June 2009 (2008: nil).

22 Oil and gas exploration and development assets

Group	Notes	Mining licences $'000	Exploration and evaluation expenditure* $'000	Oil and gas development expenditure $'000	Total $'000
Year ended 30 June 2009					
Opening net book value		**16,518**	**3,148**	**58,776**	**78,442**
Additions		**–**	**13,334**	**21,795**	**35,129**
Interest and other finance costs capitalised		**–**	**–**	**5,466**	**5,466**
Impairment losses charged to income statement	10	**–**	**(16,482)**	**–**	**(16,482)**
Amortisation charge	9	**–**	**–**	**–**	**–**
Closing net book value		**16,518**	**–**	**86,037**	**102,555**
As at 30 June 2009					
Cost		**16,518**	**54,847**	**86,037**	**157,402**
Accumulated amortisation and impairment		**–**	**(54,847)**	**–**	**(54,847)**
Net book value		**16,518**	**–**	**86,037**	**102,555**

Group	Notes	Mining licences $'000	Exploration and evaluation expenditure* $'000	Oil and gas development expenditure $'000	Total $'000
Year ended 30 June 2008					
Opening net book value		16,518	20,910	47,073	84,501
Additions		–	20,603	6,654	27,257
Interest and other finance costs capitalised		–	–	5,049	5,049
Impairment losses charged to income statement	10	–	(38,365)	–	(38,365)
Amortisation charge	9	–	–	–	–
Closing net book value		16,518	3,148	58,776	78,442
As at 30 June 2008					
Cost		16,518	41,513	58,776	116,807
Accumulated amortisation and impairment		–	(38,365)	–	(38,365)
Net book value		16,518	3,148	58,776	78,442
As at 1 July 2007					
Cost		16,518	20,910	47,073	84,501
Accumulated amortisation and impairment		–	–	–	–
Net book value		16,518	20,910	47,073	84,501

*Capitalised exploration and evaluation expenditure relates primarily to the Kupe (Momoho), Cardiff and Mangatoa gas and condensate fields in which the group has an interest. Refer note 32.

22 Oil and gas exploration and development assets continued

The exploration and evaluation assets relating to the Kupe (Momoho), Mangatoa and Cardiff gas and condensate fields were considered to be impaired as at 30 June 2009 as the test results indicated they were not economic to develop further. The amount written off represents capitalised exploration expenditure on those fields to date and includes allowances for restoration and rehabilitation.

Company	Notes	Mining licences $'000	Exploration and evaluation expenditure* $'000	Oil and gas development expenditure $'000	Total $'000
Year ended 30 June 2009					
Opening net book value		–	3,148	–	3,148
Additions		–	7,880	–	7,880
Impairment losses charged to income statement	10	–	(11,028)	–	(11,028)
Amortisation charge	9	–	–	–	–
Closing net book value		–	–	–	–
As at 30 June 2009					
Cost		–	11,028	–	11,028
Accumulated amortisation and impairment		–	(11,028)	–	(11,028)
Net book value		–	–	–	–

Company	Notes	Mining licences $'000	Exploration and evaluation expenditure* $'000	Oil and gas development expenditure $'000	Total $'000
Year ended 30 June 2008					
Opening net book value		–	–	–	–
Additions		–	3,148	–	3,148
Impairment losses charged to income statement	10	–	–	–	–
Amortisation charge	9	–	–	–	–
Closing net book value		–	3,148	–	3,148
As at 30 June 2008					
Cost		–	3,148	–	3,148
Accumulated amortisation and impairment		–	–	–	–
Net book value		–	3,148	–	3,148
As at 1 July 2007					
Cost		–	–	–	–
Accumulated amortisation and impairment		–	–	–	–
Net book value		–	–	–	–

*Capitalised exploration and evaluation expenditure relates to the Mangatoa gas and condensate field in which the company has an interest.

The exploration and evaluation assets relating to the Mangatoa gas and condensate field were considered to be impaired as at 30 June 2009 as the test results indicated they were not economic to develop further. The amount written off represents capitalised exploration expenditure.

*23 Trade and other payables**

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Trade payables and accruals**	239,611	215,313	467,361	374,490
Employee benefits	3,883	3,762	3,304	3,210
	243,494	219,075	470,665	377,700

* All trade and other payables are classified as 'other financial liabilities' under NZ IFRS 7.8 (Financial Instruments: Disclosures) and are therefore shown at amortised cost.

** Payments terms on trade payables ranges from seven to 30 days from date of invoice for both foreign and local suppliers. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

ACC Partnership Programme

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

At the end of the one year period, the Company pays a premium to ACC for the value of residual claims, and from that point the liability for ongoing claims passes to ACC.

The liability for the ACC Partnership Programme is measured as the present value of anticipated future payments to be made in respect of the employee injuries and claims up to the reporting date using actuarial techniques. Consideration is given to expected future wage and salary levels, and experience of employee claims and injuries.

The Company manages its exposure arising from the programme by promoting a safe and healthy working environment by:

- implementing and monitoring health and safety policies;
- induction training on health and safety;
- actively managing workplace injuries to ensure employees return to work as soon as practical;
- recording and monitoring workplace injuries and near misses to identify risk areas and implementing mitigating actions; and
- identification of workplace hazards and implementation of appropriate safety procedures.

The Company has chosen a stop loss limit of 250% of the industry premium. The stop loss limit means the Company will only carry the total cost of claims of up to $0.3 million.

The Company is not exposed to any significant concentrations of insurance risk as work related injuries are generally the result of an isolated event to an individual employee.

An external independent actuarial valuer, Mark Weaver, Fellow, NZ Society of Actuaries, has calculated Genesis Energy's liability, and the valuation is effective 30 June 2009. The valuer has attested he is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the actuarial valuer's report.

Average inflation has been assumed as between 2.6% and 4.2%. A discount rate of 6.8% (2008: 6.2%) has been used.

The value of the liability is not material for the Group's financial statements; therefore, any changes in assumptions will not have a material impact on the financial statements.

*24 Borrowings**

	Currency	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Current borrowings and current portion of term borrowings					
Uncommitted money market borrowings (b)	NZD	4,300	4,300	69,800	69,800
Revolving credit borrowings (b)	NZD	117,608	117,608	2,884	2,884
Wholesale term notes (b)	NZD	1,581	1,581	–	–
Retail term notes (b)	NZD	4,616	4,616	–	–
Finance lease liabilities (d)	NZD	3,348	3,348	3,205	3,205
Total current interest bearing borrowings		131,453	131,453	75,889	75,889
Term borrowings					
Revolving credit borrowings (b)	NZD	180,000	180,000	380,000	380,000
Wholesale term notes (b)	NZD	74,852	74,852	75,000	75,000
Retail term notes (b)	NZD	221,560	221,560	–	–
Finance lease liabilities (d)	NZD	16,459	16,459	19,801	19,801
Total non current interest bearing liabilities		492,871	492,871	474,801	474,801
Total borrowings					
Uncommitted money market borrowings (b)	NZD	4,300	4,300	69,800	69,800
Revolving credit borrowings (b)	NZD	297,608	297,608	382,884	382,884
Wholesale term notes (b)	NZD	76,433	76,433	75,000	75,000
Retail term notes (b)	NZD	226,176	226,176	–	–
Finance lease liabilities (d)	NZD	19,807	19,807	23,006	23,006
Total interest bearing liabilities		624,324	624,324	550,690	550,690

*All interest bearing borrowings are classified as 'other financial liabilities' under NZ IFRS 7.8 (Financial Instruments: Disclosures) and are therefore shown at amortised cost.

