

**“WHAT DO PEOPLE REALLY NEED
FROM THEIR ENERGY COMPANY?”**

GENESIS POWER LIMITED 2003 Annual Report

2

Overview
of Report
Themes

4

Chairman's
Report

6

Financial &
Operating
Highlights

8

Chief
Executive's
Report

10

Providing the
Answers

34

Environmental
Report

44

Financial
Statements

60

Report of
the Auditor-
General

ANSW

61

Report on
Statement
of Corporate
Intent

62

Corporate
Governance
Statement

64

Statutory
Information

67

Statement
of Corporate
Intent
(summarised)

68

Board of
Directors

70

Senior
Management

72

Our Physical
Assets

73

Directory

ANSWERS!

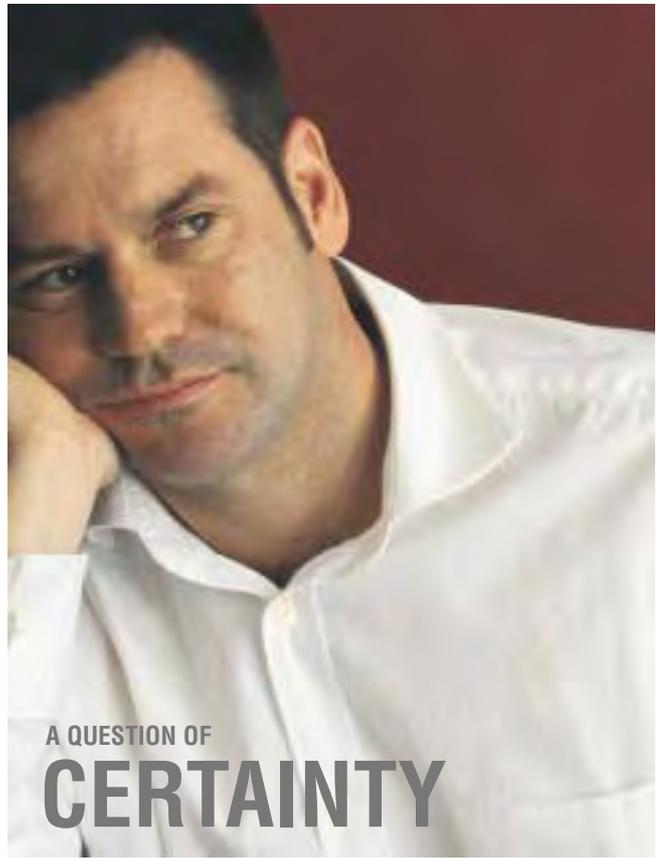
This year the New Zealand energy industry has been brought into question. We owe it to our customers to provide the answers.



A QUESTION OF
CREDIBILITY

08

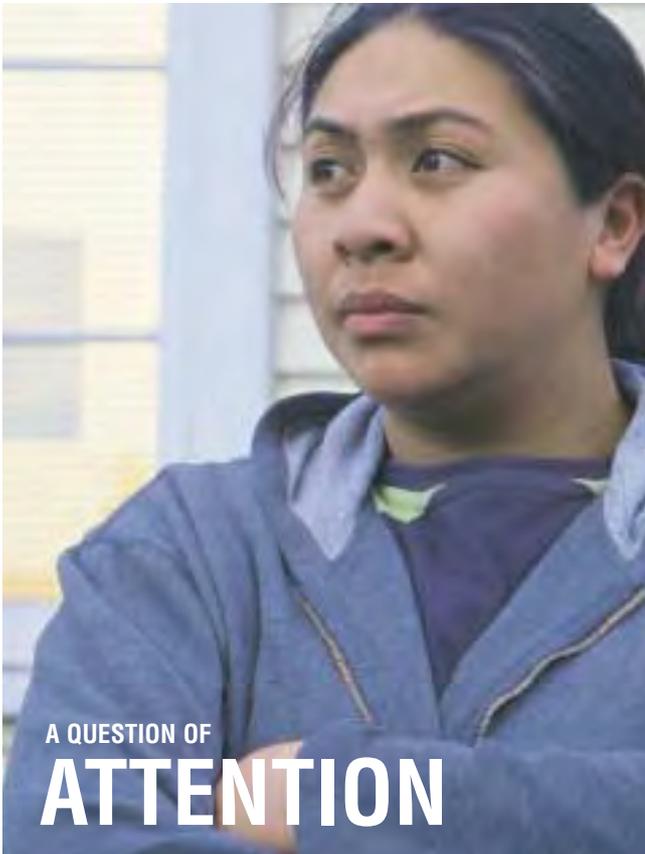
Chief Executive Murray Jackson looks back over a year of challenge and change, and explains why Genesis is well placed to meet the demands that we will face into the future.



A QUESTION OF
CERTAINTY

10

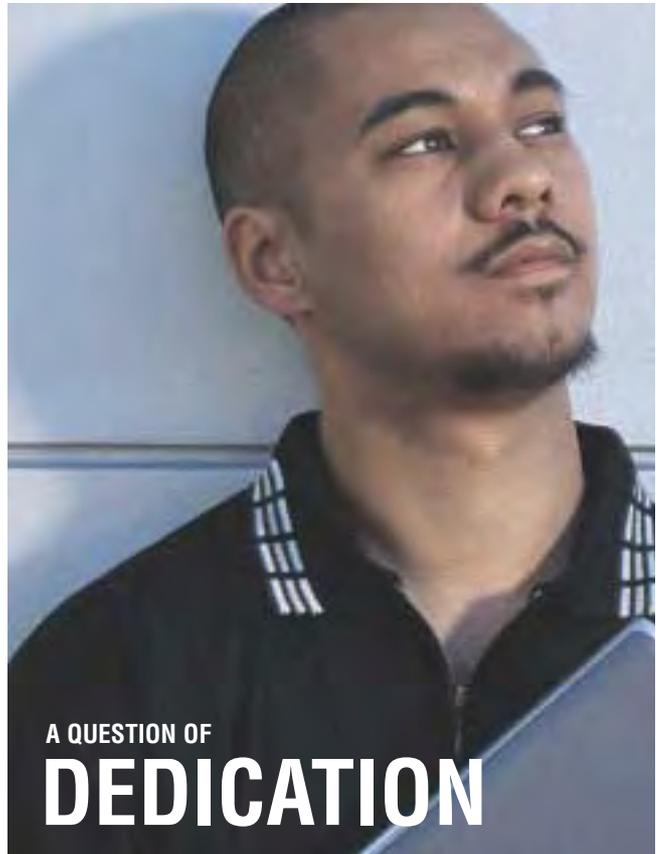
Genesis takes the energy requirements of our customers seriously. Here we outline plans for a more certain supply future.



A QUESTION OF
ATTENTION

22

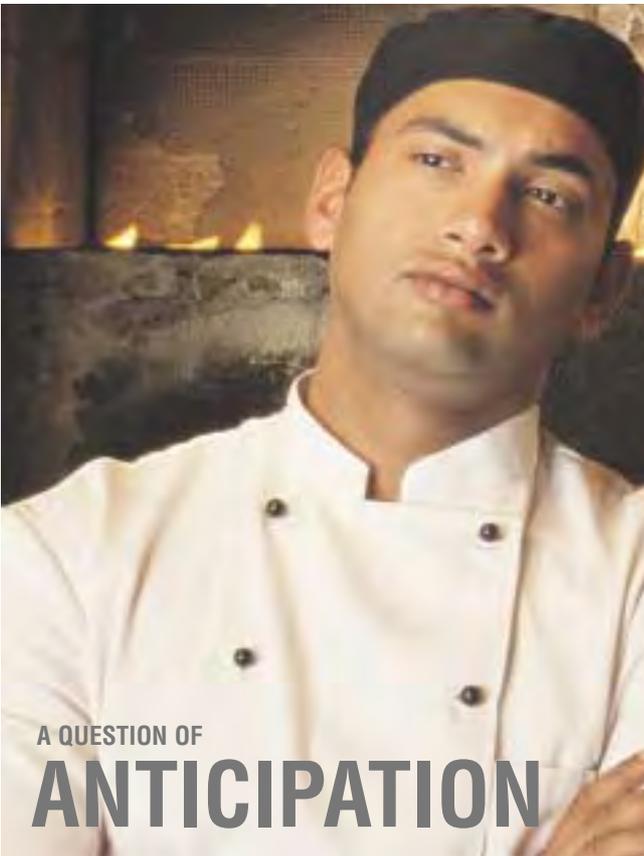
Genesis models its energy offer around the needs and wants of our customers, making sure that as markets and lifestyles change, so do we.



A QUESTION OF
DEDICATION

26

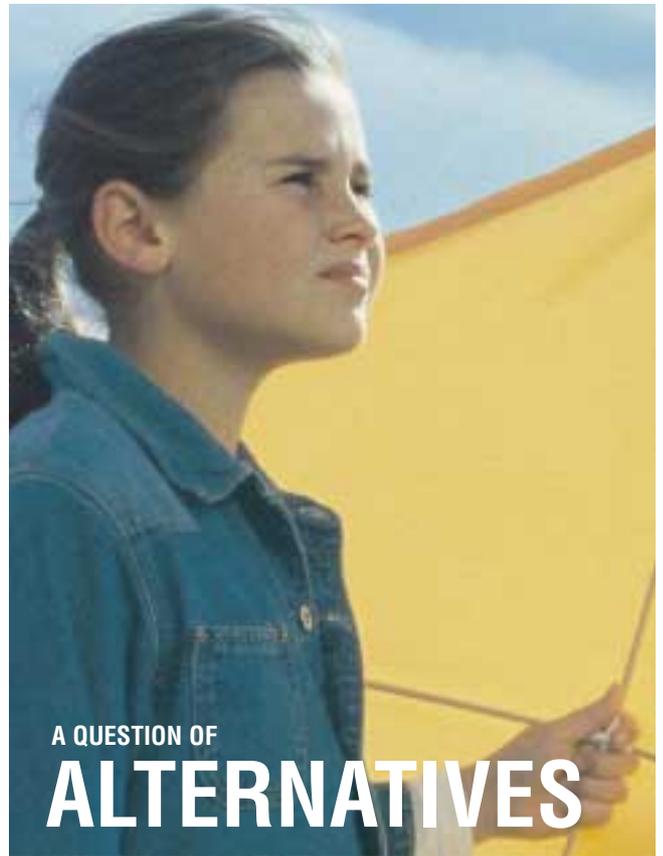
By offering our staff opportunities to learn, we encourage them to grow. By working alongside our stakeholders in the community, we continue to learn together.



A QUESTION OF
ANTICIPATION

14

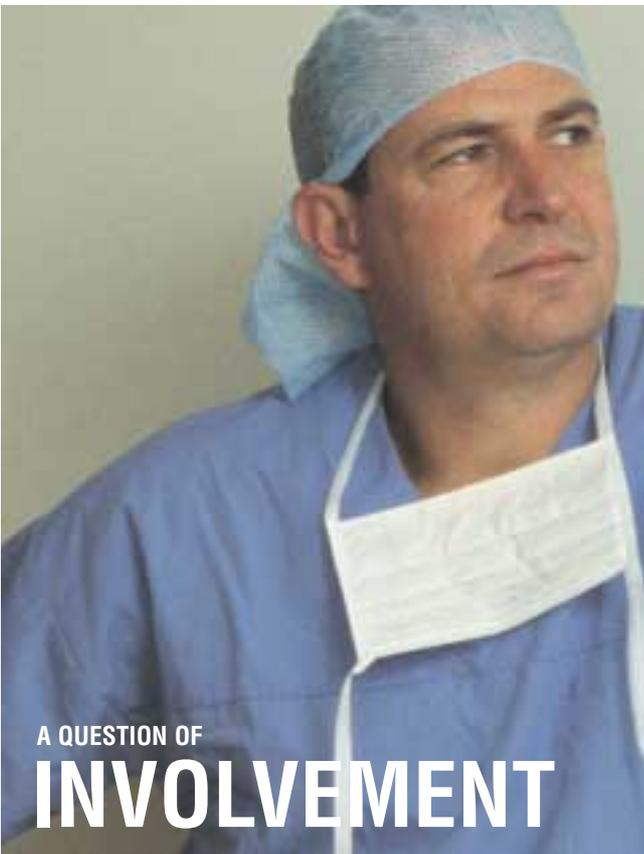
Genesis outlines the issues facing existing fuel source supplies, and describes our plans to ensure we can meet our generation commitments.



A QUESTION OF
ALTERNATIVES

18

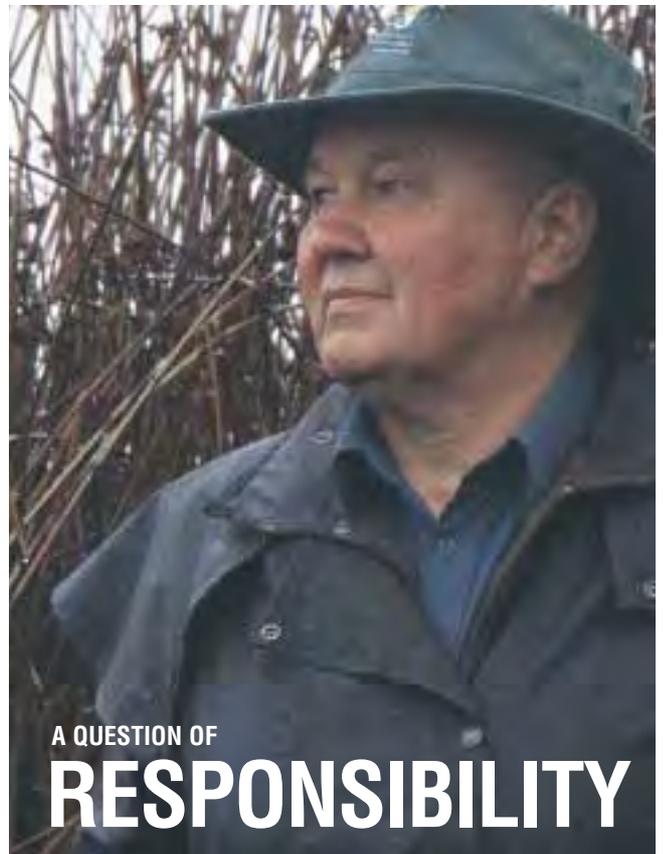
At Genesis we understand the importance of balancing our generation assets, and ensuring the efficient use of energy by our end-use customers.



A QUESTION OF
INVOLVEMENT

30

As a socially responsible company, Genesis is committed to working with local communities, contributing to a variety of initiatives and building close working relationships.



A QUESTION OF
RESPONSIBILITY

34

Environmental effects are an inevitable part of our business. We work alongside our stakeholders to understand, monitor and lessen these effects.

ACCOUNTABILITY

I am pleased to present the Genesis Power Limited Annual Report for the year ended 30 June 2003.

BRIAN CORBAN QSO, Chairman, Genesis Power.
MA(Hons), LLB, FIOD, FNZIM

Q:1 How well did Genesis perform?

ANSWER: For the year ended 30 June 2003, the net surplus earned by Genesis Power Limited was \$61.1 million. This compares favourably with our 2002 result of \$48.1 million, and 2001 result of \$59.9 million.

Total revenues increased from \$1,094 million in 2002 to \$1,430 million. The increase reflects the growth in revenue from the acquisition of NGC's retail gas business in October 2002 and increased generation during a dry sequence in autumn 2003.

Total assets at 30 June 2003 were \$1,214 million, up from \$1,133 million at 30 June 2002, with an increase in total equity from \$891 million to \$937 million over the same period.

For the period under review, the company will pay a total dividend to its Shareholding Ministers of \$24.4 million comprising an interim dividend of \$8.2 million and a final dividend of \$16.2 million to be paid at the end of September 2003.

Q:2 What role did market conditions play in achieving this result?

ANSWER: Genesis, and the electricity industry as a whole, faced variable hydrological conditions from flooding in the first half-year, to drought in the second half-year.

High inflows to hydro storages contributed to low wholesale electricity prices for the first five months of the year, as the lakes were well above average. The average wholesale electricity price for the period July 2002 to November 2002 was \$30 per megawatt hour.

Genesis' retail electricity business totalling 6000GWh was sufficient to insulate the company against loss of profit during the wet period. During the dry period from December 2002 to May 2003 the same retail business protected industry and households from exposure to high wholesale prices.

Genesis was called on to cover hydro generators against hydro shortfall in the dry period and to provide additional hedge cover to large industrial customers who were exposed to high volatile spot prices.

Unavailability of other thermal plants at critical times, and fuel constraints including the reduction of gas supply following the final redetermination of the Maui gas field, meant Genesis was forced to use much higher quantities of coal at its 1000MW Huntly plant than in previous years. The ability to operate on dual fuel demonstrates the critical importance of Huntly Power Station in ensuring security of supply to New Zealand.

Q:3 How does Genesis manage its fuel risk?

ANSWER: Good risk management is essential for any company participating in the energy sector. As a large generator and retailer, Genesis is well aware of the need to be able to generate to cover its pre-committed electricity sales and to manage the reserve and reliability requirements of the national grid.

Genesis has a policy of no speculation, requiring management to avoid undue risk exposure while maximising return to shareholders. A balanced portfolio of hydro and thermal generation assets and alternative thermal fuel is regarded as essential for proper risk management.

Of significant concern to Genesis and the wider electricity and gas industries is the emerging shortfall in Maui gas reserves which has seen Genesis' gas entitlements under a third party contract from Maui reduce by 25 percent and spot gas purchases cease.

In the year under review, Genesis has generated at very high levels, using all available hydro, coal, gas and distillate supplies. Very high generation levels have been maintained at Huntly since 2001. This has depleted stockpiles of coal which could not be replenished from local suppliers.

Following the 2001 drought and prior to the Maui redetermination, Genesis was in discussion to secure alternative fuel supplies for both the short and long term. Part of Genesis' fuel requirements was met by securing an eight year, \$800 million coal contract with local coal supplier Solid Energy.

Genesis also secured all available gas from the Rimu and Kauri oil and gas fields owned by

Swift Energy, and commenced work on restructuring the Kupe oil and gas field joint venture to bring gas on shore from 2007.

Q:4 What is the future outlook for Genesis?

ANSWER: New opportunities to build a robust retail energy business will result in continued growth for Genesis. With more than 585,000 electricity and gas customers, Genesis will be able to achieve an increased level of customer service through regional account managers and our customer contact centre.

Our generation assets continue to provide excellent reliability for the electricity generation industry. Genesis plans to bring on stream a 40MW open cycle gas plant at Huntly prior to winter 2004 and to use this technology for 100MW embedded generators in the near future. Genesis' 365MW high efficiency combined cycle gas turbine plant is on target for commissioning prior to the winter of 2006.

Q:5 How has Genesis' management and staff coped with rapid expansion?

ANSWER: Our Chief Executive Murray Jackson, his management team and all staff have in place realistic, achievable business plans that ensure sound growth of the company. Genesis has contributed to the communities it serves through the Genesis Oncology Trust, sponsorship, education and environmental services programmes.

Genesis' relationship with community groups including local iwi has attracted positive comment.

Management has been well supported by a committed Board of Directors. Thanks go to Taitimu Maipi, Alan Haronga and Elizabeth Hickey who have retired during the year, and welcome to Mike Williams as a new Board member.

On behalf of the Board, I have great pleasure in submitting the 2002/03 Genesis Power Limited Annual Report.

Q:1 Pēhea te pai o ngā mahi a Genesis?

WHAKAUTU: Mō te tau i mutu i te 30 o Pipiri 2003, ko te hua more i whiwhia e Genesis Power Limited ko te \$61.1 miriona. He ritenga pai tēnei ki te tirohia ngā putanga o te tau 2002, arā, ko te \$48.1 miriona, ā, i te tau 2001 ko te \$59.9 miriona.

I piki ngā moni whiwhi katoa mai i te \$1094 miriona i te tau 2002 ki te \$1430 miriona. He whakaataranga tēnei pikinga i te pikinga o te moni whiwhi mai i te rironga mai o te umanga kapuni utu-hokohoko a NGC i Whiringa-ā-nuku 2002, me te pikinga o te mahi hiko i te wā maroke hangehange i te ngahuru o te tau 2003.

Ko ngā rawa katoa i te 30 o Pipiri 2003 ko te \$1,214 miriona, he pikinga mai i te \$1,133 miriona i te 30 o Pipiri 2002, ā, ko te tūtanga katoa i piki atu i te \$891 miriona ki te \$937 miriona i taua wā anō.

Mō te wā e tirohia ana, ka utua e te kamupene he moni hua e \$24.4 miriona ki ōna Minita Whai Pānga; ka utua he moni hua e \$8.2 miriona i te tuatahi, ā, ko te hua moni whakamutunga e \$16.2 miriona ka utua i te mutunga o Mahuru 2003.

Q:2 He aha te wāhi ki ngā āhua o te māketē i pēnei ai te pai o ngā putanga?

WHAKAUTU: Kātahi tētahi tau taurangi ko tēnei inarā mai i ngā waipuke whenua o te wāhanga tuatahi o te tau ki te maroke hangehange o te wāhanga tuarua; i rongo a Genesis me ngā kamupene hiko pēnei i ēnei whiu.

Pari ana te wai i ngā roto, nā tēnei ahuatanga kāore i tino nui te utu hoko-rarawe o te hiko i roto i ngā marama tōmua e rima o te tau, i te mea i runga ake i te toharite te nui o te wai i ngā roto. Ko te utu hoko-rarawe toharite o te hiko mō te wā mai i Hōngongoi 2002 ki Whiringa-ā-rangi 2002 ko \$30 mō ia MWh.

Hui katoa te umanga utu-hokohoko hiko a Genesis ki te 6000GWh, ā, nā tēnei korahi i taea ai e te Kamupene te tauārai i ngā hekenga moni whiwhi i te wā o te haukū. I te wā o te maroke hangehange, arā, i waenganui i Hakihea 2002 me Haratua 2003 nā taua umanga anō i tauārai te wāhanga ahumahi me ngā kāinga i ngā utu hoko-rarawe teitei mō te hiko.

I tū a Genesis hei tautiaki i ngā umanga huri hiko i te kore wai, i te wā o te maroke hangehange, me te hoatu he tāpatu whakamaru mō a mua o ngā kiritaki ahumahi

nui, i noho mōrearea ki ngā utunga hiko ohore teitei, tūpono hoki.

I rahi ake ngā waro i whakapaua e Genesis i tēnei tau ki tōna whare hiko 1000MW i Rāhui Pōkeka, ki ērā i whakapaua e ia i ngā tau o mua. Nā te aha i pēnei ai, nā te kore wātea mai o ētahi atu whare hiko puia i ngā wā mōrearea, me te tāmitanga o ngā kora tae atu ki te hekenga o te pūngao kapuni i muri i te tirohanga anō ki ngā haumi kapuni i Māui. He mea nui te āheinga ki te mahi i runga i ngā takenga pūngao e rua. He wāhi nui taketake tō te Whare Hiko o Rāhui Pōkeka e pūmau ai te ratonga hiko ki Aotearoa.

Q:3 Pēhea ai te whakahaere o Genesis i tana tūponotanga kore pūngao?

WHAKAUTU: He mea taketake te whakahaere pai i ngā tūponotanga e ngā kamupene kei roto i te rāngai hiko. Nōtemea he kaiwhakaputa, kaiwhakarato nui a Genesis, e mārāma pai ana ia kia āheia te mahi hiko kia kapi ai ngā whakaritenga hoko hiko a mua, kia penapena ai ngā whakaritenga haumi kia pono, e rite ai ngā hiahia hiko ā-motu.

He kaupapa tūpatō Genesis, e here ana i ngā kaiwhakahaere kia kore ai e pā mai ngā tūponotanga inati, kia rahi hoki ngā whiwhinga ki te hunga whai pānga. Kia rite tonu ngā takenga pūngao – pā wai mai, puia, me ngā takenga kora mātātoka atu; he mea taketake tēnei mō te whakahaere pai i ngā tūponotanga.

He take e āwangawanga ana a Genesis me ētahi atu kei te rāngai hiko, kapuni hoki, ko te iti o ngā toenga kapuni kei a Māui. Ko te otinga o tēnei ko te hekenga mā te 25 ōrau o ngā āheinga kapuni a Genesis mai i a Māui i raro i te kirimana rōpū tauru, ā, kua mutu ngā hokonga ohore o te kapuni.

I roto i te tau e arotakengia ana, kua tino teitei te putanga hiko a Genesis, e whakamahi ana a ia i ngā ratonga pā wai, waro, kapuni, iheunga hoki. I Rāhui Pōkeka, kua mau tonu ai ngā taumata putanga hiko tino teitei mai i te tau 2001. Nā tēnei i whakapau haere ngā putunga waro, ā, kāore e taea te whakaki anō e ngā kaiwhakarato waro ā-rohe.

Whai muri i te maroke hangehange o te tau 2001 engari i mua tonu o te tirohanga anō ki ngā haumi kapuni a Māui, kua tīmata te whiriwhiri kōrero a Genesis e riro ai ētahi atu ratonga kora mātātoka mō te wā poto me te wā roa. I ea tētahi wāhi o ngā hiahia korā mātātoka a Genesis i te rironga mai o tētahi kirimana waro e \$800 miriona mai i te

kaiwhakarato waro ā-rohe, i a Solid Energy, mō ngā tau e waru.

I riro mai hoki i a Genesis ngā kapuni katoa a Swift Energy i ngā papa kapuni, hinu hoki i Rimu rāua ko Kauri, ā, kua tīmata tana hanga hōu i te mahinga tahi i te papa hinu, papa kapuni o Kupe, e rere ai te kapuni ki uta atu i te tau 2007.

Q:4 He aha te tirohanga atu mō Genesis?

WHAKAUTU: Mā ngā tuwheratanga hōu e hanga ai he umanga hiko utu-hokohoko pakari, ka tipu haere tonu a Genesis. Nā runga i ana kiritaki hiko, kapuni e 585,000, ka taea e Genesis te whakatutuki ratonga kiritaki pai rawa atu mā āna kaiwhakahaere kiritaki ā-rohe me tā tātou pokapū whakapā kiritaki.

Ka pai kē ā tātou rawa mahi hiko e pūmau ai ngā whakarato ki te ahumahi hiko. Ko te whakaaro a Genesis he tīmata i te whakahaere i tētahi pūrere kapuni huringa puare 40MW ki Rāhui Pōkeka i mua o te takurua 2004 me te whakamahi i ēnei hangarau mō ngā puku hiko pūmau 100MW hei te wā kei te tū. Ko te titiro hei te takurua o te 2006 tīmata ai te mahi a te pūrere kapuni-huringa taurua 365MW tino māia a Genesis.

Q:5 He pēhea anō tā ngā kaiwhakahaere me ngā kaimahi a Genesis whakahaere i tēnei whakanuitanga tere tonu?

WHAKAUTU: Kua whakatakotoria e tō tātou Manahautū a Murray Jackson, rātou ko tōna rōpū kaiwhakahaere tae rawa ki ngā kaimahi puta noa, ētahi mahere kaipakihi e pūmau ai te tipu o te kamupene. Kua hoatu āwhina a Genesis ki te hapori mā te Genesis Oncology Trust, mā te tuku pūtea tautoko me ngā kaupapa mātauranga, ratonga taiao hoki.

He pai ngā kōrero kua hoki mai mō ngā mahi a Genesis i te taha i ngā rōpū hapori, iwi hoki.

Ka pai kē te tautoko ngākau nui i ngā kaiwhakahaere mai i te Poari Whakahaere. Ngā mihi ki a Taitimu Maipi, a Alan Haronga, a Elizabeth Hickey kua whakawātea i ō rātou tūnga i roto i te tau, ka mihi hoki ki a Mike Williams he mema Poari hōu.

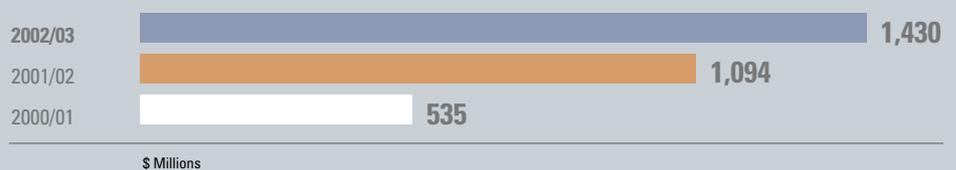
Mō te taha ki te poari, ka nui taku hari ki te whakatakoto i te Pūrongo ā-Tau a Genesis Power Limited mō te tau 2002/03.

PERFORMANCE

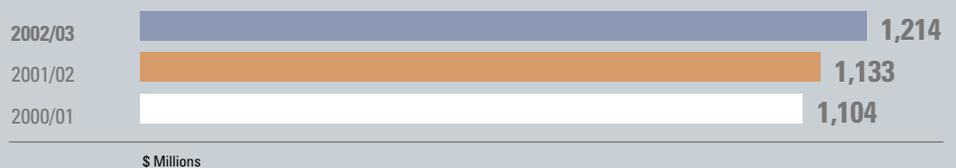
FINANCIAL & OPERATING HIGHLIGHTS

FOR THE PERIOD UNDER REVIEW, the company earned a net surplus of \$61.1 million. Genesis acquired Energy Online retail electricity business from Newcall in August 2002, acquired NGC's residential gas business, comprising 95,000 customers, in October 2002, and acquired FreshStart retail customer base from Todd Energy in June 2003. Genesis will pay a total dividend to its Shareholding Ministers of \$24.4 million, comprising an interim dividend of \$8.2 million and a final dividend of \$16.2 million.

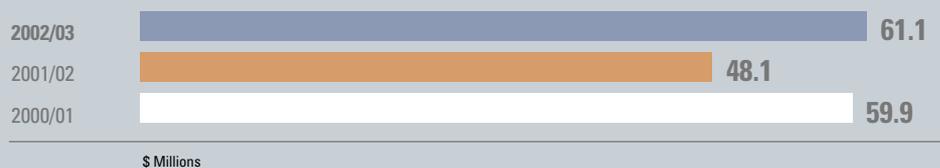
GROUP REVENUE



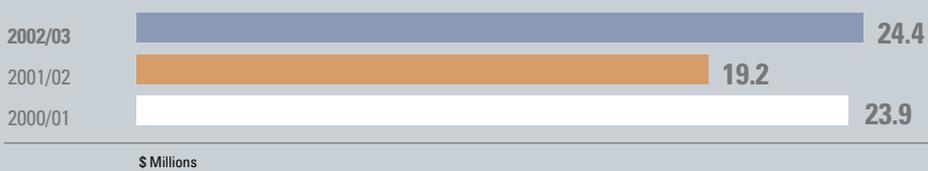
TOTAL ASSETS



NPAT



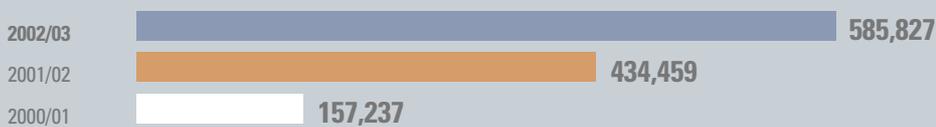
DIVIDEND DECLARED



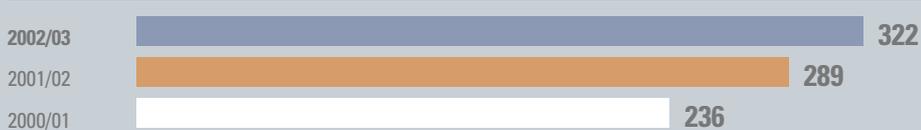
TIME LOSS ACCIDENTS FREQUENCY RATE



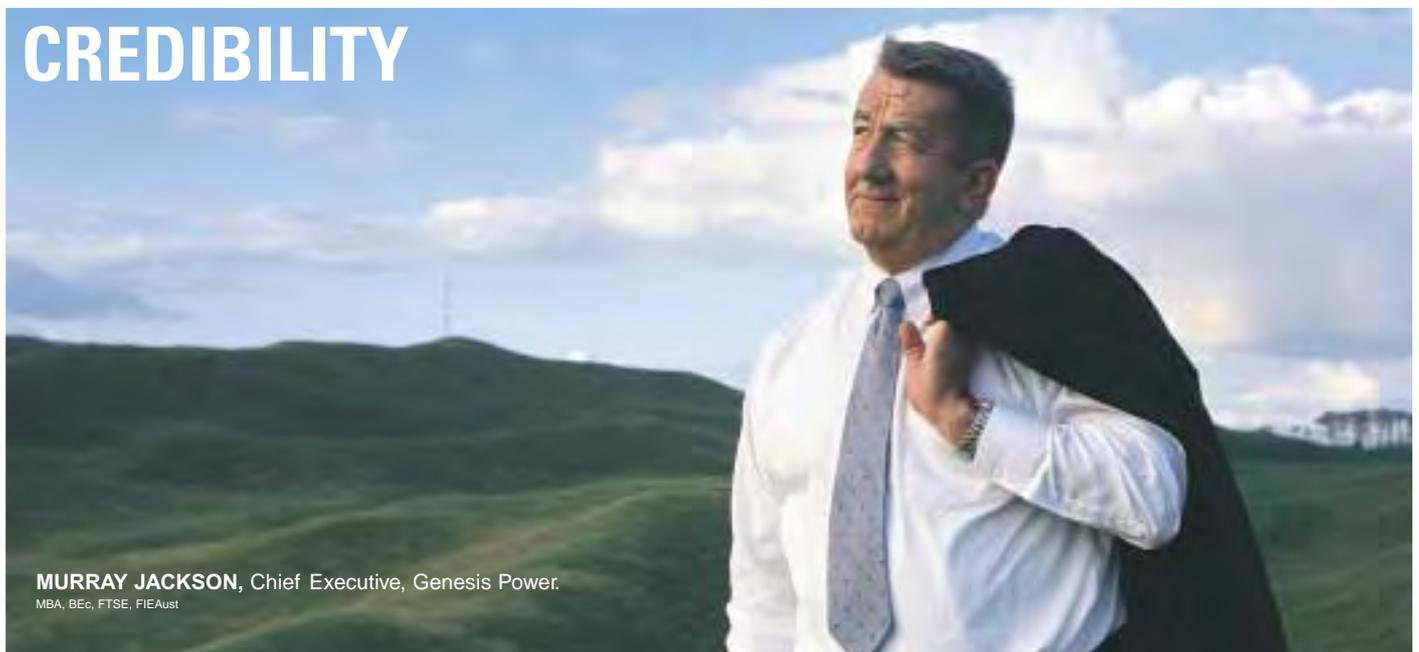
RESIDENTIAL CUSTOMERS



EMPLOYEES



CREDIBILITY



MURRAY JACKSON, Chief Executive, Genesis Power.

MBA, BEc, FTSE, FIEAust

Genesis Power Limited completed a successful year of growth in both electricity and gas sales in a very competitive environment. A focus on customer service has ensured that our retail business is robust and that our generation assets support the company through wet and dry seasons.

A net profit after tax for the year ending 30 June 2003 of \$61.1 million, from revenue of \$1.430 billion, compares favourably with prior years and reflects the continued growth in the company's business.

The acquisition of NGC's residential gas business in October 2002, comprising 95,000 customers, has brought to Genesis Energy the skills and experience necessary to grow a successful dual fuel business. A five-year agreement with NGC will see reticulated gas becoming available to more customers who choose gas as their preferred source of energy for heating and cooking.

The acquisition of the Energy Online retail electricity business from Newcall, with 20,000 customers and a dynamic sales team, has given Genesis a low cost and efficient alternative to the larger retail service providers.

The acquisition of the FreshStart retail customer base from Todd Energy in June 2003 has brought a further 24,000 customers into the Genesis family.

In total, Genesis now manages over 585,000 residential electricity and gas accounts, with economies of scale and back office functions able to achieve real savings in the cost to serve, and to grow the business to expand the type of services offered to customers in the future.

Genesis' commercial and industrial retail business has been thrust into the limelight following a repeat of the 2001 drought sequence, in which our competitors literally dumped many large customers which are dependent on competitively priced energy to remain competitive in their own markets.

The combined residential, commercial and

industrial customer base is now supporting over 6000GWh of load with peak winter demand exceeding 1300MW.

Genesis has been able to provide hedge cover to its retail business from a diverse generation portfolio and simultaneously provide Transpower's national grid with frequency control and spinning reserve. Availability of the Huntly four 250MW generators is key to maintaining a large retail customer base.