Further information relating to loans from related parties is set out in note 31.

(a) Security

Except for finance leases, all of Genesis Power Limited's (the Company) borrowings are unsecured. The Company borrows under a negative pledge arrangement, which does not permit the Company to grant any security interest over its assets, unless it is an exception permitted within the negative pledge.

Finance lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements (as set out in note 20) revert to the lessor in the event of default.

(b) Financing arrangements

The Company has an uncommitted money market facility from a syndicate of major New Zealand banks. This facility incurs interest at rates varying between 3.1% and 4.25% (2008: 8.6% and 9.0%) per annum and is repayable on demand.

The Company has a committed revolving credit funding facility of $675.0 million (2008: $675.0 million) from a syndicate of major New Zealand trading banks. The facility comprises two tranches, Tranche A of $400.0 million expiring 5 October 2011, and Tranche B of $275.0 million expiring 5 October 2009. The facility incurs interest at floating market rates which at 30 June 2009 ranged between 3.2% and 3.8% (2008: 9.0% and 9.2%) inclusive of bank margins. The Company hedges a portion of the facility via certain interest rate swap contracts exchanging floating for fixed rate interest.

At 30 June 2009 the Company had drawn down $295.0 million (2008: $380.0 million) and had available undrawn funding of $380.0 million (2008: $295.0 million).

The Company has fully issued medium term (10 year) notes of $75.0 million (2008: $75.0 million). These term notes attract interest at a fixed rate of 7.2% (2008: 7.2%) per annum and are repayable on 15 September 2016.

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

24 Borrowings continued

Retail term notes		Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Issue cost included in retail term notes	Current	(559)	(559)	–	–
	Term	(3,440)	(3,440)	–	–

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

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

(d) Finance lease liabilities

Genesis Power Limited (the Company) leases certain equipment relating to the importation of coal situated at the Port of Tauranga, and a substation extension at the Huntly Power Station, under finance lease arrangements.

Finance lease liabilities	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Future minimum lease payments are as follows:				
Not later than one year	4,825	4,825	4,811	4,811
Later than one year but not later than two years	4,698	4,698	4,825	4,825
Later than two years but not later than five years	12,831	12,831	13,252	13,252
Later than five years	1,782	1,782	6,056	6,056
Minimum lease payments	24,136	24,136	28,944	28,944
Future finance charges on finance leases	(4,329)	(4,329)	(5,938)	(5,938)
Present value of future minimum lease payments	19,807	19,807	23,006	23,006
The present value of future minimum lease payments are as follows:				
Not later than one year	3,348	3,348	3,205	3,205
Later than one year but not later than two years	3,595	3,595	3,459	3,459
Later than two years but not later than five years	11,063	11,063	10,700	10,700
Later than five years	1,801	1,801	5,642	5,642
Present value of future minimum lease payments	19,807	19,807	23,006	23,006

The weighted average effective interest rate implicit in the leases is 7.05% (2008: 7.05%).

The Port of Tauranga lease has a term of 15 years with a renewal option for a further three terms of five years. The Huntly substation extension lease has a repayment term of five years and is inflation adjusted annually. The Group does not have any right to purchase the leased assets at the end of the lease. The balance sheet presentation of these leases differs to their legal form which is that of operating leases.

There are no restrictions imposed by these leases, such as those concerning dividend distributions, additional debt financing and further leasing arrangements.

25 Provisions

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

Group	Rehabilitation and restoration $'000	Customer rewards $'000	Other provisions $'000	Total $'000
Year ended 30 June 2009				
Balance at beginning of year	13,901	–	11,880	25,781
Provisions made during the year	19,279	2,557	11,437	33.273
Provisions reversed during the year	(2,268)	–	–	(2,268)
Provisions used during the year	(1,013)	(15)	(3,324)	(4,352)
Unwinding of discount	914	–	286	1,200
Balance at end of year	30,813	2,542	20,279	53,634
Current	1,306	–	3,228	4,534
Non-current	29,507	2,542	17,051	49,100
	30,813	2,542	20,279	53,634

25 Provisions continued

Group	Rehabilitation and restoration $'000	Customer rewards $'000	Other provisions $'000	Total $'000
Year ended 30 June 2008				
Balance at beginning of year	10,273	–	11,686	21,959
Provisions made during the year	4,919	–	2,413	7,332
Provisions used during the year	(1,291)	–	(2,876)	(4,167)
Unwinding of discount	–	–	657	657
Balance at end of year	13,901	–	11,880	25,781
Current	4,279	–	3,895	8,174
Non-current	9,622	–	7,985	17,607
	13,901	–	11,880	25,781

Company	**Rehabilitation and restoration $'000**	**Customer rewards $'000**	**Other provisions $'000**	**Total $'000**
Year ended 30 June 2009				
Balance at beginning of year	**9,882**	**–**	**11,880**	**21,762**
Provisions made during the year	**–**	**2,557**	**11,437**	**13,994**
Provisions used during the year	**(55)**	**(15)**	**(3,324)**	**(3,394)**
Unwinding of discount	**914**	**–**	**286**	**1,200**
Balance at end of year	**10,741**	**2,542**	**20,279**	**33,562**
Current	**214**	**–**	**3,228**	**3,442**
Non-current	**10,527**	**2,542**	**17,051**	**30,120**
	10,741	**2,542**	**20,279**	**33,562**

Company	Rehabilitation and restoration $'000	Customer rewards $'000	Other provisions $'000	Total $'000
Year ended 30 June 2008				
Balance at beginning of year	10,273	–	11,686	21,959
Provisions made during the year	900	–	2,413	3,313
Provisions used during the year	(1,291)	–	(2,876)	(4,167)
Unwinding of discount	–	–	657	657
Balance at end of year	9,882	–	11,880	21,762
Current	260	–	3,895	4,155
Non-current	9,622	–	7,985	17,607
	9,882	–	11,880	21,762

A provision has been recognised for the present value of the best estimate of future costs to be incurred for the rehabilitation and restoration of the Meremere and Huntly generation sites. During the current year an additional provision was made for plugging and abandonment of the Kupe (Momoho) and Cardiff fields. These sites require remediation of conditions resulting from past and present operations. These costs are expected to be incurred at varying stages up to eight years.

During the year, the Parent company introduced its own customer loyalty programme 'Brownie Points' which awards points to customers for different behaviours. Accordingly, a provision was recognised for the full liability owing as there is no basis for estimating redemption rates on behaviour based programmes. The timing of these outflows is unknown and dependent on customers redeeming their points after achieving a minimum rewards points balance. Unredeemed rewards points expire after a period of three years.

Other provisions represent the present value of contracted costs and compensation claims covering a range of commercial matters including mitigation agreed, which are the subject of legal privilege and/or confidentiality arrangements. The timing of these outflows varies up to 15 years.

The increase in the provision for the year ended 30 June 2009 includes a provision for $10.0 million (being the Company's best estimate of the financial outcome of an adverse judgement in the litigation) arising from the claim by Carter Holt Harvey in relation to the Kinleith Cogeneration plant. This item was treated as a contingent liability in previous years.

26 Deferred tax liabilities

(a) The composition of deferred tax balances

Deferred tax assets and liabilities are offset on the face of the balance sheet where it is likely they will be settled on a net basis. The net deferred tax liability comprises solely of temporary differences.