Huntly Power Station has completed 20 years' operation with the oldest machine achieving 120,000 service hours. Operations and maintenance staff are now embarking on major plant refurbishment that will ensure continued high plant availability for a further 20 years.

Waikato coal has proven a winner for Huntly with low ash, low sulphur and excellent heating value. The award of an 11 million tonne coal contract to Solid Energy for delivery of 250PJ of energy over eight years will provide certainty of fuel at a time when availability of low cost Maui gas is in decline. On the basis of certainty in fuel availability, Genesis Energy is now able to enter into long term contracts with major energy users.

To supplement local coal supply, Genesis has opened a supply chain to international markets. This provides Genesis with flexibility and competitive prices to keep production costs down.

Genesis is proceeding to develop the Kupe oil and gas field with production commencing in 2007. Kupe field appraisal shows delivery of 176PJ of gas and 11 million barrels of oil, at 90 percent certainty from the central field. This gas will, in part, fuel the Huntly 365MW combined cycle gas turbine planned to be commissioned in the first quarter of 2006.

Further challenges face the company in developing New Zealand's renewable energy resources. Biomass opportunities, previously uncompetitive, are now being revisited with a number of 100MW co-generation sites being investigated. Wind is also more attractive.

Hau Nui wind farm at Martinborough has produced 98 percent reliability and 43 percent capacity justifying the expansion of this wind farm over the next two years. Monitoring of a new wind site on the Awhitu Peninsula south of Manukau harbour indicates a 40 percent capacity factor is achievable. This site will be developed over the next year.

Our commitment to the environment stepped forward with the implementation of a number of initiatives to restore flows to three rivers previously diverted to the Tongariro Power Development. Wildlife also benefited from our efforts, with the endangered Blue Duck species of the central North Island and Brown Kiwi in the Waikaremoana catchment being monitored to identify their predators.

The Genesis Oncology Trust continued to grow with a further investment of savings from our voluntary residential power savings scheme, bringing the capital base of the trust to \$5.5 million. Scholarships and grants from the second oncology grant round will be announced in December 2003.

With a wide range of consumer and community projects on the drawing board, Genesis staff will never be idle. The atmosphere within the company's office and field locations and in the Hamilton customer contact centre is one of excitement in the knowledge that our open, participative culture is working for our staff and for our customers and suppliers.

On behalf of Genesis' 322 staff, I would like to thank the Chairman and Board members for the support given to management in the quest for excellence. To our stakeholders, we trust you have enjoyed working with Genesis as much as we have enjoyed working with you.



PROPOSED WIND FARM SITE

Awhitu Peninsula, Counties Manukau.

Generation units: 25MW

kamupene i a ia ka whakapakari i ngā pūngao haere tonu i Aotearoa. Kei te tirohia tuaruaia ngā huarahi hei whakamahi i te matū koirora - kāore i whai hua tēnei rawa i mua - me te rangahau i ētahi wāhi whakatū whare hiko 100MW e whakaputa ana i te wera me te hiko. Kua tiroiro anō ki te pai o te hau hei mahinga hiko.

Kua tutuki e te pāmu hau a Hau Nui i Martinborough te 98 ōrau o ngā wā mahi me te 43 ōrau o te rōrahi katoa; he tohu tēnei kei te tika tonu te mahi whakawhānui i te pāmu hau nei ā ngā tau e rua. Ko ngā tirohanga ki tētahi wāhi hau hou i te Koi o Awhitu, kei te tonga o te Whanga o Manukau, e tohu ana kei te 40 ōrau o te rōrahi katoa āna mahi e tareka ai; ka whakatūria tēnei i roto i te tau.

I kaha ake tā mātou pūmau ki te tiaki i te taiao i te whakakaupapatanga mai o ētahi tūmahi ki te whakahoki mai i te rere o te wai ki ētahi awa e toru i hurihia ō rātou ara rere e hāngai atu ai ki te Mahinga Hiko o Tongariro. I hua anō he painga ki ngā manu tūturu me ngā kararehe tūturu i ā mātou okeokenga, arā, kua āta tirohia ai ko te korowhio kei te puku o Te Ika-a-Māui, rāua ko te kivi kura kei te takiwā ki Waikaremoana, kia mōhio ai i ō rātou kaipatupatu.

I tipu anō te Genesis Oncology Trust nā te rau atu anō o ētahi moni pūngao mai tō mātou kaupapa penapena moni hiko mō ngā kiritaki noho kāinga, ā, e eke ake ai te haupu rawa o te Trust ki te \$5.5 miriona. Hei te māranga o Hakihea 2003 pānuitia ai ngā karahipi me ngā takuhe mai i te huringa tuarua o te takuhe mātāi mate pukupuku.

E kore e noho ārangirangi ngā kaimahi a Genesis i runga i te whānui o ngā tūmahi hapori, kiritaki hoki kei te whakaarohia. Kei te hiamō te wairua kei roto i ngā tari o te kamupene tae noa ki ōna wāhi mahi i ngā rohe, tae rawa ki te pokapū whakapā kiritaki kei Kirikiriroa, i runga i te mōhio kei te whai hua ā mātou kaimahi me ā mātou kiritaki i te wairua tuwhera, honohono kua tau.

Ko tēnei kōrero āku mai i ngā kaimahi e 322 a Genesis, e mihi ana ki te Heamana me te poari mō tā rātou tautoko i ngā kaiwhakahaere e rapu nei i te huringa. Ki te hunga whai pānga, ko te tūmanako i rekareka tā koutou mahi me Genesis, pēnei i tā mātou e rekareka nei te mahi i ō koutou taha.

I oti tētahi tau tino pai rawa atu mō Genesis Power Limited i roto i ngā hokohoko hiko, kapuni hoki, ahakoa te kaha whakataetae mō ngā hokohoko. Nā te arotahi ki te āwhina kiritaki kua pakari te taha umanga utu-hokohoko, kua tautokona hoki te kamupene e ngā rawa mahi hiko i ngā kaupeka mākū, maroke hangehange o te tau.

Ko ngā hua more i whiwhia whai muri o te tāke mō te tau i pau i te 30 Pipiri 2003, ko te \$61.1 miriona mai i ngā moni whiwhi e \$1.430 piriona; he āhuatanga pai tēnei ki te tirohia ngā tau kua pahure, e whakaata ana hoki i te nui haere o ngā mahi a te kamupene.

Nā te rironga mai o te umanga kapuni mō ngā kiritaki noho kāinga a NGC i Whiringa-ā-nuku 2002 me āna kiritaki e 95,000, kua tau mai ki a Genesis Energy ngā mōhiotanga me ngā tautōhito e tika ana e tipu ai tētahi umanga kora mātātoka rua pai rawa atu. Nā runga i tētahi whakaetanga rima-tau ki a NGC, ka nui haere ngā kiritaki ka āhei ki te whiriwhiri kapuni hei mea whakamahana, hei mea tunu kai hoki.

Nā te rironga mai o te umanga hiko utu-hokohoko utu a Energy Online i a Newcall me āna kiritaki e 20,000 me tana ope hoko kakama, kua whiwhi a Genesis i tētahi huarahi kē, he iti ake te utu i ētahi o ngā ratonga hiko utu-hokohoko nunui.

Nā te rironga mai o FreshStart me āna kiritaki utu-hokohoko i a Todd Energy i Pipiri 2003, kua uru mai ngā kiritaki hou e 24,000 ki te whānau o Genesis.

Hui katoa i tēnei wā, whakahaerehia ai e Genesis ngā kaute hiko, kapuni hoki o te hunga kiritaki noho kāinga e 585,000. Nā runga i tēnei tini kiritaki, tāpae ko te whakakoi i ngā mahi ā-tari, ka nui te rahi o te utu kua topea i ngā whakarātanga, ka whakatipu i te umanga, ka whānui atu anō hoki ngā ratonga tērā ka tareka mō ngā kiritaki ā te wā.

Nā te tuaruaatanga o te maroke hangehange o te whenua i te tau 2001, kua arotahi te titiro ki ngā umanga utu-hokohoko arumoni, ahumahi a Genesis. Ko 2001 te wā i whiua ai e ngā kamupene whakataetae ki a Genesis ā rātou kiritaki nunui ki rahaki, ko ngā kiritaki nunui nei ka tū rānei ka hinga rānei i roto i ā rātou nā mahi, i runga i te pai i te kore pai rānei o te utu mō te pūngao.

Huia katoatia ngā kiritaki noho kāinga, arumoni, ahumahi ka eke te rahi e whakapauhia ana ki te e 6000GWh, ā, ko te wā

o te takurua eke ai te rahi ki te 1300MW rawa.

Kua tareka e Genesis te whakarato he tukupū whakarauhī ki āna umanga utu-hokohoko mai i āna puna whakaputanga rerenga kē, ā, kua tareka anō hoki te whakaāhei i te whatunga hiko ā-motu a Transpower ki te āta whakahaere i te auautanga o te hiko me te tango hiko hei haumi wā poto. He mea taketake te noho wātea o ngā pukuhiko 250MW e whā kei Rāhui Pōkeka e aha ai, e pupuritia ai te tini o ngā kiritaki.

Kua eke i te Whare Hiko o Rāhui Pōkeka te rua tekau tau o ngā mahi, ka mutu ko te mīhini tawhito rawa kua eke ōna haora mahi ki te 120,000. I tēnei wā kua tahuri ngā kaimahi ki te whakahou i ngā mīhini e kaha ai tā rātou mahi mō ngā tau e 20 ki mua.

Ka pai kē ngā waro o Waikato mō te Whare Hiko o Rāhui Pōkeka nā te iti o te pungarehu rāua ko te pungatara me te wera o te mura. I tukuna tētahi kirimana ki a Solid Energy mō te 11 miriona tōne waro hei whakarato i ētahi 250 PJ o te pūngao i roto i te waru tau; mā tēnei whakaritenga e pūmau ai te whiwhi kora i tēnei te wā e mimiti haere ana ngā kapuni utu iti kei Māui. Nā runga i te mea e mōhiotia ana kei te wātea āna pūngao, ka āhei a Genesis ki te tahuri ki ētahi kirimana wā roa me ngā umanga whakapau pūngao rahi.

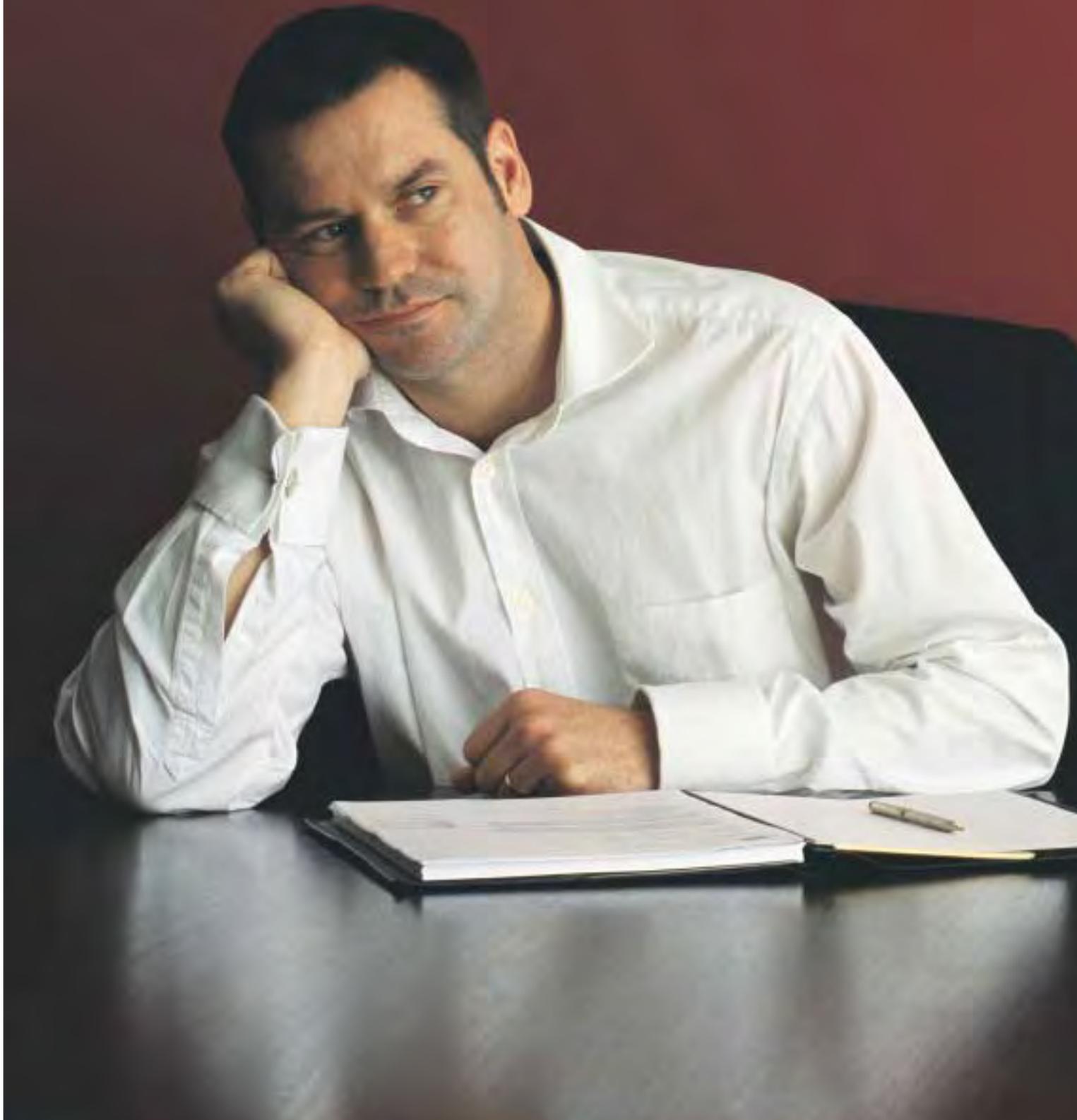
Hei āwhina i te ratonga waro ā-rohe, kua huakina mai e Genesis he kaupapa hoko waro mai i rāwāhi. Ka whakarato tēnei ki a Genesis ngā utu ngāwari, te tauwhāwhāinga hoki hei pupuri i ngā utu putanga kia iti tonu.

Kei te whanaketia e Genesis te papa hinu, papa kapuni o Kupe e tīmata ai tana whakaputa hei te tau 2007. E ai ki ngā arotakenga i a Kupe, ka tareka e ia te 176PJ o te kapuni me ngā kāho hinu e 11 miriona, i runga i te 90 ōrau o te mōhio pū mai i te papa matua. Mā tēnei kapuni e whakakora tētahi wāhanga o ngā pūrere huri hiko 365MW e whakaarotia ana mō Rāhui Pōkeka, e tīmata ai tana mahi hei te hauwhā tuatahi o 2006.

Arā atu anō ngā pikinga hei piki mā te

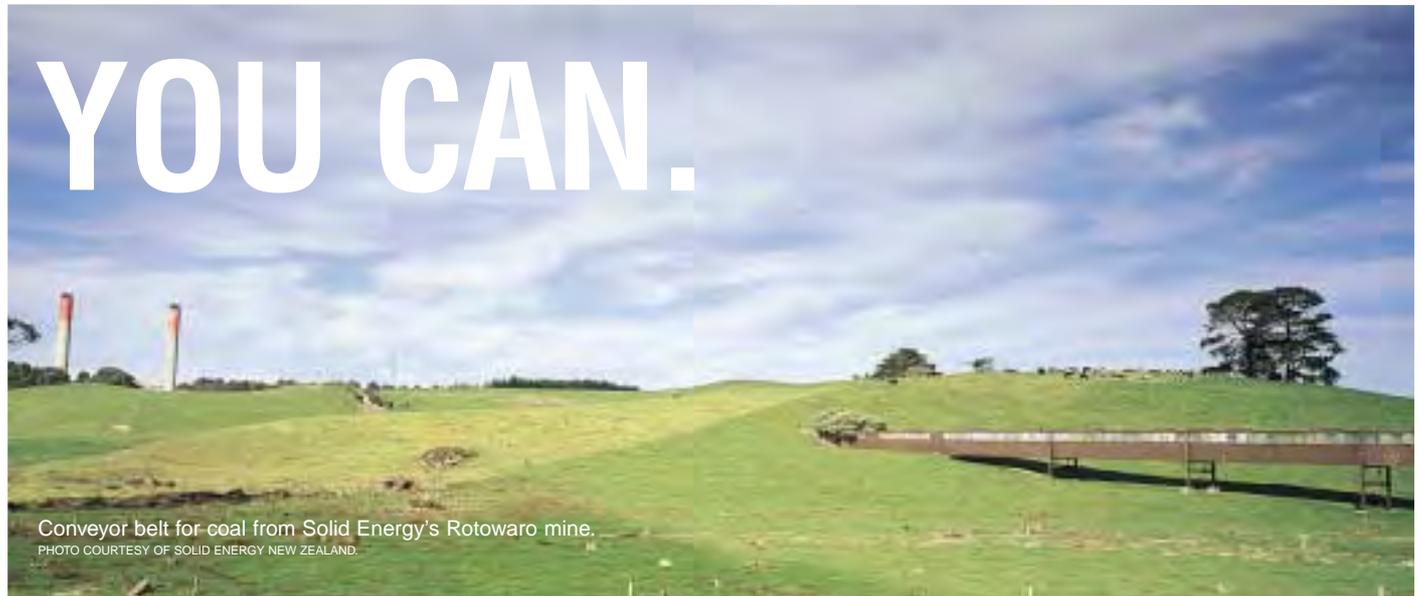
A QUESTION OF

CERTAINTY



**“WHY CAN’T I GET
A LONG TERM
CONTRACT?”**

SCOTT DUNCAN, Group Supply Manager, Fletcher Building.



Genesis is committed to providing a reliable supply of energy, no matter what the market or weather conditions. Here we outline some of our plans for a more certain supply future.

The number of long term contracts available from our competitors is drying up as uncertain inflows to storage lakes threaten the country's hydro capacity.

But Genesis has made a commitment to our large industrial customers to discuss their requirements and to address their need for reliable supply at secure prices. Some of our large industrial customers have contracts that take them beyond three years, whilst others choose to negotiate shorter terms.

Both the buyers and sellers of energy have come a long way in improving their risk management practices since the inception of the wholesale market in 1996, and Genesis in particular is pleased with the variety of contracts we have been able to offer our customers.