(b) The movement in deferred tax liability

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

Group	Opening balance $'000	Recognised in income* $'000	Recognised in equity* $'000	Adjusted to current tax $'000	Closing balance $'000
Year ended 30 June 2008					
Property, plant and equipment	198,317	76,252	(1)	11,232	285,800
Oil and gas exploration and development assets	14,403	(57,116)	–	(1,481)	(44,194)
Intangibles	4,890	1,968	–	–	6,858
Trade and other receivables	(427)	(1,221)	–	3,254	1,606
Inventories	(927)	–	–	–	(927)
Employee entitlements	(967)	(23)	–	–	(990)
Provisions	(2,489)	(4,182)	–	–	(6,671)
Finance lease liabilities	(8,308)	375	–	–	(7,933)
Financial instruments	(8,829)	(2,085)	4,490	–	(6,424)
Other	(247)	(1,558)	–	–	(1,805)
Total liability	195,416	12,410	4,489	13,005	225,320

26 Deferred tax liabilities continued

Company	Opening balance $'000	Recognised in income* $'000	Recognised in equity* $'000	Adjusted to current tax $'000	Closing balance $'000
Year ended 30 June 2009					
Property, plant and equipment	**209,376**	**(78,107)**	**69,822**	**(58)**	**201,033**
Oil and gas exploration and development assets	**942**	**(942)**	**–**	**–**	**–**
Intangibles	**6,735**	**(1,045)**	**–**	**–**	**5,690**
Trade and other receivables	**(3,280)**	**(958)**	**–**	**–**	**(4,238)**
Inventories	**(927)**	**927**	**–**	**–**	**–**
Employee entitlements	**(958)**	**(256)**	**–**	**–**	**(1,214)**
Provisions	**(5,465)**	**300**	**–**	**–**	**(5,165)**
Finance lease liabilities	**(7,933)**	**399**	**–**	**–**	**(7,534)**
Financial instruments	**(4,419)**	**(1,560)**	**(2,229)**	**–**	**(8,208)**
Other	**(1,804)**	**125**	**–**	**–**	**(1,679)**
Total liability	**192,267**	**(81,117)**	**67,593**	**(58)**	**178,685**

Company	Opening balance $'000	Recognised in income* $'000	Recognised in equity* $'000	Adjusted to current tax $'000	Closing balance $'000
Year ended 30 June 2008					
Property, plant and equipment	197,672	(307)	(1)	12,012	209,376
Oil and gas exploration and development assets	–	942	–	–	942
Intangibles	4,804	1,931	–	–	6,735
Trade and other receivables	(6,410)	(124)	–	3,254	(3,280)
Inventories	(927)	–	–	–	(927)
Employee entitlements	(937)	(21)	–	–	(958)
Provisions	(2,489)	(2,976)	–	–	(5,465)
Finance lease liabilities	(8,308)	375	–	–	(7,933)
Financial instruments	(3,986)	(1,513)	1,080	–	(4,419)
Other	(255)	(1,549)	–	–	(1,804)
Total liability	179,164	(3,242)	1,079	15,266	192,267

* The amounts showing as recognised in income and equity are net of the effects of the change in corporate tax rate.

(c) Unrecognised deferred tax assets and liabilities

There are no unrecognised deferred tax assets or liabilities.

27 Shareholders' equity

Group	Share capital $'000	Asset revaluation reserve $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2008	**540,565**	**238,422**	**(6,817)**	**634,603**	**1,406,773**
Profit for the year	**–**	**–**	**–**	**(135,716)**	**(135,716)**
Asset revaluation:					
- Revaluation increments	**–**	**232,767**	**–**	**–**	**232,767**
- Transferred to retained earnings on disposal	**–**	**(27)**	**–**	**–**	**(27)**
Cash flow hedges:					
- Gains/(losses) taken to equity	**–**	**–**	**(7,517)**	**–**	**(7,517)**
- Gains/(losses) transferred to income statement	**–**	**–**	**(2,604)**	**–**	**(2,604)**
- Gains/(losses) transferred to initial carrying value of hedged item	**–**	**–**	**3,357**	**–**	**3,357**
Movement in deferred tax attributable to equity:					
- Deferred tax	**–**	**(69,822)**	**2,029**	**–**	**(67,793)**
- Change in corporate tax rate	**–**	**–**	**–**	**–**	**–**
Total recognised income and expenses	**–**	**162,918**	**(4,735)**	**(135,716)**	**22,467**
Dividends paid	**–**	**–**	**–**	**(36,400)**	**(36,400)**
Balance as at 30 June 2009	**540,565**	**401,340**	**(11,552)**	**462,487**	**1,392,840**

Group	Share capital $'000	Asset revaluation reserve $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2007	540,565	238,427	(17,294)	564,045	1,325,743
Profit for the year	–	–	–	99,058	99,058
Asset revaluation:					
- Transferred to retained earnings on disposal	–	(6)	–	–	(6)
Cash flow hedges:					
- Gains/(losses) taken to equity	–	–	20,119	–	20,119
- Gains/(losses) transferred to income statement	–	–	7,020	–	7,020
- Gains/(losses) transferred to initial carrying value of hedged item	–	–	(12,172)	–	(12,172)
Movement in deferred tax attributable to equity:					
- Deferred tax	–	1	(4,490)	–	(4,489)
- Change in corporate tax rate	–	–	–	–	–
Total recognised income and expenses	–	(5)	10,477	99,058	109,530
Dividends paid	–	–	–	(28,500)	(28,500)
Balance as at 30 June 2008	540,565	238,422	(6,817)	634,603	1,406,773

27 Shareholders' equity continued

Company	Notes	Share capital $'000	Asset revaluation reserve $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2008		540,565	238,422	(6,387)	579,882	1,352,482
Correction of prior period error	6	–	–	–	(10,999)	(10,999)
Restated equity as at 1 July 2008		540,565	238,422	(6,387)	568,883	1,341,483
Profit for the year		–	–	–	(145,491)	(145,491)
Asset revaluation:						
- Revaluation increments		–	232,767	–	–	232,767
- Transferred to retained earnings on disposal		–	(27)	–	–	(27)
Cash flow hedges:						
- Gains/(losses) taken to equity		–	–	(7,290)	–	(7,290)
- Gains/(losses) transferred to income statement		–	–	(2,604)	–	(2,604)
- Gains/(losses) transferred to initial carrying value of hedged item		–	–	2,464	–	2,464
Movement in deferred tax attributable to equity:						
- Deferred tax		–	(69,822)	2,229	–	(67,593)
- Change in corporate tax rate		–	–	–	–	–
Total recognised income and expenses		–	162,918	(5,201)	(145,491)	12,226
Dividends paid		–	–	–	(36,400)	(36,400)
Balance as at 30 June 2009		540,565	401,340	(11,588)	386,992	1,317,309

Company	Notes	Share capital $'000	Asset revaluation reserve $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2007		540,565	238,427	(8,908)	499,346	1,269,430
Correction of prior period error	6	–	–	–	(1,512)	(1,512)
Restated equity as at 1 July 2007		540,565	238,427	(8,908)	497,834	1,267,918
Profit for the year		–	–	–	99,549	99,549
Asset revaluation:						
- Transferred to retained earnings on disposal		–	(6)	–	–	(6)
Cash flow hedges:						
- Gains/(losses) taken to equity		–	–	2,195	–	2,195
- Gains/(losses) transferred to income statement		–	–	6,966	–	6,966
- Gains/(losses) transferred to initial carrying value of hedged item		–	–	(5,560)	–	(5,560)
Movement in deferred tax attributable to equity:						
- Deferred tax		–	1	(1,080)	–	(1,079)
- Change in corporate tax rate		–	–	–	–	–
Total recognised income and expenses		–	(5)	2,521	99,549	102,065
Dividends paid		–	–	–	(28,500)	(28,500)
Balance as at 30 June 2008		540,565	238,422	(6,387)	568,883	1,341,483

27 Shareholders' equity continued

	Group 30 June 2009 000s	Company 30 June 2009 000s	Group 30 June 2008 000s	Company 30 June 2008 000s
(a) Share capital				
Ordinary shares				
Issued and fully paid	**540,565**	**540,565**	540,565	540,565

Changes to the Companies Act 1993 effective 1 January 1998 abolished the authorised capital and par value concept in relation to share capital. Therefore, the Company does not have a limited amount of authorised share capital and issued shares do not have a par value. All fully paid ordinary shares carry one vote per share and carry equal rights to dividends. There has been no changes to share capital during the year.