One of the reasons why Genesis can be so flexible is our diverse generation portfolio and mix of fuel sources.

Genesis operates 1600MW of generation including New Zealand's largest thermal power station at Huntly, the Tongariro Hydro

Power Scheme, the Waikaremoana Hydro Scheme, Hau Nui wind farm and a number of co-generation plants.

The company also has plans to build a new 365MW high efficiency combined cycle gas turbine at Huntly, to be commissioned in 2006. Site preparation and pre-engineering work has started and a 10-year gas contract is being pursued.

Genesis is installing a new 40MW open cycle gas plant at Huntly prior to winter 2004 to help meet New Zealand's growing demand for electricity. The plant will run on natural gas. The turbine will be supplied pre-packaged by the manufacturer and, once erected, will have little visual impact on the Huntly site.

The new turbine will operate at 41 percent efficiency on gas, compared to Huntly's 36 percent efficiency, and provide increased winter capacity and protection against summer river heating.

Genesis' generating plants operate under a range of resource consents that allow us

flexibility within an environmentally responsible framework. Our environmental team has developed close working relationships with a wide range of stakeholders, and has a good understanding of the impact of Genesis' operations on the environment.

The 1000MW Huntly Power Station is the workhorse for Genesis. It no longer operates in a hydro-firming role as it did in the 1990s. Instead it now operates as a base load station, supplying a major proportion of the base load requirements for New Zealand.

Large steam generators require extensive annual maintenance and annual and four-yearly statutory certification. Although very reliable, Huntly Power Station has reached its original design life and will require more extensive maintenance over the next 20-year life of the plant. Major maintenance is scheduled between December and March when Huntly's output is limited by downstream river temperature limits.

Genesis has engaged contractors to work extended hours on all generating plant during the annual shutdowns. If routine maintenance is not carried out, the risk of extended outages is significantly increased.

Huntly is unique in that it is the only

CO-GENERATION

The Te Awamutu Co-generation Plant has been developed under a partnership between Fonterra and Genesis, to provide electricity and steam to the major milk processing site.

Electrical Output (Co-generation mode): 27MW



HYDRO GENERATION

The Tongariro Power Scheme comprises two stations - Tokaanu and Rangipo.

Total Capacity: 360MW



thermal station in the country that can operate on coal and/or gas. As the demand for Huntly generation has grown, so too has our requirement for fuel.

In recent years the station has relied heavily on natural gas but, with less gas available following the Maui redetermination, the proportion of coal required has increased significantly.

In April 2003, Genesis entered into a coal contract with Solid Energy New Zealand Ltd for the supply of 11 million tonnes of coal, over eight years to 2011. The contract goes a long way to removing uncertainty about security and level of fuel available to Huntly in future years. Under the contract Solid Energy will supply 800,000 tonnes of coal to Huntly in 2003/04, compared to approximately 380,000 tonnes in the 2002/03 year and 340,000 tonnes in 2001/02.

The tonnage will increase to one million tonnes per annum thereafter, and from 2006/07 will increase to 1.7 million tonnes per annum for the remainder of the contract period.

Genesis has also entered into agreements with a number of smaller mines to ensure increased coal supplies at competitive prices,

and has moved to ensure it has the ability to import up to one million tonnes of coal per annum from offshore.

Sourcing coal of an appropriate specification for Huntly Power Station is difficult as the station was uniquely designed for the low ash and low sulphur coal found in the Waikato region. To ensure flexibility of supply at competitive prices and guard against loss of local supply, discussions commenced with offshore providers of coal of suitable specification in 2002.

Several shipments of coal have arrived through the Port of Tauranga, and have been trialled at Huntly Power Station with excellent results.

The investment in rail infrastructure to import coal will provide flexibility and competitive pricing, and Genesis is working with Tranz Rail Holdings Limited and the Port of Tauranga to develop rail transport from the Port to Huntly, commencing July 2004.

Whilst Huntly remains Genesis' major generation facility, the 360MW Tongariro Power Scheme and 138MW Waikaremoana Hydro Scheme also continue to provide essential hydro-peaking capability to match our retail load.

Tongariro and Waikaremoana contribute up to 1800GWh per annum. The contribution is significant but, as demonstrated again this winter, rainfall and hence water inflows can be uncertain and alternative energy is essential to cover drought periods.

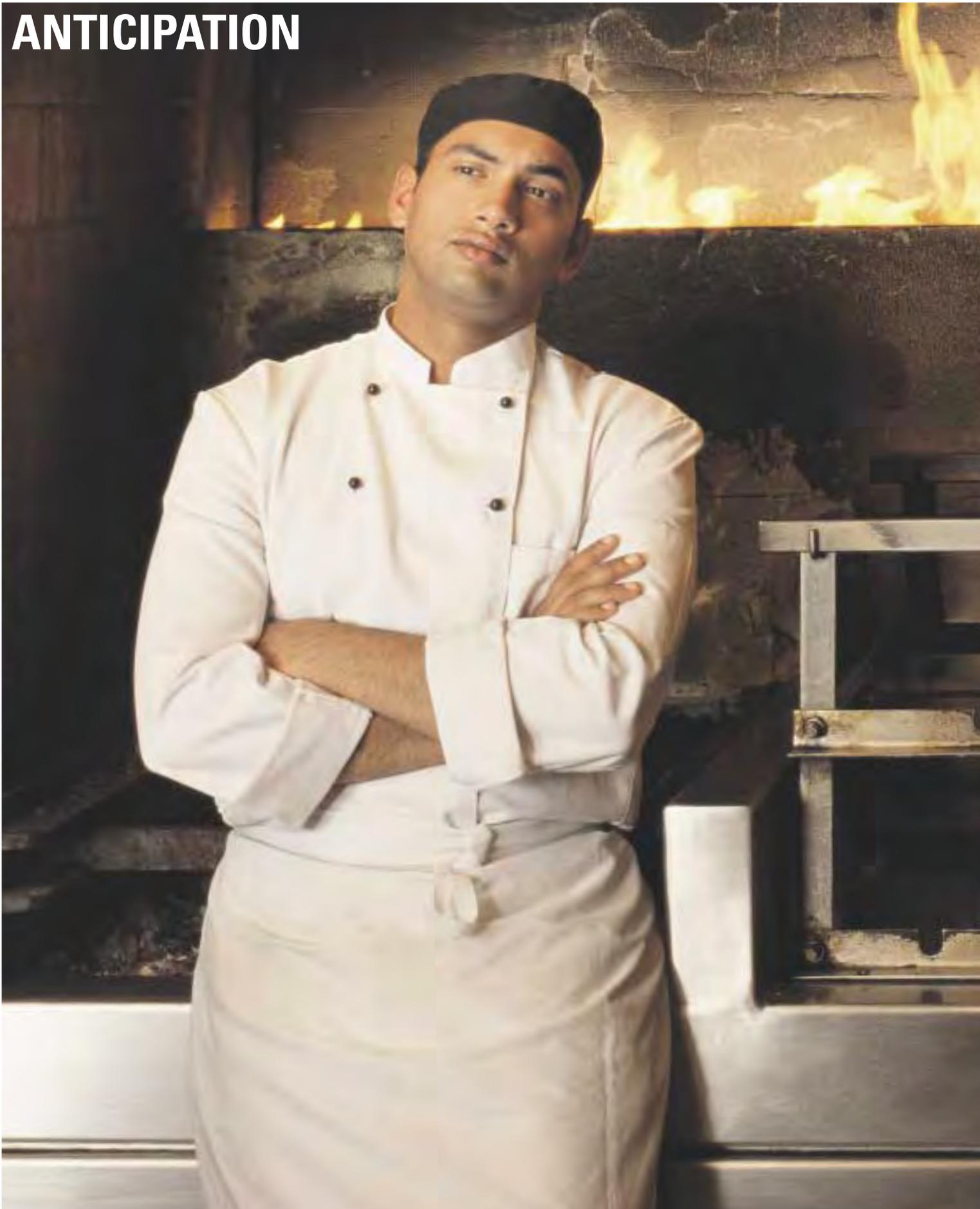
In April and May this year, the Tongariro Power Scheme experienced some of the lowest inflows since it began generating electricity over 30 years ago, with its generation capacity reduced to 20 percent of its capacity for several weeks.

When dealing with Genesis, our business customers have the benefit of relationship managers being located at offices in each of the major business districts served by the company. This team of dedicated relationship managers has members based in Auckland, Hamilton, New Plymouth, Palmerston North and Wellington to provide advice to our large industrial/commercial customers.

Genesis takes industries' energy requirements seriously. By working with our customers to understand their needs, and ensuring our plants operate at maximum available capacity, we are able to structure our contract portfolio to best advantage.

A QUESTION OF

ANTICIPATION





**“WHAT’S GOING TO
HAPPEN WHEN
MAUI RUNS OUT?”**



Genesis outlines the issues facing existing fuel source supplies, and describes its strategy for a diverse fuel portfolio.

Maui is running out and large quantities of gas, at relatively cheap prices, will no longer be available beyond 2006.

As a large user of gas for power generation as well as domestic and commercial use, this is a major issue for Genesis. But we have not been sitting on the sideline waiting for a new gas field to be found. Instead Genesis has secured 70 percent ownership in the Kupe oil and gas field, and is working to bring the field into production in 2007.

The rundown of the Maui field is an issue Genesis has been aware of for some time, and since it was formed in 1999 the company has been working on a solution.

When Genesis began trading following the split up of the Electricity Corporation of New Zealand (ECNZ), it was the only thermal generator in the market without a substantial long term contract for fuel.

The ECNZ Maui gas contract, which previously supplied Huntly Power Station, had been allocated to Contact Energy when it was created in 1995, leaving Genesis with few other gas options.

However, immediately after its formation, Genesis secured a gas contract from Natural Gas Corporation (NGC), supplied under their entitlement from Maui.

Genesis holds 70 percent equity in Kupe. Genesis responded to an invitation from the Crown to acquire the Crown's 11 percent equity in Kupe. An offer has been made and response is awaited.

Genesis will sell down a portion of its equity in the Kupe field to an experienced oil and gas field operator. The company has shortlisted potential operators and expects to name the successful company in October 2003.

Once the new partner is on board, the



KUPE GAS FIELD

Genesis now owns 70% of the proven oil and gas field, located 30km offshore from South Taranaki.

project engineering plans will be prepared for fast-tracking development.

Kupe is one of several fields currently under investigation by Genesis. We recognise that, to ensure ongoing gas supplies, it is necessary for us to have upstream interests in the oil and gas industry.

Although Genesis was aware that the Maui field was in decline, notification came in February 2003 of our reduced gas entitlement under the contracts with Contact and NGC. Gas supplies were reduced immediately by 25 percent and no future spot (daily) gas sales were available.

Over the past decade Huntly has been generating on a fuel mix comprising approximately 80 percent gas and 20 percent coal. Genesis had begun negotiations with Solid Energy and other miners to increase its coal contracts in anticipation of a rundown of gas entitlements.

In July Genesis entered into an agreement with Swift Energy New Zealand (SENZ) to supply up to 8PJ of natural gas per annum

over a three-year period from Swift's Kauri field.

SENZ and Genesis are also parties to a gas purchase agreement for up to 40PJ of natural gas over a 10-year period from the Rimu field, also located in Taranaki.

Genesis' new 365MW high efficiency combined cycle gas turbine at Huntly Power Station will require 20PJ per annum from commissioning in 2006.

For the future, Genesis is widening its fuel portfolio to look at importing Liquefied Natural Gas (LNG) and increasing its focus on renewables including wind generation and biomass co-generation.

Current known and recoverable gas reserves will last 10 years at the current consumption rate. There is therefore a need to identify another major gas find or introduce LNG to extend the life of remaining gas reserves to 20 years.

By developing and diversifying our fuel portfolio, Genesis will be able to ensure that its thermal generation and co-generation plants have access to adequate fuel.

At Huntly Power Station, Genesis has reversed the 80 percent gas, 20 percent coal fuel mix and now operates on 80 percent coal and 20 percent gas.

In the retail business, the New Zealand residential market accounts for only 2.5 percent of the total gas market. In September 2002, Genesis bought NGC's mass market retail natural gas business and now retails to approximately 100,000 residential gas customers throughout the North Island.

Genesis has plans to ultimately double its residential gas market, and to work with lines companies to develop the reticulated pipe infrastructure.

By securing the development of Kupe, entering into contracts with other gas and coal suppliers, and diversifying further into renewable energy, Genesis is able to assure its customers that their gas interests will be considered and they will not be adversely affected by the rundown of the Maui gas field.

A QUESTION OF

ALTERNATIVES



**“WILL THE WIND
KEEP BLOWING?”**



Genesis understands the importance of balancing its generation assets, including coal, gas, hydro, wind and biomass. The company is equally concerned with the efficient use of energy by our end-use customers.

We may have New Zealand's largest thermal power station at Huntly, but we are just as proud of our other assets including hydro, wind and biomass. In fact it is our diversity of generating assets and mix of geographical locations that provide lower costs to our customers.

Genesis has recognised the importance of renewable energy; however we accept that renewable projects will not be sufficient to solve the energy constraint that New Zealand faces in dry years.

We have a policy of investing in base load thermal generation, and have also adopted a policy of growth for the company's renewable energy generation portfolio covering wind, mini hydro stations and waste fuel generation.

Our existing six-year-old Hau Nui wind farm, located near Martinborough, consists of seven turbines with a generation capacity of 3.85MW. This is sufficient to supply power for up to 2500 houses in the South Wairarapa.

Resource consents for an extension were granted in June 2002 by the South Wairarapa District Council. Tenders have been called for the supply of additional wind turbines totalling

5MW capacity and Genesis expects to commission the extension in mid-2004.

Hau Nui is New Zealand's first commercial wind farm. Being close to end-users and having an existing reliable electricity distribution system nearby means it is relatively easy to transport the electricity to customers. The capacity factor for Hau Nui has averaged 43 percent per annum over the past three years and the forecast for an enlarged site looks good.

Genesis also has plans to develop a second wind farm in the Counties Manukau region. Located on the Awhitu Peninsula, near Waiuku, the site is approximately 50km south-west of Auckland. Proximity to the Auckland load and the consistent coastal winds make Awhitu a good potential candidate for wind development.

The average wind speed at Awhitu is estimated at approximately 8.5 metres per second, but the site has a surprisingly sustained wind speed distribution which counters its lower average wind speed compared to other existing wind farms in New Zealand. Test results show a 40 percent

capacity factor will be achieved on this site.

The site can support up to 25MW of turbines of 1.50MW capacity. Final turbine size will be decided by a competitive tender process.

Genesis plans to have resource development consent by early 2004, with construction taking place over the summer of 2004 and the turbines operational in early 2005.

We recognise that the New Zealand electricity market is characterised by the domination of hydro generation with highly variable inflows and relatively small hydro reservoir storage. As part of our diverse generating mix, Genesis has two hydro schemes in the North Island and is looking to further diversify through the development of mini hydro stations.

Our 360MW Tongariro Power Scheme is located on the fringes of the Tongariro National Park, an area classified on the World Heritage List for its ecological and cultural values, while our 138MW Waikaremoana Hydro Scheme sits on the edge of the Te Urewera National Park.

Operating in such prestigious environmental locations means we are particularly aware of our effect on the environment. Finding a balance between the sometimes conflicting requirements of power generation and the preservation of natural and cultural values can be demanding.

The Tongariro scheme is a prime example of



HAU NUI WIND FARM

Wairarapa.

Generation units: 3.85MW

a scheme that maximises the use of water from many sources. Water is sourced from five separate catchments that span the mountains of the North Island's Central Plateau. Waters from three of these catchments (Whanganui, Whangaehu and Moawhango) are diverted away from their original courses to generate electricity and then discharged into Lake Taupo.

The scheme is unique in terms of its geographical scale, engineering design and hydrological complexity. It comprises two stations – the underground Rangipo station and Tokaanu power station.

We are seeking to further develop the Tongariro scheme by developing mini hydro stations. A feasibility study is being conducted for a 2.5MW station at Mangaio and a 500kW residual flow station at Moawhango. Both plants will feed into the scheme's 33kV network.

Another form of renewable energy promoted by Genesis is biomass co-generation. The benefits of biomass co-generation plants for large industrial customers include a stable electricity price, reliable supply and an efficient method of generating electricity at the same time as providing a reliable source of heat and steam for industrial purposes.

Genesis owns the 40MW biomass co-generation plant at the Carter Holt Harvey Kinleith plant, and is working with Norske Skog Tasman to investigate a co-generation plant

with up to 100MW capacity for the Kawerau mill.

Sustaining precious natural resources is important to Genesis and we are therefore committed to producing electricity efficiently.

Plans to build a new energy efficient combined cycle gas turbine plant at Huntly are well under way. This 365MW high efficiency plant will operate at 56 percent efficiency compared to 36 percent efficiency with the existing Huntly turbines. In fact the gas savings that result from using the new plant equate to the total annual consumption of gas by customers in Auckland.

Genesis is working with customers to ensure they are efficient in the way they use energy.

An initiative launched in April 2003 to help medium to large sized businesses save power identified significant savings, both in electricity consumption and dollar value.

Energy surveys were completed on 110 business customers and identified immediate savings of 3.5 percent (8.5GWh per annum) and potential long term savings of an additional 9.5 percent (23GWh per annum).

The surveys, undertaken by an independent energy auditor, encouraged companies to make changes that would not only be beneficial to their business, but the country as a whole. Our plan is to make the information from the energy audits available as generic industry-based case studies so that other

industrial and commercial plant operators can benefit from the learnings.

Genesis also supported the Winter Power Taskforce's Target 10% power savings campaign, run over winter in response to low hydro levels, and once again targeted oncology as the recipient of customer savings.

The Genesis Oncology Trust was established by Genesis in 2002 to help in the prevention, detection, diagnosis and treatment of cancer, and improvements in the palliative care of cancer patients.

Genesis Energy's Save Power – Save Lives energy savings incentive campaign resulted in more than \$2 million being raised for the trust.

We also supported a WEL Energy Trust's energy efficiency campaign offering owners of older hot-water cylinders a free energy-saving cylinder wrap. The wraps were offered to domestic customers in the WEL network area (northern Waikato, including Hamilton) whose cylinders were installed before 1986.

And at the Mystery Creek Fielddays, held in Hamilton in June 2003, Genesis targeted farmers by providing information on achieving energy efficiency on the farm.

Genesis is working hard to ensure we maximise the use of renewable energy and energy efficiency opportunities.

A QUESTION OF

ATTENTION



**“I NEED TO
TALK TO
SOMEONE
NOW.”**





DAVID TOLCHER, Genesis Customer Contact Centre, Hamilton.

By making sure we match our energy offer with customers' changing needs, Genesis stays at the forefront of the retail market. Our commitment to our customers is at the heart of our service culture.

At Genesis we know that one size does not fit all when it comes to energy solutions. That's why we have a range of plans for our residential customers, a dedicated business team for small to medium sized businesses and specialist relationship managers to deal with large commercial and industrial companies.

We know our customers want professional, hassle-free service; that's why we have developed our partnership with the world's leading provider of outsourced customer support services, SITEL Corporation.

Together we manage a state-of-the-art customer contact centre in Hamilton providing employment to over 250 people in the Waikato region. The centre is accessible to customers from 7am till 9pm Monday to Friday, and 8am till 5pm Saturday, allowing customers to call at a time that works for them.

Our contact centre has been designed to ensure customers can communicate easily via a medium of their choice. Every day our experienced Customer Service Professionals answer over 5700 customer telephone enquiries and respond to over 700 letters,

faxes and emails.

In addition to the more visible contact centre operations, SITEL also provides the technology and people to perform the core billing and credit business processes.

Recognising on-time accurate billing is important to our customers, the centre generates invoices within 48 hours of receiving a meter reading, with over 20,000 consumer invoices generated each day.

We are constantly looking for ways to provide customers with alternative payment options that suit their busy lifestyles. Customers can pay over the counter at New Zealand Post Shops or Westpac branches, by cheque, direct debit, automatic payment, Evenpay, or telephone/internet banking.

On 1 April 2003, in conjunction with New Zealand Post, we introduced eBill. Owned and operated by NZ Post, eBill is an electronic bill presentment and payment option that allows our customers to receive, view and pay their energy accounts on the internet.

During the year Genesis and SITEL have worked together to introduce a series of

initiatives designed to improve both customer service levels to consumers and Genesis' business results.

We have also improved our customer interactive voice-recognition service, which allows customers fast access to their account.

As customers demand a higher level of service, we strive to not only move to meet their demands, but exceed them. And if we don't, we want to hear about it.

When Genesis was formed in 1999 we had a customer base of 160,000, primarily located in Taranaki, Wanganui, Manawatu and Wairarapa. Today we are one of New Zealand's largest energy companies, with a customer base of approximately 585,000 residential electricity and gas customers and 2200 large commercial/industrial customers.

With such a large customer base, spread throughout the North Island and touching the South Island, Genesis is able to offer competitive pricing plans in many areas that some of our competitors are reluctant to enter.

Our growth has been achieved through a combination of acquisitions and customers choosing to join Genesis.

In 2001 we acquired NGC's North Island electricity customers (On energy) and formed an alliance with NGC to provide gas and electricity to new and existing customers. The

acquisition of On energy's residential electricity customers provided us with a strong customer base in the Wellington, Waikato, Coromandel, North Shore and Waitakere regions.

In August 2002 we bought the assets and customers of Energy Online Limited from Newcall Group Limited and in September 2002 Genesis reached an agreement with NGC to buy its mass market retail gas business.

At the time of purchase, Energy Online had 20,000 customers throughout the North Island and was particularly strong in Auckland, Hawke's Bay, Bay of Plenty and Waikato. Energy Online has retained its brand and operates as a Genesis subsidiary company, based in central Auckland. The company employs 45 staff and is actively promoting its pricing plans in the Bay of Plenty, Kapiti/Horowhenua and King Country.

Consolidation of Genesis' electricity and gas markets occurred in May 2003 when we purchased the customers of Wellington-based niche energy retailer, FreshStart.

FreshStart's customer base of 24,000 spans Wellington, Wanganui, Taranaki, Manawatu and Wairarapa, and fits neatly with Genesis. The acquisition has allowed us to add to our customer base while at the same time enabling our business to become more efficient in terms of services, systems and processes.

Genesis continues to work hard to understand what our customers value. We know that retaining our loyal customers will allow us to provide better products and services and improve our customer performance.

We are committed to understanding the needs of our small to medium sized commercial customers, and to developing products and services that suit them. We have developed a range of commercial plans, and introduced a dedicated business team which can be contacted on 0800 GENBIZ.

One of the competitive advantages offered by Genesis Energy to our large commercial and industrial customers is access to a highly skilled team of relationship managers.

These managers are based in Auckland, Hamilton, New Plymouth, Palmerston North and Wellington, and provide customers with technical, market and pricing advice. The team provides a link between the company and large customers, and is focused on building long term relationships.

For Genesis, the relationship with our large customers is more than just commodity selling. It is a total package that extends beyond electrons into energy efficiency and conservation.

Relationship managers will visit sites to discuss customer requirements, and, where

appropriate, join with Genesis' Business Development team to explore onsite development of biomass or co-generation plant.

Our programme of energy audits gives us up-to-date information on the best energy conservation and efficiency ideas. This allows us to provide advice to our customers that can benefit their business, and New Zealand as a whole.

In September 2002 Genesis bought NGC's mass market retail natural gas business. The integration of this new business is largely complete and we now retail to approximately 100,000 residential gas customers throughout the North Island.

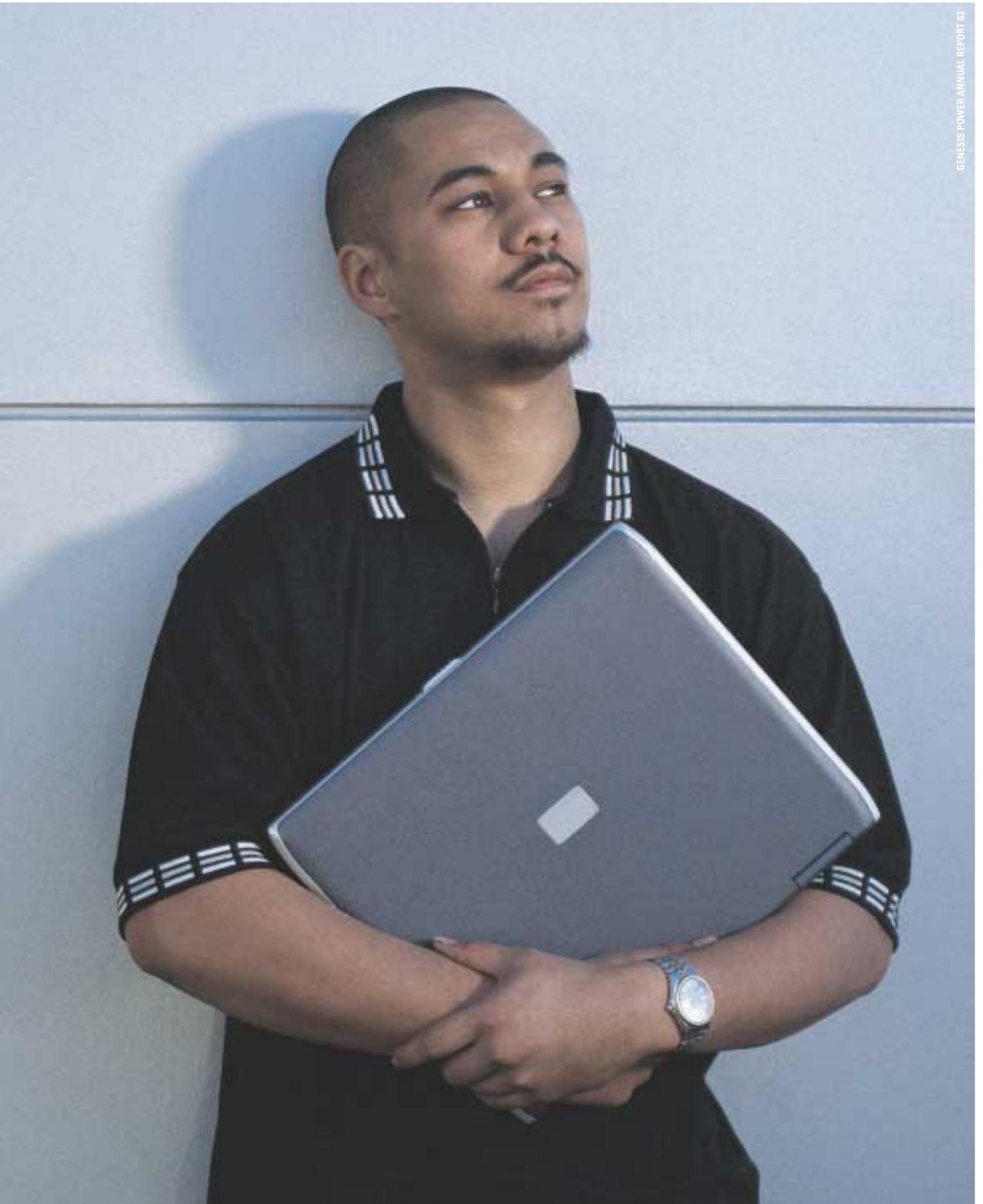
We see gas as a versatile energy source and are keen to promote it, both on its own or as a dual fuel, to our customer base.

Currently, residential customers use only 2.5 percent of the total gas consumed in New Zealand. Genesis has plans to ultimately double our residential gas market, and work with lines companies to develop the reticulated pipe infrastructure.

The energy retail business in New Zealand is dynamic. Customers expect fair prices, backed by reliable processes and quality service. At Genesis, we are committed to meeting those expectations – and going that one step further.

DEDICATION

**“HOW AM I GOING
TO LEARN MORE?”**



BY WORKING WITH US.

Te Awha Leevey, Mechanical Technician Trainee, Huntly Power Station.



Genesis is only as good as its people. We have a culture that is not only dedicated to growing our staff, but growing our external relationships as well.

At Genesis we believe it is impossible to grow our business if we don't grow our people and encourage our stakeholders to learn and grow alongside us.

We know we can't achieve our goals unless our people are capable of developing, and are enthusiastic about the challenges that our learning environment brings. We also know that we need to share our learning with our stakeholders, encouraging them to work with us for a common goal.

None of this is easy. But it is worth the effort.

When it comes to recruitment, our goal is to find and secure great people. In line with our performance-oriented culture, we want quality candidates who identify with our values and are passionate about the same things we are. We know that providing internal opportunities is the best way to retain good performers so we always look at the talented pool of people who work for us.

When we do look outside Genesis, we look to the local community, our schools and

universities, the internet, our own website and we talk to people. Traineeships and community support initiatives have helped us to look beyond the obvious to recognise talent on our own doorstep.

A primary focus for Genesis in the forthcoming year and beyond will be to advance our Employer of Choice strategy.

We want to deliver, internally to our staff and externally to our customers, clients, potential recruits and other stakeholders, a company that is good to work for and associate with. Two major programmes which support this strategy are the Genesis Learning and Development Framework and our Wellness Programme.

At Genesis we believe learning opportunities come in many different forms so we have developed a Learning and Development Framework that provides support for people in ways which best suit them.

A variety of learning pathways are available to people who want to expand their horizons

and skills. The growth and changing nature of our business means there is a steady stream of interesting projects and new work opportunities to keep people challenged.

This year we have seen a number of our people move across business units and take up new career opportunities.

Industry standards and technical expertise are supported through our New Zealand Qualifications Authority (NZQA) competency framework. Our e-learning team is also developing amazing new solutions to capture technical skills and to train our people using interactive on-line learning environments.

Leadership and personal skills development are available for those wanting to enhance their ability to manage and drive the business forward. Genesis regularly runs in-house modules and is developing a leadership programme, and will continue to support key people through Advanced Executive Programmes.

Our Learning and Development Framework supports both business and academic study. Several of our people have achieved personal milestones, whether it be an MBA or a specific technical paper, through the combination of their own determination and the support of Genesis.

LASS WILSON is an e3p Workforce Training Graduate who was subsequently employed by Genesis' partner, Singers Maintenance, in a full-time job as a Station Maintainer supporting the coal and ash plant teams at Huntly Power Station. The aim of the training programme was to train and certify unemployed candidates from the community to enable them to apply for employment opportunities during the building of the 365MW combined cycle generation plant planned for Huntly Power Station. Lass is currently training to be a Coal Plant Operator as part of his on-going training and development with Genesis and Singer.



THE GENESIS SPORTS TEAM that participated in a friendly tournament with SITEL (operators of the Genesis Customer Contact Centre) in April. Genesis won the cricket and netball trophies, with SITEL winning the soccer.



To support our Employer of Choice strategy, we have also implemented numerous health and safety programmes.

Until recently most effort has been focused on the fundamentals of health and safety in the electricity industry. However as a company we are also committed to our Wellness Programme which focuses on staff well-being.

The Wellness Programme allows Genesis' managers and staff to work together to identify, monitor and assist each other to be physically and mentally prepared for life and work.

Results show that our staff turnover is below two percent and sick leave below three percent. An employee survey undertaken in September 2002 showed that staff felt the company was committed to providing a healthy and safe environment.

Another positive indicator of the health of the company is the active and very popular social club 'ClubGen'. Members enjoy events such as an annual themed event, a children's Christmas party, and sports and theatre outings.

The club committee encourages members to provide ideas and feedback on the events organised each year and is continually seeking ways to improve.

While Genesis has a strong commitment to

its staff and employee programmes, it is also aware of the need to interact with external stakeholders, and to provide community-based initiatives that enhance those relationships.

As part of our environmental values, Genesis has undertaken to better understand the nature of our environmental effects and share these with the community and our stakeholders.

Regular environmental updates and stakeholder meetings are ways that we get our message out into the community, allow us to obtain feedback and help us further develop our stakeholder relationships.

In our local Huntly community we have adopted a Work Shadowing Programme with Rakaumanga College which offers senior students at local high schools the opportunity to experience and understand the business environment at Genesis.

Students visit the Huntly site and are exposed to the skills, knowledge and behaviours required for working within the electricity generation industry. They are then invited to discuss career opportunities, traineeships and modern apprenticeships.

Genesis is also involved in the Government's Gateway Programme, through partnerships with Huntly College and Penrose High School.

The programmes include onsite induction at Huntly, including first aid training.

We are committed to being a leading training and development organisation, recently being accredited as a Private Training Establishment by the NZQA.

We have a goal that 10 percent of our workforce comprises trainees, and this year we have recruited five school leavers as new entrants in the fields of maintenance, administration and operations. This provides a unique opportunity for young people to enter the industry with little or no prior experience. In this way, we provide a 'foot in the door' for many talented individuals who might otherwise have been overlooked.

All of our trainee positions provide an opportunity to gain entry-level NZQA accredited qualifications while enabling the trainees to gain valuable work experience, leading to further training opportunities within Genesis.

It's all part of the Genesis culture. We want our employees to have the best opportunities to develop and grow and we also want to give back to the communities that support us. That way we all benefit.

INVOLVEMENT

**“WHO ELSE
CARES?”**



RICHARD HARMAN, Breast Surgeon, North Shore Hospital.



Genesis is a great believer in giving back to the communities in which it operates. Our approach is to take a lead role in areas where it is needed, and provide support and backing in others. In this way we can contribute to a wide variety of initiatives, in many different communities, while encouraging others to also add their support.

We take our role as a socially responsible company very seriously. We are involved in community projects and sponsorships in all of the areas in which we operate and have close working relationships with community groups.

A flagship sponsorship for Genesis is the Genesis Oncology Trust, a major community project established to assist all New Zealanders in the fight against cancer.

The aim of the Genesis Oncology Trust is to help in the prevention, detection, diagnosis and treatment of cancer, and improvements in the palliative care of cancer patients. The trust is administered by five trustees, representing Genesis and medical, strategic and business aspects of oncology.

Launched in 2002, the trust was established with a contribution of \$3.4 million which were the funds set aside as a result of the Genesis

Energy customer savings scheme conducted during the winter of 2001. The trust calls for applications for grants on an annual basis. With additional financial support from Genesis, the trust allocated \$400,000 to 17 successful applicants during the first round of annual grants.

This year, following the successful implementation of Genesis Energy's Save Power – Save Lives energy saving campaign, we have contributed a further \$2.1 million to the trust. The funds will be invested with the original \$3.4 million donation, with the interest providing the basis for future grants.

The trust has agreed to allocate a further \$400,000 to the 2003 annual grant round, and \$500,000 in 2004. Each year the available grants cover postgraduate scholarships, professional development and

special-purpose grants. They are awarded in December each year.

To support the trust, Genesis has also entered into a three year relationship with The NBR New Zealand Opera as principal sponsor of the Spring Season.

The relationship between Genesis, The NBR New Zealand Opera and the Genesis Oncology Trust is a unique sponsorship triangle, with the opera seen as an excellent vehicle to promote the trust to a discerning audience.

This year, as principal sponsor of Puccini's *Tosca*, we introduced a \$10 surcharge to the opening night of the opera in both Wellington and Auckland. These funds will be donated to the Genesis Oncology Trust.

As a company, Genesis chose to support cancer because it is something that affects a high percentage of New Zealand's population. In fact, one in three New Zealanders are affected by cancer in their lifetime, and 29 percent of all deaths in New Zealand each year can be attributed to cancer.

The setting up of a charitable trust is Genesis' way of contributing in a positive way to a major health problem in New Zealand.

SURF LIFE SAVING

TARANAKI is one of several community initiatives that Genesis sponsors.

**A BOOKS IN HOMES**

PRESENTATION, Duffy's Play, at Huntly Primary School. The Books in Homes programme for Huntly and Huntly West Primary Schools is supported by Genesis.



Our sponsorships within the communities are extremely varied, ranging from high profile naming rights to assisting small, but worthy, causes.

Genesis sponsors the Books in Homes Programme for three schools in Huntly, and has provided computers to numerous schools and community groups.

In Taranaki, Genesis is well known for our sponsorship of the Taranaki Rugby Football Union. We have been involved with Taranaki rugby for four years and support the union's initiative to encourage youth in sport across the province. Genesis took over as the major sponsor of the union in 2003 with a six-year agreement as naming rights sponsor.

Genesis also sponsors the world acclaimed Genesis Energy Rhododendron Festival and Surf Life Saving Taranaki.

Our support for Masterton District Council includes naming rights for the Masterton Recreation Centre, a project aimed to make swimming, basketball and indoor sports more accessible for all in the community.