(b) Asset revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 2(o). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(c) Cash flow hedging reserve

The cash flow hedge reserve is used to record hedging gains or losses on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts on the income statement, or is included as a basis adjustment to the non-financial hedged item, consistent with the accounting policy described in 2(m).

The table below details when the amounts held in the cash flow hedge reserve are expected to impact the profit and loss or the respective non-financial hedged item:

Group	**Interest rate swap contracts $'000**	**Foreign exchange contracts $'000**	**Electricity contracts for difference $'000**	**Total $'000**
Not later than one year	**(9,244)**	**(1,248)**	**753**	**(9,739)**
Later than one year but not later than two years	**(553)**	**(382)**	**(627)**	**(1,562)**
Later than two years but not later than five years	**(251)**	**–**	**–**	**(251)**
Balance as at 30 June 2009	(10,048)	(1,630)	126	(11,552)

Group	Interest rate swap contracts $'000	Foreign exchange contracts $'000	Electricity contracts for difference $'000	Total $'000
Not later than one year	1,647	(5,448)	(62)	(3,863)
Later than one year but not later than two years	(427)	(1,170)	(734)	(2,331)
Later than two years but not later than five years	(321)	–	(302)	(623)
Balance as at 30 June 2008	899	(6,618)	(1,098)	(6,817)

Company	**Interest rate swap contracts $'000**	**Foreign exchange contracts $'000**	**Electricity contracts for difference $'000**	**Total $'000**
Not later than one year	**(9,244)**	**(1,284)**	**753**	**(9,775)**
Later than one year but not later than two years	**(553)**	**(382)**	**(627)**	**(1,562)**
Later than two years but not later than five years	**(251)**	**–**	**–**	**(251)**
Balance as at 30 June 2009	(10,048)	(1,666)	126	(11,588)

Company	Interest rate swap contracts $'000	Foreign exchange contracts $'000	Electricity contracts for difference $'000	Total $'000
Not later than one year	1,645	(5,108)	(62)	(3,525)
Later than one year but not later than two years	(427)	(1,078)	(734)	(2,239)
Later than two years but not later than five year	(321)	–	(302)	(623)
Balance as at 30 June 2008	897	(6,186)	(1,098)	(6,387)

27 *Shareholders' equity continued*

(c) Cash flow hedging reserve

Gains/(losses) transferred from the cash flow hedge reserve into profit or loss during the year are included in the following line items on the face of the income statement:

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Operating revenue	**24**	**24**	2,312	2,312
Other operating costs	**5,182**	**5,182**	570	569
Finance costs	**(7,810)**	**(7,810)**	4,138	4,085
Gains/(losses) transferred to income statement	**(2,604)**	**(2,604)**	7,020	6,966

There are no forecast transactions for which hedge accounting had previously been applied but which are no longer expected to occur.

28 *Ordinary dividends*

The Company paid the following fully imputed dividends during the year.

	Dividend payment date	Company 30 June 2009 $'000	Company 30 June 2008 $'000	Company 30 June 2009 cents per share	Company 30 June 2008 cents per share
Dividends paid during the year:					
2007 Year final dividend	30 September 2007		14,900		2.76
2008 Year interim dividend	31 March 2008		13,600		2.52
2008 Year final dividend	30 September 2008	**26,000**		**4.81**	
2009 Year interim dividend	31 March 2009	**10,400**		**1.92**	
Total Ordinary dividends paid		**36,400**	28,500		

29 *Contingent assets and liabilities*

The Company and Group had contingent assets and liabilities at 30 June 2009 in respect of:

(a) Land claims, law suits and other claims

The Company acquired interests in land and leases from ECNZ on 1 April 1999. These interests in land and leases may be subject to claims to the Waitangi Tribunal and may be resumed by the Crown. The Company would expect to negotiate with the new Maori owners for occupancy and usage rights of any sites resumed by the Crown. Certain claims have been brought to or are pending against the Company, ECNZ and the Crown under the Treaty of Waitangi Act 1975. Some of these claims may affect land and leases purchased by the Company or its subsidiaries from ECNZ. In the event that land is resumed by the Crown, there is provision for compensation to the Company.

At 30 June 2008, the Company had a contingent liability for the following: Carter Holt Harvey Limited commenced proceedings in May 2001 in the High Court against the Company as first defendant and Rolls Royce New Zealand Limited as second defendant in connection with a cogeneration agreement between ECNZ and Carter Holt Harvey signed in 1995. Carter Holt Harvey alleges failure to deliver in accordance with the agreement and also alleges defects in the Kinleith Cogeneration plant and seeks damages. A provision has been made in respect of this litigation as at 30 June 2009 (refer note 25).

The Board of Directors cannot reasonably estimate the adverse effect (if any) on Genesis Power Limited if any of the foregoing claims are ultimately resolved against Genesis Power Limited's interest, or any contingent or currently unknown costs or liabilities crystallise. There can be no assurances that such litigation or costs will not have a material adverse effect on Genesis Power Limited's business, financial condition or results of operations.

(b) Carbon emissions

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

(c) Financial guarantees

The Company issued financial guarantees to the alliance contractor and other agents of the Kupe joint venture for the full and faithful performance of its subsidiaries in their capacities as joint venture partners, to the extent of their several liabilities under the development agreement.

The Company issued a financial guarantee to Energy Clearing House Limited for the full and faithful performance of its subsidiary Energy Online Limited, to the extent of its liabilities for its retail electricity purchases.

These guarantees may give rise to liabilities in the Company if the subsidiaries do not meet their obligations under the terms of the respective arrangements.

(d) Letters of credit and performance bonds

The Company, as a participant in the electricity market, issued letters of credit to the Energy Clearing House Limited under the market's security requirements. These letters of credit are issued as part of normal trading conditions and are to ensure there is no significant credit risk exposure to any one market participant.

The Company has also issued letters of credit and performance bonds to certain suppliers and service providers under normal trading conditions. The liabilities covered by these arrangements are already provided for in the balance sheet, and are therefore not expected to create any adverse effects on the financial results presented.

These are not material to the financial statements.

There are no other known material contingent assets or liabilities (2008: nil).

30 Commitments

(a) Capital and investment commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Within one year	**13,007**	**13,007**	37,040	37,040
Later than one year but not later than five years	**2,331**	**2,331**	11,925	11,925
Total capital and investment commitments	**15,338**	**15,338**	48,965	48,965

(b) Operating lease commitments

(i) Where the Group is lessee

The operating leases are of a rental nature . The majority of the lessee commitments are for building accommodation for the Retail and Corporate sites, and land for the Generation sites. The remainder relates to vehicles, plant and equipment.