And in Manukau we are sponsoring a 700-seat flexible, multi-purpose theatre at the new

TelstraClear Pacific Events Centre. As New Zealand's fastest growing city, Manukau is in need of a building that will reflect the diversity of the community and allow the many talents within the city to be showcased. The Genesis Theatre will accommodate theatre, concerts, conferences and many other uses.

Other sponsorships that Genesis supports include rescue helicopters based in Taupo and Palmerston North, Genesis Energy National Science and Technology Fair, the Genesis Wairarapa International Balloon Fiesta, Mystery Creek Fielddays, Central Districts Field Days, and the Edmund Hillary Outdoor Pursuits Centre.

Community initiatives supported by Genesis include scholarships to students in some of the areas where we operate. For example, we provide Genesis – Waikato-Tainui scholarships for students studying environmental science. The scholarship provides the student with a financial contribution towards tuition fees annually for three years, plus offers valuable work experience for the recipient at the Huntly Power Station.

Genesis also provides scholarships for

students in the hydro regions of Waikaremoana and Tongariro.

In Huntly we have adopted a Work Shadowing Programme which offers senior students at local high schools the opportunity to experience and understand the business environment at Genesis. Genesis supports the Government's Gateway Programme, through partnerships with Huntly College and Penrose High School, and we have undertaken a similar Work Shadowing programme with Rakaumanga College.

As part of our commitment to local communities, in 2003 Genesis also sponsored two senior students, the head boy and head girl from Rakaumanga College, to attend a two week Leadership Programme, held at the Edmund Hillary Outdoor Pursuits Centre.

We have also supported the Lower Waikato River Enhancement Society in its work to restore the lower Waikato River habitat. The society aims to have planted 40km of riverbank with native trees by 2020.

Genesis is constantly reviewing its community support and sponsorship role and we pride ourselves on being a good corporate citizen.

RESPONSIBILITY

**“EVERY NEW ZEALANDER
HAS A RESPONSIBILITY
TO CARE FOR THE
ENVIRONMENT.”**



PAUL GREEN, Regional Conservator, Department of Conservation, Turangi.



SO DOES EVERY NEW ZEALAND COMPANY.

Endangered Blue Duck.

We take the environment seriously and work alongside our stakeholders to address the effects our business has on it. Environmental mitigation is one tool we use.

Environmental effects are an inevitable part of Genesis' ongoing operations. Our approach is to undertake extensive research to understand, monitor and lessen these effects, and to find ways to offset them.

Mitigation solutions are developed in consultation with our stakeholders. Only through extensive consultation and research can we be sure that the initiatives we undertake will be the most effective way of achieving sustainable management and addressing the issues raised by our stakeholders.

A prime example is the Central North Island Blue Duck Conservation Trust, launched in August 2002 and dedicated to the enhancement, protection and promotion of Blue Duck populations, habitat and natural character.

The trust was formed after approximately 10 years of research and consultation between Genesis (and previously ECNZ), the Department of Conservation (DoC) and the Royal Forest and Bird Protection Society, concerning the environmental effects of

operations at the Tongariro Power Scheme.

DoC and Forest and Bird were particularly concerned about the impact of the scheme on Blue Ducks and their habitat, and sought to address the issue with Genesis as part of the process to renew the resource consents for the Tongariro Power Scheme.

After much research and discussion, DoC, Forest and Bird and Genesis agreed a mitigation package consisting of the release of minimum water flows below the Mangatepopo and Whanganui intakes on the Western Diversion of the scheme, and the establishment of a Blue Duck Trust.

Blue Duck or whio occur only in New Zealand and are one of only a few white-water river specialist duck species in the world. The species is in decline and last year the conservation status of the Blue Duck was upgraded from 'vulnerable' to 'endangered'.

As a company, we will contribute a total of \$1.5 million to the trust over the next 10 years and administer the operations of the trust. The

trust has already committed funding to two projects. The first is to establish a new Blue Duck population on Mount Taranaki in the Egmont National Park. Until recently there had been no Blue Duck in the park for several decades. However a concerted effort to establish them in the park has been underway since 1999.

The trust will fund a four-year population establishment programme including predator control on the principal release rivers. Both captive-bred and wild Blue Ducks will be used for the translocation, with the wild ducks sourced from the Manganui-a-te-ao and Whakapapa Rivers.

The second project is to undertake a predator control pilot study on the Manganui-a-te-ao River in the central North Island.

The river will be the subject of a one-year monitoring and predator control pilot study which will investigate the potential for a longer term project to reduce the impact of predation on Blue Duck populations. The pilot study will trial predator control along a study stretch of river, concentrating on establishing trap lines, banding the Blue Duck population, fitting a number of female ducks with transmitters, and consulting with predator experts to design an

WAIKAREMOANA ECOLOGICAL RESTORATION PROGRAMME

Genesis provides funding to DoC for ecological restoration projects in the Waikaremoana region. DoC work in close co-operation with local hapu to undertake these enhancement projects, which include a programme to increase kiwi numbers by controlling predators, especially stoats, and managing and tracking juvenile kiwi.

**THE WAIKATO RIVER HAS MANY AQUATIC RESOURCES**

- of which the eel is one of the most important. Traditional traps are still used to harvest this important taonga of the river.



appropriate long term stoat control programme.

After the initial pilot study, a full assessment of the results will be carried out and further work may be proposed.

Another mitigation package, developed with stakeholders that have an interest in the Waikaremoana Hydro Scheme, is the Waikaremoana Ecological Restoration Programme.

We will contribute \$100,000 per annum (for a total of 10 years) to help fund the programme, which is administered by DoC and aims to control exotic mammals and pest plants and to enhance kiwi populations and rare or unique plant species. A key focus to date has been on the Kiwi Recovery Programme.

Research into the decline of the Waikaremoana kiwi population began about 10 years ago and one of the findings has been that stoats are the major problem for the survival of kiwi chicks. A special stoat-proof area of 1.5 hectares has now been developed by DoC and the hapu at Te Puna Bay on the Puketukutuku Peninsula to provide protection for young birds until they reach a safe body weight.

As the owners of New Zealand's largest thermal plant, the Huntly Power Station, we are sensitive to our effect on the environment

including the Waikato River.

The resource consents for Huntly require the monitoring of a wide range of parameters including water and water quality, lowa vanes, river temperature and fish health and migration.

Further stream enhancements have been carried out by us on three tributary streams of the Waikato River that rise in the Hakarimata ranges. The enhancements were initially carried out by Genesis' predecessor (ECNZ) as part of agreed mitigation, and Genesis is continuing this work on stream profile surveys and regular maintenance work.

The enhancements were designed to increase native fish populations in the streams, and surveys undertaken by NIWA this year show an abundance of fish species. In Firing Range Stream, densities of redfin bully have increased three-fold since enhancement works began and juvenile lamprey were captured for the first time; in Forested Stream, densities of banded kokopu have increased by 50 percent and redfin bully have increased three-fold; and in Martin Stream fish densities and species composition have improved.

As part of our mitigation for the effects of discharging cooling water from Huntly Power Station into the Waikato River, we are in the

process of gaining approval from landowners to enhance whitebait (inanga) spawning areas in the lower Waikato River near Port Waikato.

Genesis has investigated nine potential sites, chosen because inanga spawning has occurred there successfully in the past but has since declined. A preferred site has been identified and the enhancement project will be undertaken on an area of flat land near the mouth of the tributary.

Works will include fencing, weed removal and habitat enhancement through the creation of ponds and channels, and planting of species that will provide good spawning habitat.

At the moment we acknowledge that most of our environmental initiatives are concerned with mitigating the effects of our operations, but we are now poised to move forward.

The challenge for us into the future is to build on our successes to date and to broaden our environmental initiatives. We will continue to strengthen existing relationships developed through our resource consent processes, and seek opportunities to partner communities and our stakeholders so that together we can find new ways to improve the environment.

Genesis and the Environment

We pride ourselves on our commitment to environmental integrity and strong environmental performance.

The following sections of this report outline some of the key environmental challenges we have faced over the past 12 months, the actions we have taken to address these, and our strategy going forward to ensure we continually improve our environmental performance.

We acknowledge that most of our current environmental initiatives are concerned with addressing the effects of our operations. The challenge for us into the future is to broaden the scope of these initiatives to include proactive projects focused on the sustainability of the environment as a whole. We will continue to strengthen existing relationships developed through our resource consent processes, and seek opportunities to partner with communities and our stakeholders so that together we can find new ways to improve the environment.

Energy Efficiency

This year, Genesis has continued to implement our Energy Efficiency Enhancement Strategy. This strategy aims to ensure the company produces electricity as efficiently as possible, makes good use of renewable resources, and addresses growing electricity demand by helping our customers and communities to use energy wisely.

Genesis has continued to identify and implement efficiency improvements across all of our generation plant. Recent initiatives at Huntly Power Station include improved process efficiencies, unit condenser cleaning and unit thermal efficiencies. These enhancements improve the effectiveness of the plant and make more efficient use of natural resources.

Resource consent has been obtained to expand the Hau Nui wind farm by up to 14MW. Tenders have been called for an initial supply of wind turbines totalling 5MW capacity and Genesis expects to begin commissioning the extension in mid-2004. Genesis also plans to develop a second wind farm at Awhitu Peninsula and has installed wind monitoring equipment on the site.

The company continues to actively research new renewable energy options to enhance its overall energy generation efficiency. We are working with Norske Skog Tasman to investigate a biomass co-generation plant with up to 100MW capacity for the Kawerau mill.

As a responsible retailer, we are always working with our customers to ensure they are efficient in the way they use energy.

An initiative launched in April 2003 to help medium to large sized businesses save power identified significant savings, both in electricity consumption and dollar value. Energy surveys

were completed on 110 business customers and identified immediate savings of 3.5 percent (8.5GWh per annum) and potential long term savings of an additional 9.5 percent (23GWh per annum).

The surveys, undertaken by an independent energy auditor, encouraged companies to make changes that would not only be beneficial to their business, but to the country as a whole. Our plan is to make the information from the energy audits available as generic industry-based case studies so that others can benefit from the learnings.

Genesis also supported the Winter Power Taskforce's Target 10% power savings campaign, run over winter in response to low hydro levels, and we once again targeted oncology as the recipient of our customer savings. The Genesis Oncology Trust was established by Genesis in 2002 to help in the prevention, detection, diagnosis and treatment of cancer, and improvements in the palliative care of cancer patients.

Genesis Energy's Save Power – Save Lives energy savings campaign resulted in more than \$2 million being raised for the trust.

We also supported a WEL Energy Trust campaign offering owners of older hot-water cylinders a free energy-saving cylinder wrap. The wraps were offered to domestic customers in the WEL network area (northern Waikato, including Hamilton) whose cylinders were installed before 1986.

And at the Mystery Creek Fielddays, held in Hamilton in June 2003, Genesis promoted energy efficient farming practices.

Climate Change and CO₂ Emissions

The combustion of coal and gas generates emissions of carbon dioxide, which can add to the greenhouse effect when it builds up in the atmosphere – leading to climate change. Huntly Power Station emits one percent of New Zealand's total greenhouse gas emissions, on average, in the form of carbon dioxide.

February 2003 saw the redetermination of the Maui field. Genesis was advised that its gas entitlement would reduce immediately by 25 percent and that no spot (daily) gas sales would be available. As a result Genesis has had to change its fuel mix at Huntly and, at times, operates solely on coal. This different fuel usage will mean that CO₂ emissions from the station will increase in the future.

It is widely accepted that New Zealand is currently reliant on generation from fossil fuels to maintain a reliable supply of electricity at all times, particularly in dry years. However, Genesis is very conscious of the environmental effects of burning fossil fuels. We are committed to maintaining a balanced portfolio, and

maximising our use of renewable resources. Recent initiatives to use energy efficiently and to reduce demand-side energy consumption are outlined above. Our carbon dioxide emissions are reported on page 42.

Our Environmental Management Systems

Our company-wide Environmental Management System is broadly aligned with ISO 14001 requirements. This system is currently being reviewed independently to ensure it reflects best practice and to identify opportunities for improvement. Our resource consent management system is being upgraded as part of this process.

Hydro Generation

Genesis generates electricity from hydro power schemes at Waikaremoana, Tongariro and Kourarau. The dams, intakes and water diversions associated with these schemes modify river flows and lake levels. While these changes can have positive effects, such as creating new lakes and providing recreational opportunities, they also adversely affect the environment. Genesis works hard to lessen and offset these environmental effects via a range of measures.

Over the past year, Genesis has continued to work with several groups to resolve a range of outstanding concerns about the ongoing operations of the Tongariro Power Scheme. In September 2001, 15 parties appealed to the Environment Court for the granting of 53 resource consents by Environment Waikato and Horizons Regional Council. The application for these consents represented the culmination of an extensive process of consultation and technical research which spanned 10 years. Following ongoing discussions and a range of agreements, only three appeals remain unresolved and discussions are ongoing. The Environment Court hearings had been set to commence in January 2003 but following a successful application by Whanganui Iwi to postpone them, they have now been set down for September 2003.

This year at the Waikaremoana Hydro Scheme we completed the final year of field work in a five-year monitoring programme. Monitoring has been focused on the effects of Lake Waikaremoana's water levels on shoreline morphology, vegetation and brown trout and the effects of river flows on trout and invertebrate communities. During the current year the results of five years of data will be analysed by experts and recommendations made for future monitoring. Genesis and DoC have now almost completed a project to visually enhance the area where the power scheme first diverts water from Lake Waikaremoana and the entrance to the Great Walk. Trees and shrubs will soon be

planted to screen the intake buildings and beautify the area. Genesis has continued to contribute significant resources to the Waikaremoana Ecological Restoration Programme allowing DoC and local hapu to make huge progress toward the protection of kiwis and important native plants, and the control of exotic pest weeds in Lake Waikaremoana.

Environmental Performance

The environmental performance of our hydro schemes has continued to be strong this year in relation to consent and other limits at all sites. A breach of a minimum flow requirement at the Waikaremoana Hydro Scheme was the most significant event to occur, and whilst no significant adverse environmental effects resulted, Genesis has taken the incident seriously and put in place measures to ensure it does not happen again. The Tongariro Power Scheme continues to operate under a range of

statutory authorities that determine the operating limits. Waikaremoana operates under 45 resource consents, which set out a range of limits including lake level and flow requirements.

Thermal Generation

Thermal power generation uses energy in fuels such as gas, coal or organic waste to generate electricity. In an average year, approximately 27 percent of New Zealand’s electricity generation is supplied by thermal energy. New Zealand relies on this thermal generation to provide a secure source of electricity year-round because, unlike other forms of electricity generation, it is not largely dependent on the weather.

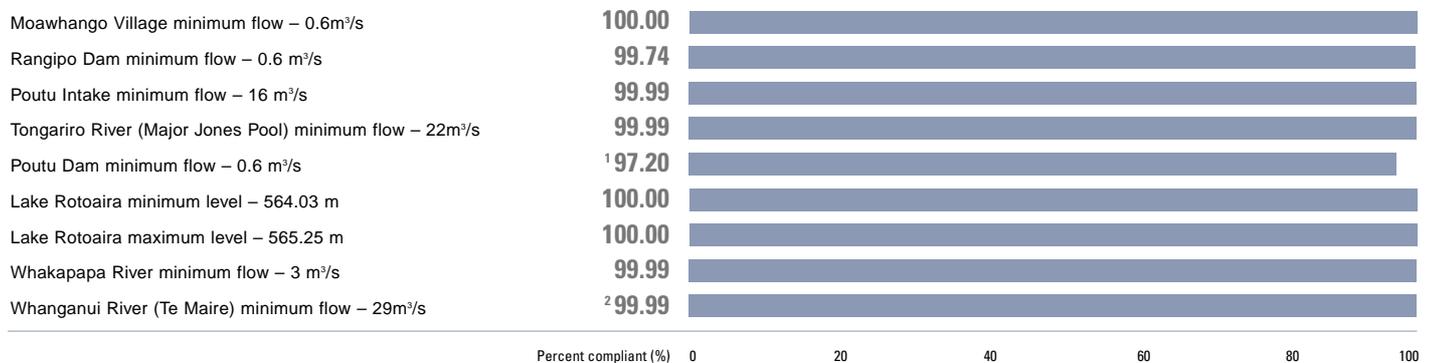
Huntly Power Station is New Zealand’s largest thermal power station. With an output of 1000MW, Huntly can generate around 20 percent of the country’s electricity requirements. The station, which is located on the banks of the Waikato River, is unique in New Zealand because it can generate electricity using coal and/or gas.

The environmental impacts of Huntly thermal power station are associated with:

- The discharge of gas emissions to air which arise from the combustion of fuels, and can affect air quality
- The discharge of warmed water used to cool the station generating units to the Waikato River, which can affect fish passage and in-stream habitat
- The discharge of treated process waters to the Waikato River
- Dust emissions from the storage of coal on land, which can affect local air quality
- The disposal of ash
- The aesthetic impact of the power station on Huntly township.

Genesis holds a set of resource consents to operate the Huntly station, most of which were granted in 1994. These resource consents set stringent environmental limits for operation of the station and its effects on the surrounding air, water and land.

TONGARIRO POWER SCHEME – OPERATIONAL COMPLIANCE



¹ Excursions were minor with a minimum recorded flow of 0.57m³/s.

² Two minor excursions occurred as a result of tributary inflows receding more quickly than expected between Whakapapa Intake and Te Maire.

WAIKAREMOANA HYDRO SCHEME – OPERATIONAL COMPLIANCE



¹ Instrument failure resulted in one month of missing records. Genesis is working to ensure this does not re-occur.

² A flow gauging at Whakamarino Diversion Canal identified that the minimum flow from the gate was only 0.015 m³/s as a result of reduced leakage from the gate. Two further holes have been drilled in this gate to ensure that the minimum flow of 0.025 m³/s can always be met and flows are now being monitored weekly.

Environmental Performance

Environmental performance at the Huntly Power Station in 2002/03 was generally excellent, with our strong record of compliance with resource consents continuing. Performance indicators for key monitoring areas of water quality, air quality and CO₂ emissions are reported.

Water Quality and Temperature

Water from the Waikato River is used to condense steam that powers the generating units at Huntly Power Station. Resource consent limits ensure the quality and temperature of the water discharged from the station has a minimal effect on the river environment downstream of the station. These limits have been designed

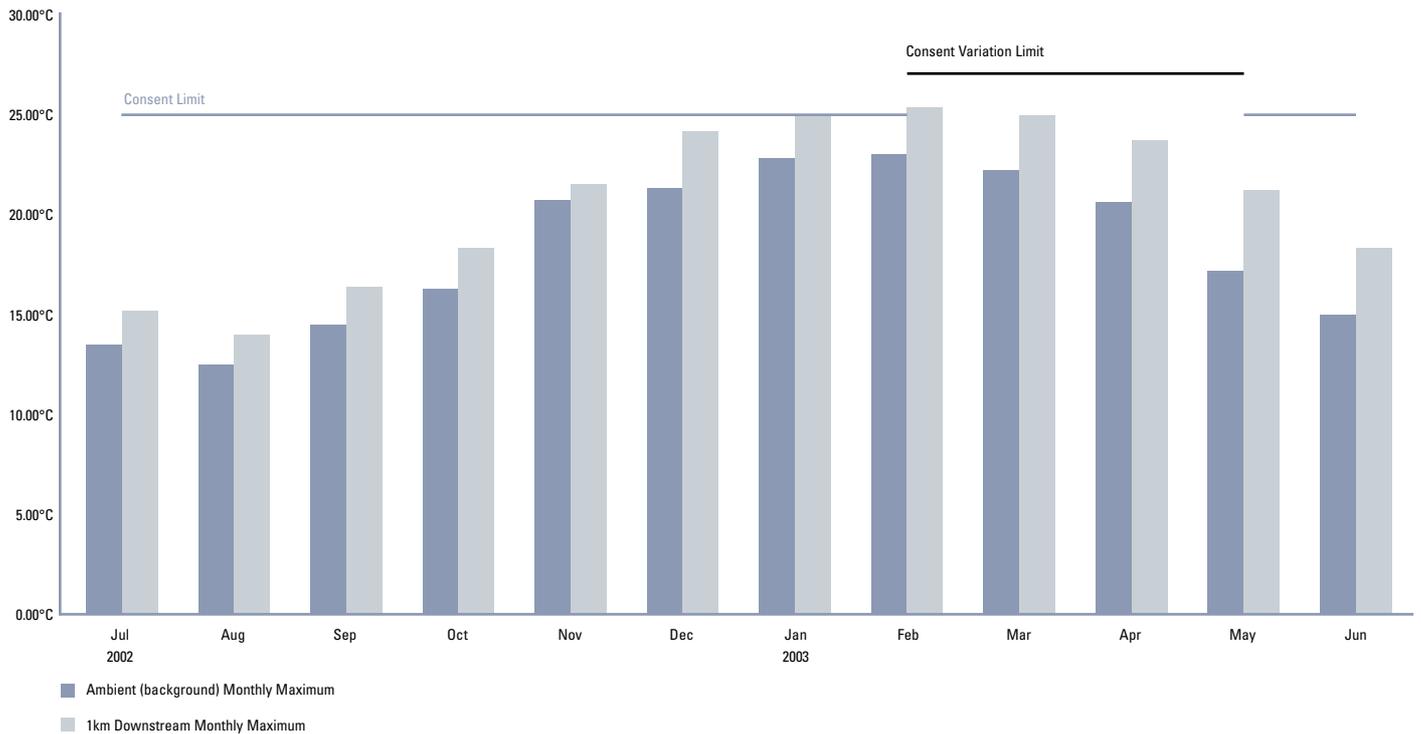
through extensive consultation with scientific experts and interested parties.

The 25°C limit was exceeded once in February when a sudden change in cloud cover raised ambient river temperatures quickly, increasing the river temperature downstream of the station to above the 25°C limit. Immediate action was taken to reduce generation, which restored the river temperature downstream of the station to within our limits. Genesis considers that its resource consent limits are paramount and made a conscious decision to accept a 'market rule' breach before a resource consent breach. We have since improved procedures for river temperature modelling to better account for sudden weather changes.

Water quality of stormwater and process water discharges continues to be excellent. One short term excursion occurred when the suspended solids level in the ash pond water exceeded the resource consent limit. This excursion was linked to a change in operation at the ash ponds. Closer monitoring of ash pond water during these times has helped to prevent any further excursions.

Minor pH excursions occurred in the Water Treatment Plant due to a temporary problem with pH monitoring instruments. Calibration and maintenance procedures have since been improved to prevent reoccurrence.

WAIKATO RIVER TEMPERATURE MONTHLY MAXIMA



The consent limit relating to the Waikato River is 25°C as a one-hour average, 1km downstream of the cooling water discharge. An instantaneous limit of 27°C can be applied at certain restricted times as specified in Genesis' resource consent variation. This instantaneous limit was not applied this summer as environmental conditions and market demand did not coincide.

Air Quality

Genesis monitors air emissions from the power station stacks, as well as effects on receiving environments by assessing background (ambient) air quality and the health of nearby vegetation.

Emissions from the station have continued at levels similar to previous years and within

consent limits, resulting in extremely low levels of contaminants at ground level.

Monitoring of sulphur dioxide and particulate matter at points surrounding Huntly Power Station has confirmed that air quality in this area continues to be excellent.

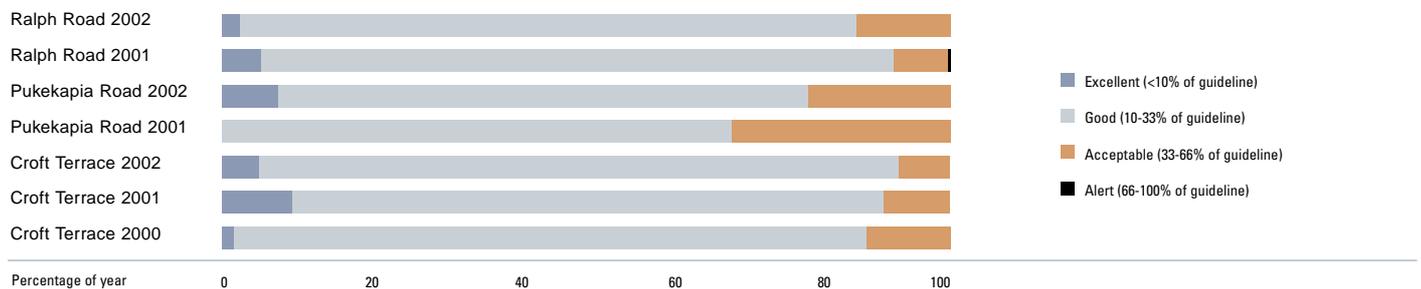
This year we improved monitoring of dust adjacent to our coal stockpiles by establishing a

new monitoring site to continuously monitor total suspended particulates. This dust has the potential to cause a visible nuisance. Information collected since early 2003 demonstrates that emissions caused by stockpile working are below Ministry for the Environment guideline levels.

STACK EMISSIONS ¹	CONSENT LIMIT	MAXIMUM RESULT
Nitrogen Oxides	300 ppm (24 hr ave) 400 ppm (10 min ave)	246 ppm 352 ppm
Sulphur Oxides	1200 mg/m ³ (1 hr ave) 90 te/day (total 4 units)	776 ppm 28 te/day
Particulates	50 mg/m ³	32 mg/m ³

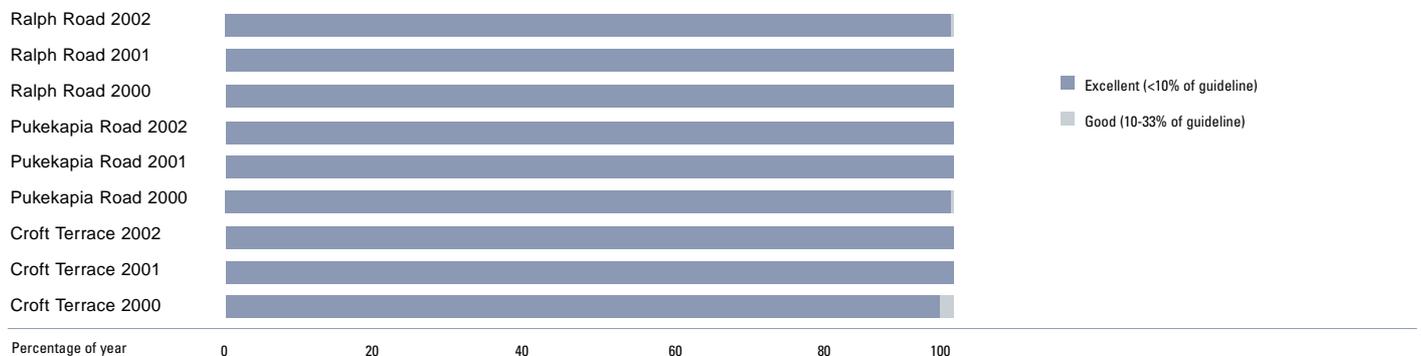
¹ As our air emissions monitoring programme is reported each calendar year, results apply to the 2002 calendar year. Reporting of stack emissions in this report has been simplified this year to align with our annual air monitoring reporting to Environment Waikato.

AMBIENT AIR QUALITY – PARTICULATES PM 10 (24 HOUR AVERAGE)



Comparison with the 2002 Ministry for the Environment Ambient Air Quality Guideline of 50ug/m³.

AMBIENT AIR QUALITY – SO₂ (24 HOUR AVERAGE)



Comparison with the 2002 Ministry for the Environment Ambient Air Quality Guideline of 120ug/m³.

As our air emissions monitoring programme is reported each calendar year, these results apply to the 2002 calendar year.

Air Discharge Consent Variation

We are seeking to refine a small number of consent conditions that are either technically inappropriate or no longer relevant to the operation of the station. Independent technical assessments have indicated benefit in phasing out deposition gauge monitoring methods and consent limits, in favour of more accurate and comprehensive monitoring methods. Now that technical work has been completed, we will commence consultation with key interested

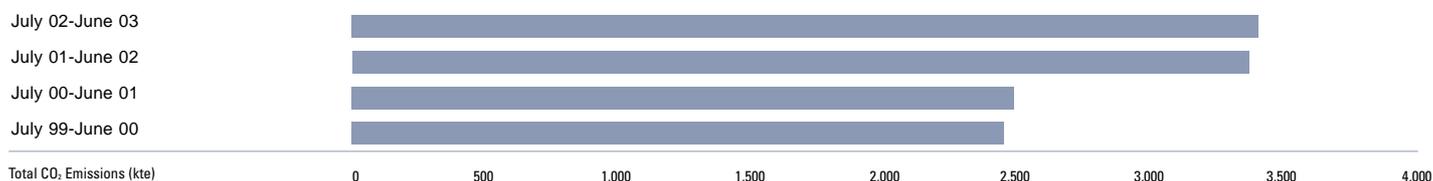
parties, and a consent variation will be sought by the end of 2003.

Huntly e3p

Genesis remains committed to commissioning its planned high efficiency combined cycle gas turbine at the existing Huntly site. The negotiations for supply of the 365MW gas turbine for the Huntly Energy Efficiency Enhancement Project, known as Huntly e3p, are continuing. The date for commissioning has

been delayed until March 2006 due to the uncertainty about gas supply from the Pohokura field. Genesis is working hard to secure a long term gas contract. Work is continuing to secure a heavy haulage route from the Ports of Auckland to Huntly. Extensive technical assessments of the entire route are being undertaken. Genesis is also working with Waikato District Council regarding the upgrading of Tainui Bridge.

TOTAL CO₂ EMISSIONS



Carbon dioxide emissions vary annually as they are dependent on the demand for electricity from Huntly Power Station and the fuel used to meet this demand. During the last 12 months Huntly Power Station has continued to generate more electricity to meet market demand, providing a secure source of supply during times of low inflows to hydro lakes. Nevertheless, emissions were consistent with past levels from the site. Genesis' strategy on climate change and energy efficiency is outlined on page 38.

OBJECTIVES AND TARGETS COMPANY-WIDE FOR 2002/03

PERFORMANCE AGAINST TARGET 2002/03

Implement the company-wide energy efficiency and use reduction plan in 2002/03 and report five-year targets.	Internal energy savings of 15.8% were achieved during the lead-up to winter 2003. Staff are encouraged to continue these savings. Other internal energy efficiency initiatives included an energy audit of key operational areas at Huntly Power Station. Several opportunities for further improvement were identified, some of which will be implemented over the coming year.
Continue to develop energy management programmes for customers.	Energy surveys completed on 110 business customers – and identified immediate savings of 3.5% (8.5GWh per annum) and potential long term savings of an additional 9.5% (23GWh per annum). These total savings are equivalent to the energy used by 4000 average households per year.
Continue to implement the Huntly e3p resource consents to ensure development by 2005.	The date for commissioning Huntly e3p has been delayed until March 2006 due to the uncertainty about gas supply. Work is continuing to secure a heavy haulage route from the Ports of Auckland to Huntly. Extensive technical assessments of the entire route are being undertaken. Genesis is working with Waikato District Council regarding the upgrading of Tainui Bridge.
Implement the Hau Nui wind farm resource consents with no breaches and continue to explore further opportunities for wind generation.	Hau Nui – Tenders have been called for the supply of wind turbines totalling 5MW capacity. Consents are yet to be implemented. Awhitu Peninsula – Wind speed data collected and feasibility study completed indicating the site could support up to 25MW of turbines.
Continue to actively participate in the development of climate change, renewable energy and other policy.	Ongoing participation in policy development at a national and regional level.
Implement the revised Environmental Management System.	A variety of new policies and procedures were implemented to ensure a robust EMS company-wide.
Undertake training in environmental responsibilities for 95% of staff at generation sites.	Over 75% of generation staff and onsite contractors received environmental training. Remaining staff will be targeted in subsequent training sessions. New staff received environmental induction training.
Implement the company-wide waste minimisation plan and report five-year targets.	A variety of new waste minimisation initiatives were implemented by waste minimisation officers. Solid and liquid waste audits were undertaken at Huntly Power Station. Internal targets for waste reduction are being set for each site.

OBJECTIVES AND TARGETS – HYDRO GENERATION FOR 2002/03**PERFORMANCE AGAINST TARGET 2002/03**

Implement new resource consents for the Tongariro Power Scheme once granted by Environment Court and continue to implement associated agreements.

Twelve Environment Court appeals have been resolved. Consents not operative until Environment Court process complete. Two environmental trusts have been established with key stakeholder groups and good progress has been made with all other agreements.

Continue to enhance working relationships with tangata whenua and explore opportunities to develop and implement ongoing joint initiatives.

Positive and progressive working relationships achieved with a number of Maori groups. Regular meetings have been held and a number of joint initiatives are under way with a range of Maori groups.

Continue to implement Genesis' stakeholder communication strategy encompassing continued use of consultative forums and regular, proactive communication on environmental issues.

Annual consultative meetings held and environmental newsletters distributed at Tongariro and Waikaremoana. A range of other issue/sector/community meetings held. A number of groups have visited our hydro sites.

Complete dredging of the Rotoaria Channel with no breaches of the resource consents.

Dredging is progressing well; however a number of delays have occurred due to mechanical faults. Minor non-compliances of the turbidity constraint occurred but were quickly resolved with no adverse environmental effects.

OBJECTIVES AND TARGETS – THERMAL GENERATION FOR 2002/03**PERFORMANCE AGAINST TARGET 2002/03**

Continue consultation with stakeholders regarding Meremere site rehabilitation and lodge resource consent applications by December 2002.

Applications lodged September 2002.

Hearing April 2003.

Council decision May 2003 which has subsequently been appealed to the Environment Court.

Implement Huntly e3p energy efficiency enhancement project from 2001-2005.

The date for commissioning Huntly e3p has been delayed until March 2006 due to the uncertainty about gas supply.

Work is continuing to secure a heavy haulage route from the Ports of Auckland to Huntly.

Extensive technical assessments of the entire route are being undertaken. Genesis is working with Waikato District Council regarding the upgrading of Tainui Bridge.

Submit application to refine the Waikato River fisheries monitoring programme and implement revised programme.

Proposal submitted to Environment Waikato September 2002. Reviewing Environment Waikato feedback.

Lodge applications to refine consent limits for Huntly Power Station which have never been able to be met during normal operation.

Technical assessments commenced.

Continue consultation with stakeholders regarding an additional ash pond at Huntly, and lodge consent applications.

No resource consents required. Liaison with stakeholders continued throughout ash pond development.

Additional monitoring sites installed.

Continue to implement stakeholder communications strategy including consultative forums and public newsletters on environmental issues. Continue to facilitate dialogue and strong relationships with tangata whenua.

Quarterly consultative meetings held. Environmental newsletters distributed at Huntly on general environmental management and specific projects. A range of other issue/community meetings held.

Last year we asked our key stakeholders for their perceptions of Genesis' environmental performance against each of our environmental values. Whilst our environmental performance was generally perceived as excellent, the feedback from the survey highlighted the need to broaden the range of environmental projects we are involved in. In the coming year we aim to pursue the following environmental initiatives:

- Expand our renewable energy portfolio by obtaining resource consents for Awhitu wind farm, commissioning the extension of Hau Nui in mid-2004, and continuing to explore other opportunities for wind development;

- Seek to partner organisations and community groups to jointly improve aspects of the environment. Actively seek to achieve several new environmental enhancement projects in the next 12 months arising from proactive Genesis initiatives or those from the various trusts we are jointly involved in;
- Implement demand-side energy management programmes for customers, and implementing results of our own energy efficiency audits as appropriate;
- Implement recommendations arising from the independent review of our Environmental Management System as appropriate. As part of our commitment to

- continuously improving our environmental management we will be implementing a new, best-practice consent management system company-wide. We will also develop more robust procurement procedures and continue to undertake waste minimisation initiatives;
- Expand the sharing of scientific information and data obtained through our extensive monitoring programmes to contribute to external decision-making processes about the environment at a local, regional and national level;
 - Complete the Meremere Power Station site rehabilitation project.