These leases are on normal commercial terms and conditions, with varying lease periods up to 20 years. In some cases renewal rights exist with market review clauses. The Group does not have any options to purchase the leased assets at the expiry of the lease period.

There are no restrictions imposed by these operating leases, such as those concerning dividend distributions, additional debt financing and further leasing arrangements.

Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Within one year	**6,135**	**5,803**	6,287	5,819
Later than one year but not later than five years	**21,324**	**20,245**	23,161	21,811
Later than five years	**35,942**	**35,942**	39,984	39,984
Commitments not recognised in the financial statements	**63,401**	**61,990**	69,432	67,614

(ii) Where the Group is lessor

The operating leases are of a rental nature. The majority of the lessor commitments relate to surplus farm land and buildings adjacent to Generation sites. The remainder relates to licences to occupy.

These leases are on normal commercial terms and conditions, with varying lease periods up to 20 years. In some cases renewal rights exist with market review clauses. The Group does not issue any options to lessees to purchase the leased assets at the expiry of the lease period.

Commitments for minimum lease receipts in relation to non cancellable operating leases are receivable as follows:

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Within one year	**477**	**373**	463	463
Later than one year but not later than five years	**871**	**679**	1,154	1,154
Later than five years	**786**	**786**	589	589
Commitments not recognised in the financial statements	**2,134**	**1,838**	2,206	2,206

Lease commitments are stated exclusive of GST.

(c) Other commitments

(i) Maintenance commitments

The Company has contracted a third party to provide spare parts, technical assistance and availability guarantees for certain plant. The long term maintenance contract has a fixed and variable charge component. The contract extends out to 30 June 2023 or earlier if certain maintenance milestones are completed.

(ii) Fuel commitments

The Company has contracted to purchase coal and gas supplies for thermal generation and retail gas sales. The contracts are for varying periods, annual quantities and prices. The coal contracts include a supply of approximately 120.0 PJ (2008: 194.7 PJ) of coal with one major contract extending out to 30 June 2014. In addition, at 30 June 2009 the coal stockpile was approximately 19.6 PJ (2008: 17.6 PJ). The firm gas contracts amount to approximately 317.3 PJ (2008: 295.0 PJ) with two contracts extending out 15 years from 2009.

30 Commitments continued

(iii) Coal transportation commitment

The Company has contracted a third party to provide coal transportation facilities from the Port of Tauranga to the Rotowaro rail receipt facility for a fixed annual charge of $1.0 million per annum, plus a per tonne freight cost for coal transported. The contract extends out 11 years to 26 December 2019, with a right of renewal for a further three five-year terms.

(iv) Coal receipt facility commitment

The Company has committed to a fixed annual rental and service fee of $1.7 million charged over the life of the contract for coal receipt facilities. The contract extends out five years to 30 June 2014.

(v) Joint venture commitments

The Kupe joint venture partners committed to proceed with the development of the Kupe field on 29 June 2006. Under the arrangement, costs of development are shared in proportion to the respective interest held. As a joint venture participant, the Group has ongoing commitments of $16.1 million (2008: $134.4 million) in order to develop the Kupe field.

The Group has no ongoing commitments to the Cardiff joint venture in relation to maintaining the Cardiff permit (2008: nil).

The Group has no ongoing commitments to the Gasbridge joint venture (2008: nil).

31 Related party transactions

(a) Crown

The Company is a state-owned enterprise and all shares are owned by the Crown, as represented by the Shareholding Ministers, Hon. Bill English, Minister of Finance and Hon. Simon Power, Minister for State-Owned Enterprises.

The Group undertakes many transactions with the Crown, state-owned companies and other Government entities, all of which are carried out on a commercial and arm's length basis. The table below details the major ongoing transactions types, and should not be taken as a complete list:

Transaction type

Accident compensation levies	Finance lessor
Air travel services	Internet Services
Scientific consultancy services	Investor
Electricity levies	Postal and courier services
Electricity transmission	Supply of coal and facilities
Energy products (i.e. electricity and gas supply contracts and hedges)	Tax collection

In August 2004 the Crown facilitated the development of the Huntly Unit 5 plant by agreeing to share a limited amount of risk with Genesis Energy around the long term supply of gas. Both the Crown and Genesis Energy have already taken action to reduce this uncertainty: the Crown through the introduction of gas exploration incentives and Genesis Energy by entering into long term gas contracts. The risk sharing agreement runs for up to 10 years.

(b) Key management and personnel compensation

The key management personnel of the company are the directors and the executive management team.

Key management personnel compensation is as follows:

	Group 30 June 2009 $'000	Group 30 June 2008 $'000
Short term benefits	**5,701**	6,302
Post employment benefits (including defined contribution plan contributions)	**76**	45
Termination benefits	**560**	–
Total key management personnel	**6,337**	6,347

(c) Other transactions with key management personnel or entities related to them

Key management personnel and their families purchase gas and electricity from the Group for domestic purposes on an arm's-length basis.

During the year, aside from directors' fees included in key management compensation in (b) above, no other transactions took place between the directors and the Group or Company. (2008: $16,052).

At 30 June 2009, the net balances payable to directors was $1,482.

31 Related party transactions continued

(d) Subsidiaries and joint ventures

Notes 19 and 32 identify group entities and joint ventures in which Genesis Power Limited has an interest. All of these entities are related parties of the Company. Notes 16 and 23 detail the outstanding balances relating to these entities at balance date.

During the year, the Company advanced its subsidiaries $145.6 million (2008: $171.2 million) in order for them to meet their operating and capital commitments. Offsetting these advances were subsidiary tax credits of $27.5 million (2008: $5.1 million) transferred to the Company.

These advances are unsecured, and have no repayment terms or conditions attached. Interest is charged at a rate equal to the Company's average borrowing cost. Net interest charged by the Company during the year was $28.3 million (2008: $14.5 million).

During the year, the Company impaired certain subsidiary loans totalling $7.7 million on the grounds that the recoverability of those loans was not supported by assets in the subsidiary (2008: $20.8 million).

(e) Other related parties

(i) Genesis Oncology Trust

The Group has a sponsorship agreement with the Genesis Oncology Trust. The annual sponsorship to be paid to the Trust amounted to $0.2 million (2008: $0.2 million). In 2009 the Group made additional donations of $0.2 million (2008: $0.2 million). The total amount outstanding at year end was $0.2 million (2008: $0.2 million).

The Group provides the Trust with accounting and administrative support free of charge.

Albert Brantley (Chief Executive of Genesis Power Limited) is the Chairman of the Trust. Maureen Shaddick (General Counsel and Company Secretary of Genesis Power Limited) is the Deputy Chair of the Trust.

(ii) Gas Industry Company Limited

The Group has a 10% share in the Gas Industry Company Limited. The Gas Industry Company is an industry owned entity established to fulfil the role of the industry body under the Gas Act 1992. The entity, as the industry body, is the co-regulator of the gas industry, working with both the Government and the gas industry to develop outcomes that meet the Government's policy objectives as stated in the Government's April 2008 Policy Statement on Gas Governance.

During the year the Group made payments to the Gas Industry Company in the form of levies and cost reimbursements totalling $2.5 million (2008: $1.8 million).

(iii) CRL Energy Limited

The Group has a 50% share in CRL Energy Limited. CRL Energy is an energy solutions research company.

During the year, the Group made no payments (2008: $0.1 million) to CRL Energy. The payments made in the prior year were made under normal commercial terms and conditions.

(iv) Other environmental restoration and enhancement and charitable trusts

The Group has identified a number of other trusts established for charitable or environmental enhancement and restoration purposes which fall within the scope of the definition of related parties. During the year the Group made payments of $1.0 million (2008: $0.5 million) to these trusts.

32 Interests in joint ventures

(a) Joint venture operations

Name of entity	Interest held in Company		Principal activity
	2009	2008	
Kupe Joint Venture	31.0%	31.0%	Petroleum exploration and development
Cardiff Joint Venture	55.1%	40.0%	Petroleum exploration and development
Gasbridge Joint Venture	50.0%	50.0%	Liquefied natural gas importation development

The Group has a 31 per cent interest in Petroleum Mining Permit 38146 held by the Kupe Joint Venture. The Kupe joint venture partners committed to proceed with the development of the field on 29 June 2006.

The Group acquired a further 15.1 per cent share of the Deep petroleum rights in Petroleum Exploration Permit 38738 and Petroleum Mining Permit 38156 held by the Cardiff Joint Venture on 3 February 2009. This resulted in a loss on acquisition of $1.4 million. The Group now effectively holds a 55.1 per cent share of the joint venture. The Group has the right to purchase 100 per cent of the Deep gas reserves.

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 recently delayed this investigation.

32 Interests in joint ventures continued

(b) Share of joint venture assets, liabilities, revenue and expenses

	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Current assets				
Cash and cash equivalents	21,029	–	7,171	–
Accounts receivable	664	–	2,757	–
Prepayments	–	–	19,600	–
Inventories	66	–	81	–
Total current assets	21,759	–	29,609	–
Non-current assets				
Property, plant and equipment (including capital work in progress)	301,670	–	234,546	–
Exploration and evaluation assets	44,964	–	24,090	–
Intangibles	83,444	–	63,394	–
Total non current assets	430,078	–	322,030	–
Total share of assets employed in joint venture	451,837	–	351,639	–
Current liabilities				
Trade payables	(15,805)	–	(75,912)	–
Total share of liabilities employed in joint venture	(15,805)	–	(75,912)	–
Income	648	–	1,010	–
Expenses	(1,499)	–	(1,336)	–
Share of profit	(851)	–	(326)	–

For capital expenditure commitments relating to the joint ventures refer to note 30(c). Refer to note 10 for details of impairment of assets.

33 Resource consents

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

34 Events occurring after the balance sheet date

On 28 July 2009, the Group agreed to sell certain retail business assets relating to its public internet service offering. On 31 July 2009, the Company purchased 25% of the shares in Energyhedge Limited. On 20 August 2009 the Company issued $50.0 million of medium term notes. The notes are repayable on 20 February 2017. (2008: GP No. 4 Limited agreed to purchase a further 15.1% interest in Cardiff Joint Venture).

35 Reconciliation of profit after income tax to net cash inflow from operating activities

	Notes	Group 30 June 2009 $'000	Company 30 June 2009 $'000	Group 30 June 2008 $'000	Company 30 June 2008 $'000
Profit/(loss) for the year		**(135,716)**	**(145,491)**	99,058	99,549
Items classified as investing/financing activities:					
Net (gain)/loss on disposal of property, plant and equipment	11	**(851)**	**(851)**	277	3
Net gain/(loss) on consolidation of associate/joint venture	19, 32	**1,390**	**–**	(223)	–
Interest paid and other finance charges	13	**16,133**	**16,654**	28,050	28,834
		16,672	**15,803**	28,104	28,837
Non-Cash Items:					
Depreciation	20	**70,891**	**70,746**	70,588	70,433
Amortisation	9	**16,694**	**12,557**	14,821	10,587
Revaluation loss	20	**261,389**	**261,389**	–	–
Impairment	10	**25,824**	**25,250**	38,365	20,761
Change in fair value of derivative financial instruments	11	**4,484**	**8,178**	4,577	4,924
Change in deferred tax liabilities		**(58,177)**	**(83,404)**	29,905	13,104
Change in capital expenditure accruals		**43,254**	**43,254**	(62,473)	1,449
Share of profit/(loss) of equity accounted investments		**(67)**	**–**	–	–
		364,292	**337,970**	95,783	121,258
Movements in working capital:					
Change in trade and other receivables		**210,947**	**212,352**	(247,648)	(247,838)
Change in prepayments		**19,868**	**273**	(19,346)	168
Change in inventories		**(17,022)**	**(17,022)**	(3,901)	(4,061)
Change in creditors and employee entitlements		**(227,171)**	**(158,625)**	254,207	181,586
Change in current taxation receivable/payable		**3,145**	**30,843**	(971)	29,144
Change in provisions	25	**27,853**	**11,800**	3,822	(197)
		17,620	**79,621**	(13,837)	(41,198)
Net cash inflow from operating activities		262,868	287,903	209,108	208,446

36 Explanation of accounting standards and interpretations in issue not yet effective

At the date of authorisation of the financial statements, a number of Accounting Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to Genesis Power Limited and its subsidiaries' financial statements:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS-8 Operating Segments	1 January 2009	30 June 2010
NZ IAS-1 Presentation of Financial Statements – Revised Standard	1 January 2009	30 June 2010
Amendments to NZ IFRS 1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards' and NZ IAS 27 'Consolidated and Separate Financial Statements' – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009	30 June 2010
Improving Disclosures about Financial Instruments (Amendments to NZ IFRS 7 Financial Instruments: Disclosures)	1 January 2009	30 June 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial statements of Genesis Power Limited and its subsidiaries:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Amendments to NZIFRA-4 'Insurance Contracts' – the Scope of Insurance Activities and Differential Reporting Concessions	1 January 2009	30 June 2010
NZ IFRIC 15 'Agreements for the Construction of Real Estate'	1 January 2009	30 June 2010
NZ IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	30 June 2010
NZ IFRIC 17 'Distributions of Non-Cash Assets to Owners'	1 July 2009	30 June 2010
NZ IFRIC 18 'Transfers of Assets from Customers'	1 July 2009	30 June 2010
NZ IAS 23 'Borrowing Costs' – revised 2007	1 January 2009	30 June 2010
Amendments to NZ IFRS-2 'Share-Based Payment' – Vesting Conditions and Cancellations	1 January 2009	30 June 2010
NZ IFRS 3 'Business Combinations' – revised 2008	1 July 2009	30 June 2010
NZ IAS 27 'Consolidated and Separate Financial Statements' – revised 2008	1 July 2009	30 June 2010
Revised Amendments to NZ IAS 32 'Financial Instruments: Presentation' and NZ IAS 1 'Presentation of Financial Statements' – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009	30 June 2010
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2008	Various*	30 June 2010
Omnibus Amendments (2008)	1 January 2009	30 June 2010
Amendments to NZ IAS 39 'Financial Instruments: Recognition and Measurement' – Eligible Hedged Items	1 July 2009	30 June 2010
Omnibus Amendments (2009)	1 July 2009	30 June 2010
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2009	**	30 June 2011

* The effective date and transitional provisions vary by Standard. Most of the improvements are effective for annual periods beginning on or after 1 January 2009, with earlier adoption permitted, and they are to be applied retrospectively.

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

Audit Report

— for the year ended 30 June 2009

To the readers of Genesis Power Limited and Group's financial statements for the year ended 30 June 2009

The Auditor-General is the auditor of Genesis Power Limited (the Company). The Auditor-General has appointed me, Bruce Taylor, using the staff and resources of Deloitte, to carry out the audit of the financial statements of Genesis Power Limited, for the year ended 30 June 2009.

Unqualified Opinion

In our opinion:

- The financial statements of the Company on pages 3 to 59:
  - 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 2009 and
    - the results of its operations and cash flows for the year ended on that date.
- Based on our examination the Company and Group kept proper accounting records.

The audit was completed on 25 August 2009, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements.

We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the Company and Group as at 30 June 2009 and the results of its operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 19(1) of the State-Owned Enterprises Act 1986.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit we have carried out assignments in the area of other assurance services which are compatible with those independence requirements. In addition to these assignments, principals and employees of our firm deal with the Company and Group on arm's length terms within the ordinary course of trading activities of the Company and Group. Other than the audit and these assignments and arm's length transactions, we have no relationship with or interests in the Company, or any of its subsidiaries.

Bruce Taylor
Deloitte

On behalf of the Auditor-General
Hamilton, New Zealand

Deloitte.

This audit report relates to the financial statements of Genesis Power Limited (the Company) and Group for the year ended 30 June 2009 included on Genesis Power Limited's website. The Board of Directors are responsible for the maintenance and integrity of Genesis Power Limited's website. We have not been engaged to report on the integrity of Genesis Power Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 25 August 2009 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Performance Against Statement of Corporate Intent

— for the year ended 30 June 2009

The Statement of Corporate Intent (SCI) for the period 1 July 2008 to 30 June 2011 was submitted by the Board of Directors of Genesis Power Limited (Genesis Energy) in accordance with section 14 of the State-Owned Enterprises Act 1986 (Act).

The SCI, as required by the Act, specifies information in respect of the financial year in question and each of the two immediately following financial years. Genesis Energy also voluntarily provides information for an additional two years above the Act requirement. Set out to the right is a table reporting on performance against SCI targets for the year end 30 June 2009.

Financial Performance Targets	Notes	SCI Target	SCI Actual (includes revaluation)
Net operating profit after tax to average debt plus equity	1	3.4%	-6.4%
Net profit after tax to average shareholders' funds	2	3.5%	-9.7%
Earnings before interest and tax to average total assets	3	3.8%	-6.6%
Dividend payout		40% of NPAT (2009 target)	$36.4 million paid year to date ($10.4 million 2009 Interim Dividend; $26 million 2008 Final Dividend)
Debt to debt plus equity		34.2%	30.9%
Consolidated shareholders' funds to total assets		51.3%	53.7%
Non-financial Performance Targets			
Number of significant RMA non-compliances	4	0	1
Trainees as a percentage of workforce	5	10%	6.1%
Customer satisfaction	6	85%	81.9%
Power station availability:			
- Hydro	7	98%	93.43%
- Thermal	8	92%	85.78%

Notes

1. Underlying earnings (Note 4): 4.6%
2. Underlying earnings (Note 4): 5.9%
3. Underlying earnings (Note 4): 4.9%
4. 'Significant' refers to those incidents which are more than minor and for which it is appropriate to notify the consent authority (over and above standard notification of minor consent non-compliances in consent monitoring reports).
   The Resource Management Act 1991 non-compliance was an ash spill from an ash pond in July 2008.
5. The trainees performance target was below target because the first two intakes of the National Apprenticeship Programme have graduated. The third intake is currently completing their training.
6. Based on a survey question: "How do you rate the overall performance of your energy supplier?" Percentage of customers rating Genesis Energy as good, very good or excellent.
7. Hydro was below target due to low in-flows.
8. Thermal was below target due to operational issues.

Statutory information

Directors holding office during accounting period

The names of the directors of Genesis Power Limited, trading as Genesis Energy ("Genesis Energy") or ("Company"), and its subsidiary companies, during the accounting period 1 July, 2008 to 30 June, 2009 are as follows.

Disclosure of Interest

The general disclosures of interest made by directors of Genesis Energy and its subsidiaries, pursuant to section 140(2) of the Companies Act 1993 ("Companies Act"), are shown below. There were no declarations of interest made pursuant to section 140(1) of the Companies Act entered in the Interests Registers of Genesis Energy or its subsidiary companies. No director of Genesis Energy is a shareholder of Genesis Energy or any of its subsidiary companies.

Interest Register entries

In accordance with section 211(1)(e) of the Companies Act, particulars of the entries in the Interests Register of Genesis Energy made during the accounting period are as follows. New or adjusted entries made during the accounting period are marked with an asterisk (*).

Brian Corban CNZM, QSO	Discloses pursuant to s140(2) of the Act that he is: Chairman and Shareholder of Corban Consultants Limited Chairman and Shareholder of Lindsay Corban Associates Limited Chairman and Shareholder of Ngatarawa Wines Limited Chairman and Trustee of Corban Estate Arts Centre Chairman of the Melanesian Mission Trust Board Chairman of Corbans Viticulture Limited Chairman of West Auckland Trust Services Limited Chairman of Languages International Limited Chairman Frontier Global Limited Deputy Chairman and Board Member of New Zealand Railways Corporation* Deputy Chairman and Director of KiwiRail Holdings Limited* Director of Clifford Bay Finance Limited* Director of KiwiRail Finance Limited* Director of KiwiRail Freight Limited* Director of Trans Metro Limited* Director of Tranz National Limited* Director of Frontier Mapping (NZ) Limited Consultant of Corban Revell Lawyers Trustee of the Royal New Zealand Navy Museum Trustee of the West Auckland Hospice Foundation Trust† Trustee of Waitakere Enterprise Board Advisory Council Member of the Church of Melanesia Member of the Speaker's Assurance Committee † The Trustees hold a non-beneficial interest in Genesis Energy Bonds.
Joanna Perry	Discloses pursuant to s140(2) of the Act that she is: Chairman of Financial Reporting Standards Board Director and Shareholder of JMGP Limited Director of Kiwi Income Property Limited Director of PSIS Limited Director of AsureQuality Limited Trustee of Melanesian Mission Trust Board Member of Australian Accounting Standards Board Member of Policy Council and New Zealand Regional Council for Financial Services Institute of Australasia* Member of the Audit Committee of the Victorian Auditor General's Office Member of the Speaker's Assurance Committee Member of the International Financial Reporting Interpretations Committee (IFRIC)* Member of New Zealand Regional Council for Financial Services Institute of Australia*
Annabel Cotton	Discloses pursuant to s140(2) of the Act that she is: Director of Merlin Consulting Limited Director of Barramundi Limited Director of Kingfish Limited and subsidiaries Director of Marlin Global Limited Director of Anamallai Tea Estates & Ropeway Company Limited Director of Riverbend Dairy Farms Limited Member of Securities Commission and the Commissioner for Financial Advisers*

Ian Kusabs	Discloses pursuant to s140(2) of the Act that he is: Chairman of the Lake Taupo Sustainable Management Group Director and Shareholder of Ian Kusabs and Associates. Member of the Lake Taupo management board. Advisor of Ngati Tuwharetoa Fisheries associate of Wildland Consultants Fisheries associate of Charles Mitchell and Associates Member of the Lake Taupo Protection Project Joint Committee Member of the Lake Taupo Liaison sub-committee
Dr Nicola Crauford	Discloses pursuant to s140(2) of that Act that she is: Director of the Centre for Advanced Engineering Director and Shareholder of Crauford Robertson Consulting Limited Director and Shareholder of Martin Crauford Limited Chief Executive of Institute of Directors, New Zealand Minority Shareholder of iYomu Limited* Member of Nominations and Governance Committee of New Zealand Institute of Chartered Accountants Member of the Electoral Authority for PSIS Limited
Barbara Elliston	Discloses pursuant to s140(2) of the Act that she is: Director of Solar Power and Renewables Company Limited Director of SPARCO Limited Director of Investment Vehicle Limited Director of King Solar Limited Director of Sun King Solar Limited Director of The Solar Hot Water Company Limited Director of Elliston Power Consultants Limited Director of Timeless by Design Limited Director of Fireball Limited Director of Azzuro Solar Limited Director of Solar Imports Limited
Sara Lunam	Discloses pursuant to s140(2) of the Act that she is: Chair of WNC 2007 Limited Director of Te Arahono Limited* Director of NZ Post Limited Director of ACC Limited* Director of New Zealand Merino Company Limited
Denis Wood	Discloses pursuant to s140(2) of the Act that he is: Chairman of Mercy Healthcare Limited and its subsidiaries* Chairman of Mercy Hospice Auckland Limited Director of Tower Limited Director and sole Shareholder of DMW Investments Limited
Graeme Milne	Discloses pursuant to s140(2) of the Act that he is: Chairman of New Zealand Pharmaceuticals Limited Chairman of Synlait Limited Chairman of Terracare Limited Chairman of Encoate Holdings Limited Chairman of Waikato District Health Board Shareholder of Media Profile Limited Director Farmers Mutual Group Director Satara Co-operative Group Limited Director New Zealand Institute for Rare Disease Research Limited Partner of G.R. & J. A. Milne Trustee of Rockhaven Trust
John Stace (term ended 30 April 2009)	Discloses pursuant to s140(2) of the Act that he is: Chairman and Shareholder of Triplejump Limited Director of The Kiwi Expat Association Incorporated; Member of the New Zealand Trade and Industry, Beachhead Advisory Board. Board Member of Equestrian Sports New Zealand (ESNZ) Trustee Woodford House Foundation
Kenneth Michael (Mike) Williams (term ended 31 December 2008)	Discloses pursuant to s140(2) of the Act that he is: President of the New Zealand Labour Party Chairman of the Transport Board Reference Group Director of the Institute of Geological and Nuclear Sciences Director of Auckland Regional Transport Authority Director New Zealand Railways Corporation Board Member of New Zealand Transport Agency* Trustee of Waitakere Enterprise Board Authority Member of Transit NZ Limited*

Indemnity and Insurance

In accordance with section 162 of the Companies Act, and the Company's constitution, Genesis Energy has indemnified and arranged insurance for all current and former executive officers of the Company and its subsidiary companies in respect of all liabilities to persons (other than the Company or a related body corporate) to the extent permitted by law which arise out of the performance of their normal duties as directors or executive officers unless the liability relates to conduct involving a lack of good faith.

Use of Company Information

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

Remuneration of Directors

Shareholding Ministers advise the Board of the total allowance for fees available to directors of Genesis Energy and its subsidiary companies. The following table sets out the total remuneration (including remuneration for standing and temporary committee membership) and the value of other benefits received from Genesis Energy by each director of the Company during the period 1 July 2008 to 30 June 2009.

Name	Total $
Brian Corban	115,305.00
Joanna Perry	62,813.52
Annabel Cotton	50,095.42
Ian Kusabs	45,300.25
Nicki Crauford	56,843.19
Barbara Elliston	45,342.88
Sara Lunam	39,638.34
Denis Wood	7,550.16
Graeme Milne	7,550.16
Mike Williams	30,840.46
John Stace	44,940.25
Denis McNamara (term ended 30 April 2008)	5,400.00

During the year in review, Mike Williams ended his term as a director on 31 December 2008. John Stace ended his term as a director on 30 April 2009. Sara Lunam was appointed a director with effect from 15 August 2008 and Denis Wood and Graeme Milne were appointed as directors with effect from 1 May 2009.

As at 30 June 2009, Genesis Energy had 15 wholly owned subsidiary companies (detailed in the financial statements). The directors of 14 of those companies are Brian Corban and Albert Brantley. On 1 September 2008 Albert Brantley was appointed a director of those companies. Murray Jackson resigned as a director of those companies on 31 August 2008.

The directors of Energy Online Limited are Albert Brantley, Mark Anderson and Dean Carroll. Albert Brantley was appointed a director of Energy Online Limited on 1 September 2008. Murray Jackson resigned as a director of Energy Online Limited on 31 August 2008.

Albert Brantley and Mark Anderson are directors of Gasbridge Limited in connection with Genesis Energy's 50 per cent ownership of Gasbridge Limited. On 1 September 2008 Albert Brantley was appointed as a director of Gasbridge Limited. Murray Jackson resigned as a director of Gasbridge Limited on 31 August 2008.

Mark Anderson, Allan Melhuish and Richard Pearce are directors of CRL Energy Limited in connection with Genesis Energy's 50 per cent ownership of CRL Energy Limited

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

Remuneration of Employees

In accordance with section 211(1)(g) of the Companies Act 1993, the number of employees, or former employees of Genesis Energy and/or members of the Company who during the period received remuneration and other benefits the value of which exceeded $100,000 is as follows:

Earnings Over $100,000	
$1,600,000-$1,610,000	1
$690,000-$700,000	1
$460,000-$470,000	1
$430,000-$440,000	3
$360,000-$370,000	1
$350,000-$360,000	1
$340,000-$350,000	1
$270,000-$280,000	2
$240,000-$250,000	3
$230,000-$240,000	1
$220,000-$230,000	2
$210,000-$220,000	2
$200,000-$210,000	2
$190,000-$200,000	3
$170,000-$180,000	3
$160,000-$170,000	6
$150,000-$160,000	9
$140,000-$150,000	9
$130,000-$140,000	26
$120,000-$130,000	31
$110,000-$120,000	51
$100,000-$110,000	41
Total staff earning $100k +	200
Staff included who are no longer employed by Genesis Energy	13

Brian Corban CNZM, QSO
Chairman

Joanna Perry
Deputy Chair

Directory

Board of Directors

Chairman
Brian Corban, CNZM, QSO

Directors
Joanna Perry (Deputy Chair)
Annabel Cotton
Ian Kusabs
Nicki Crauford
Barbara Elliston
Sara Lunam
Denis Wood
Graeme Milne

Executive Management Team

Chief Executive
Albert Brantley

General Counsel and Company Secretary
Maureen Shaddick

GM Finance
Mark Anderson

GM Retail
Dean Carroll

GM Production
Bob Weir

GM Corporate Affairs
Malcolm Alexander

GM Generation Development
Richard Pearce

GM Corporate Services
Peggy Molyneux

GM Fuel Development
Allan Melhuish

GM Energy Online
Nic McCondach

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Facsimile: +64 9 580 4894

www.genesisenergy.co.nz

Auditor

Bruce Taylor of Deloitte has been appointed to perform the audit on behalf of the Auditor-General.

Banker

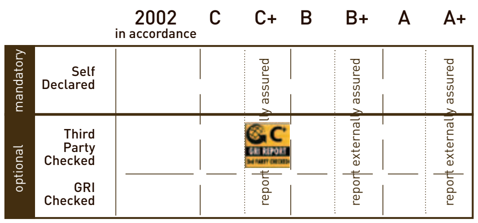
Westpac

Solicitor

Russell McVeagh

For further information email: feedback@genesisenergy.co.nz

GRI Application Level



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