FINANCIAL STATEMENTS

45	STATEMENT OF FINANCIAL PERFORMANCE
45	STATEMENT OF MOVEMENTS IN EQUITY
45	STATEMENT OF FINANCIAL POSITION
46	STATEMENT OF CASH FLOWS
47	NOTES TO THE FINANCIAL STATEMENTS
1	Statement of Accounting Policies
2	Operating Revenue
3	Operating Expenses
4	Income Tax
5	Dividends
6	Change in Accounting Policy Adjustment
7	Current Assets
8	Non-Current Assets
9	Goodwill
10	Property, Plant and Equipment
11	Current Liabilities
12	Non-Current Liabilities
13	Provisions
14	Equity
15	Commitments
16	Financial Instruments
17	Related Parties
18	Intercompany Balances (Parent Only)
19	Reconciliation of Net Surplus to Net Cash from Operating Activities
20	Contingent Assets and Liabilities
21	Resource Consents
22	Segmental Information
23	Significant Events After Balance Date

The Directors have pleasure in presenting the Financial Statements of Genesis Power Limited for the year ending 30 June 2003. For and on behalf of the Board of Directors:



BRIAN CORBAN QSO
Chairman



KEITH SMITH
Deputy Chairman

2 September 2003

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2003

	NOTES	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Operating Revenue	2	1,430,148	1,093,743	1,406,392	1,084,797
Operating Expenses	3	1,324,694	1,023,592	1,305,095	1,018,850
Operating Surplus before Income Tax		105,454	70,151	101,297	65,947
Less Income Tax	4	44,340	22,088	42,446	20,247
NET SURPLUS		61,114	48,063	58,851	45,700

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2003

	NOTES	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Opening Equity		891,467	847,604	845,636	804,136
Net Surplus		61,114	48,063	58,851	45,700
Dividends Paid	5	(19,380)	(24,200)	(19,380)	(24,200)
Provision for Rehabilitation	1	–	20,000	–	20,000
Change in Accounting Policy Adjustment	6	3,528	–	–	–
EQUITY AT END OF YEAR	14	936,729	891,467	885,107	845,636

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2003

	NOTES	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Assets					
Current Assets	7	227,988	173,581	232,909	181,405
Non-Current Assets	8	282,961	255,535	188,527	161,721
Property, Plant and Equipment	10	702,925	704,054	702,626	704,054
TOTAL ASSETS		1,213,874	1,133,170	1,124,062	1,047,180
Liabilities and Equity					
Current Liabilities	11	223,361	182,873	223,801	182,904
Non-Current Liabilities	12	38,168	43,675	15,059	16,632
Deferred Taxation	4	15,616	15,155	95	2,008
TOTAL LIABILITIES		277,145	241,703	238,955	201,544
Equity	14	936,729	891,467	885,107	845,636
TOTAL LIABILITIES AND EQUITY		1,213,874	1,133,170	1,124,062	1,047,180

FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2003

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2003

	NOTES	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Cash Flows from Operating Activities					
Cash was provided from:					
Receipts from Customers		1,346,429	1,106,774	1,326,099	1,097,250
Interest Received		2,077	2,425	216	1,147
		1,348,506	1,109,199	1,326,315	1,098,397
Cash was applied to:					
Payments to Suppliers		1,152,936	961,895	1,143,495	961,808
Payments to Employees		28,325	25,577	27,315	25,577
Interest Paid		11,907	8,680	7,147	3,473
Taxation Paid		30,836	45,900	30,759	43,900
		1,224,004	1,042,052	1,208,716	1,034,758
NET CASH FROM OPERATING ACTIVITIES	19	124,502	67,147	117,599	63,639
Cash Flows from Investing Activities					
Cash was provided from:					
Sale of Property, Plant and Equipment		36	44,282	36	44,282
Principal Repayments of Finance Lease		2,019	1,721	-	-
		2,055	46,003	36	44,282
Cash was applied to:					
Purchase of Customers and Receivables		60,075	113,571	60,075	113,571
Purchase of Investments		4,259	7,787	-	-
Purchase of Property, Plant and Equipment		29,708	17,960	29,370	17,837
Net Advances to Subsidiaries/Parent		-	-	771	6,082
		94,042	139,318	90,216	137,490
NET CASH TO INVESTING ACTIVITIES		(91,987)	(93,315)	(90,180)	(93,208)
Cash Flows from Financing Activities					
Cash was provided from:					
Net Proceeds from Borrowings		-	62,552	-	62,552
		-	62,552	-	62,552
Cash was applied to:					
Repayment of Principal on Borrowings		7,504	28,753	3,477	25,000
Dividends Paid	5	19,380	24,200	19,380	24,200
		26,884	52,953	22,857	49,200
NET CASH FROM/(TO) FINANCING ACTIVITIES		(26,884)	9,599	(22,857)	13,352
NET INCREASE/(DECREASE) IN CASH HELD		5,631	(16,569)	4,562	(16,217)
Cash at Beginning of Year		5,455	22,024	4,855	21,072
Change in Accounting Policy Adjustment	6	3,400	-	-	-
CASH AT END OF YEAR		14,486	5,455	9,417	4,855
Composition of Cash:					
Cash		14,486	5,455	9,417	4,855
		14,486	5,455	9,417	4,855

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the State-Owned Enterprises Act 1986.

Reporting Entity

The Parent Company's financial statements are for Genesis Power Limited ('the Company') as a separate entity and the consolidated financial statements are for the Genesis Power Limited Group ('the Group'), which includes the Company and all its subsidiaries. The significant subsidiaries are disclosed in Note 8.

Constitution, Ownership and Activities

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 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.

General Accounting Policies

The general accounting policies recognised as appropriate for the measurement and reporting of results, cash flows and financial position under the historical cost method have been followed in the preparation of these financial statements. The one-off review of the value of the net assets as at 1 April 1999 as agreed with the Shareholding Ministers was deemed to be historical cost.

Particular Accounting Policies

The following particular accounting policies which significantly affect the measurement of financial performance, financial position and cash flows, have been applied:

Principles of Consolidation

The consolidated financial statements are prepared from the financial statements of the Company and its subsidiaries, using the purchase method.

The results of subsidiaries acquired or disposed of during the year are included in the Statement of Financial Performance from the date of acquisition or up to the date of disposal.

All transactions between Group companies are eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the net tangible and identifiable intangible assets on the acquisition of a business or an equity interest in a subsidiary. Goodwill is amortised by the straight line method over the shorter of the period of expected benefits or 20 years.

Subsidiaries

Subsidiaries are those entities in which the Company or another Group subsidiary holds a controlling interest.

Joint Ventures

Joint Ventures are arrangements with other parties in which the Company has several liability in respect of costs and liabilities, and shares in any resulting output. The Company's share of the assets, liabilities, revenues and expenses of joint ventures is recognised in the financial statements on a line-by-line basis.

Investments (Parent Company Only)

Investments in subsidiaries are stated at cost.

Trading Revenue

Revenue shown in the Statement of Financial Performance comprises the amounts received and receivable by the Group for electricity and energy-related services supplied to customers in the ordinary course of business.

Taxation

The Company follows the liability method of accounting for deferred tax on a comprehensive basis.

The taxation charge against the net surplus for the year is the estimated liability in respect of that net surplus after allowance for permanent differences.

Future taxation benefits attributable to timing differences or losses carried forward are recognised in the financial statements only where there is virtual certainty that the benefits will be utilised by the Group.

Goods and Services Tax

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST.

Accounts Receivable

Accounts receivable are stated at estimated realisable value, after providing for debts where collection is doubtful.

Inventories

Inventories are stated at the lower of cost and realisable value. Cost is determined on an average cost basis.

Distinction between Capital and Revenue Expenditure

Capital expenditure is defined as all expenditure on the purchase or creation of new property, plant and equipment, and any expenditure, which results in a significant improvement to the original functionality of an existing asset.

Revenue expenditure is defined as expenditure that restores an asset to its original operating capability and all expenditure incurred in maintaining assets used in operating the business.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2003

Resource Consents

Costs incurred in obtaining a resource consent are capitalised and recognised as a term asset. These costs are amortised over the life of the consent on a straight line basis.

Property, Plant and Equipment

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of assets constructed by the Company, including capital work in progress, is the cost of materials used in construction, direct labour costs of construction, resource management consent costs, and an appropriate proportion of applicable variable and fixed overheads. Financing costs on capital work in progress are capitalised at the specific project finance interest rate during the construction period. Costs cease to be capitalised as soon as the asset is available for productive use.

Leased Assets

Lessee:

The Company leases certain plant, equipment, land and buildings. Leases under which the Company assumes substantially all the risks and rewards incidental to ownership have been classified as finance leases and are capitalised. All other leases are classified as operating leases. The asset and corresponding liability are recorded at inception of a finance lease at the fair value of the leased asset, at amounts equivalent to the value of minimum lease payments, including residual values.

Finance charges are apportioned over the terms of the respective leases using the actuarial method.

The cost of improvements to leasehold property is capitalised and amortised over the estimated useful life of the improvements, or over the unexpired portion of the lease, whichever is shorter.

Capitalised leased assets are depreciated over their expected lives in accordance with rates adopted for other similar asset categories. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance as incurred.

Lessor:

The Company leases certain plant and equipment to others under finance lease arrangements.

Finance leases receivable are recorded in the Statement of Financial Position at present value. Periodic lease receipts are allocated between the receivable and interest revenue on a yield-to-maturity basis.

Depreciation

Depreciation of property, plant and equipment, other than freehold land, is charged on a straight line basis so as to apportion the cost of the assets less their estimated residual value over their expected remaining useful lives.

Estimated Useful Life

Generating Plant	10-50 years
Non-Plant Related Buildings	50 years
Other Plant and Equipment	3-15 years

Provision for Rehabilitation

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. The provision is re-assessed at each balance date. Changes in the present value of cash flow estimates are recognised in the Statement of Financial Performance. The provision is reduced by expenditure incurred for site restoration.

Loans

Loans in existence at 1 April 1999 were revalued to fair value in accordance with the review of the value of net assets acquired at 1 April 1999. New loans obtained since 1 April 1999 are stated at face value less unamortised discounts, premiums and prepaid interest.

Discounts, premiums and prepaid interest and borrowing costs such as origination, commitment and transaction fees are amortised to interest expense on a yield-to-maturity basis over the period of the borrowing.

Foreign Currencies

Foreign currency transactions are recorded at the exchange rates in effect at the date of the transaction except where hedging contracts are taken out to cover short-term foreign currency commitments in which case the transaction is translated at the rate contained in the hedging contract.

Monetary assets and liabilities denominated in a foreign currency are translated at the rates of exchange ruling at balance date. Exchange differences on translation are taken to the Statement of Financial Performance.

Financial Instruments

The Company 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 and interest rate swaps. The Company enters into these contracts to hedge its foreign currency exposures and interest rate exposures. Financial instruments entered into as hedges are accounted for on the same basis as the underlying position being hedged. Any gain or loss arising on a hedging transaction will be recognised in the Statement of Financial Performance in the same period as the loss or gain on the item being hedged. Any financial instrument which does not fall within the definition of a hedge will be marked to market and any resultant gain or loss recognised in the Statement of Financial Performance as it occurs.

The Company has also entered into contracts to manage its exposure to price fluctuations on the electricity spot market. These contracts are contracts for differences. They are not undertaken for speculative purposes. The contract settlements are recognised in the period in which the purchase or sale of electricity occurs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2003

Gas Operations

Mining Licence

The acquisition costs of a mining licence are capitalised. Any impairment in value is taken to the Statement of Financial Performance. 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.

Exploration

Exploration costs, including geological and geophysical costs and costs of carrying unproved properties are included in the Statement of Financial Performance.

Exploratory drilling costs are capitalised initially; however, if it is found that an exploratory well did not find proved reserves, such capitalised costs are charged to the Statement of Financial Performance, 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.

Development Expenditure

Development costs are capitalised. Any impairment in value is taken to the Statement of Financial Performance.

The development 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 that a completed development enters commercial production.

Abandonment Costs

Estimated costs of dismantlement, abandonment, and restoration are provided for on the units of production depletion method, commencing from the first year that a completed development enters commercial production.

Statement of Cash Flows

The following are the definitions 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 fixed assets and of investments;
- financing activities are those activities that result in changes in the size and composition of the capital structure of the Company. 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.

Changes in Accounting Policies

In the current year, the Group has consolidated the Genesis Oncology Trust. This was required under Financial Reporting Standard 37 (FRS-37) "Consolidating Investments in Subsidiaries" which applies to general-purpose financial reports covering periods ending on or after 31 December 2002. In the prior year the Genesis Oncology Trust was not consolidated and under the transitional provisions of FRS-37 the prior year figures are not required to be re-stated. The effect of not re-stating the prior year is reflected as an adjustment to opening equity. There have been no other material changes in accounting policies, and all other policies have been applied on bases consistent with those used in the previous period.

2. OPERATING REVENUE

	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Trading Revenue				
Electricity	1,339,779	1,050,432	1,325,363	1,050,432
Gas	42,720	–	42,720	–
Other	46,903	32,224	37,841	23,119
Investment Revenue				
Interest	416	988	218	984
Interest from Subsidiaries	–	–	241	163
Other Revenue				
Gain on Sale of Property, Plant and Equipment	9	10,099	9	10,099
Sponsorship	321	–	–	–
TOTAL OPERATING REVENUE	1,430,148	1,093,743	1,406,392	1,084,797

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2003

3. OPERATING EXPENSES

	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Operating Expenses include:				
Depreciation of Property, Plant and Equipment				
Thermal Stations	7,089	7,014	7,089	7,014
Hydro Stations	13,305	12,672	13,305	12,672
Buildings	12	10	12	10
Leasehold Improvements	64	63	64	63
Other Fixed Assets	7,182	5,052	7,182	5,052
Retail Assets	416	668	378	668
Other Generation Assets	153	153	153	153
	28,221	25,632	28,183	25,632
Net Loss on Sale of Property, Plant and Equipment	2,588	206	2,588	206
Amortisation of Investments	1,372	1,317	–	–
Rental Expense on Operating Leases	2,038	1,078	1,960	1,078
Amortisation of Goodwill	15,924	12,532	15,676	12,532
Net Loss on Foreign Currency Transactions	140	11	140	11
Bad Debts Written Off	11,138	5,986	11,094	5,986
Increase in Estimated Doubtful Debts	2,335	3,184	2,335	3,184
Interest on Borrowings	9,343	6,755	6,495	3,473
Directors' Fees	258	286	258	286
Audit Fees	131	130	131	130
Fees for Other Services Provided by Auditors	–	111	–	111
Donations	8	16	8	16
Sponsorship	1,235	1,606	1,235	1,606

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2003

4. INCOME TAX

	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Operating Surplus Before Income Tax	105,454	70,151	101,297	65,947
Permanent Differences	30,786	(947)	29,184	(2,264)
EARNINGS SUBJECT TO TAX	136,240	69,204	130,481	63,683
Tax at 33%	44,959	22,837	43,059	21,015
Prior Year Adjustments	(619)	(749)	(613)	(768)
TAX EXPENSE	44,340	22,088	42,446	20,247
Comprising:				
– Current Year Tax Assessment	44,098	23,553	44,592	23,586
– Prior Year Adjustments	(619)	(749)	(613)	(768)
– Deferred Income Tax Liability	861	(716)	(1,533)	(2,571)
TAXATION EXPENSE	44,340	22,088	42,446	20,247
Deferred Tax Liability				
Opening Balance	15,155	14,192	2,008	4,705
Acquisition of Subsidiary	–	1,714	–	–
Prior Year Adjustments	(400)	(35)	(380)	(126)
Movement in Current Year	861	(716)	(1,533)	(2,571)
CLOSING BALANCE	15,616	15,155	95	2,008
Imputation Credit Account				
Imputation Credits at Start of Year	63,911	31,440	58,824	28,327
Plus Income Tax Paid	30,800	44,390	29,400	42,416
Less Distributed and Disposed	(9,545)	(11,919)	(9,545)	(11,919)
IMPUTATION CREDITS AT END OF YEAR	85,166	63,911	78,679	58,824

5. DIVIDENDS

	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Prior Year Final Dividends Paid	11,200	16,200	11,200	16,200
Current Year Interim Dividends Paid	8,180	8,000	8,180	8,000
TOTAL DIVIDENDS PAID	19,380	24,200	19,380	24,200

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2003

6. CHANGE IN ACCOUNTING POLICY ADJUSTMENT

Refer to Note 1 Changes in Accounting Policy. As a result of the Genesis Oncology Trust being consolidated with the Group as per requirements of Financial Reporting Standard 37, equity is adjusted for the Genesis Oncology Equity of \$3.5 million. The Group cash flow Cash at Beginning of Year is adjusted for the Genesis Oncology Trust bank balance of \$3.4 million.

7. CURRENT ASSETS

	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Cash	14,486	5,455	9,417	4,855
Fuel Stocks	21,618	21,015	21,618	21,015
Consumable Spares	3,355	3,205	3,355	3,205
Prepayments	12,166	2,811	11,953	2,557
Accounts Receivable	175,865	130,831	172,076	130,689
Intercompany Receivables	–	–	14,004	10,928
Taxation Receivable	–	9,818	–	7,710
Other Current Assets	498	446	486	446
TOTAL CURRENT ASSETS	227,988	173,581	232,909	181,405

The effective interest rate for cash is 2.25% and the effective interest rate for short-term deposits is 1.85%. Deposits are subject to interest rate review during the current year and the carrying value is equal to fair value.

8. NON-CURRENT ASSETS

	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Mining Licence	45,233	45,233	–	–
Non-Current Mining Stores	432	433	–	–
Kinleith Finance Lease Receivables	82,296	85,686	–	–
Unlisted Subsidiaries	–	–	37,538	37,538
Goodwill	153,052	124,183	149,041	124,183
Other	1,948	–	1,948	–
TOTAL NON-CURRENT ASSETS	282,961	255,535	188,527	161,721

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2003

8. NON-CURRENT ASSETS (CONTINUED)

Investment in Subsidiaries

Significant subsidiaries comprise:

Name of Entity	Principal Activities	Interest Held by Group
Genesis Power Investments Ltd	Ultimate Holding Company for Kupe Joint Venture Investment	100%
Energy Online Ltd	Energy Retailer	100%
Kupe Development Ltd	Holding Company for Kupe Joint Venture Investment via Kupe Mining No 1 and No 2 Limited	100%
Kupe Mining No 1 Ltd	Holding Company for Kupe Joint Venture Investment	100%
Kupe Mining No 2 Ltd	Holding Company for Kupe Joint Venture Investment	100%
Kupe Holdings Ltd	Holding Company for Kupe Joint Venture Investment	100%
Kinleith Co-generation Ltd	Special Purpose Finance Company	100%
Genesis Oncology Trust	Charitable Trust Promoting Cancer Research and Palliative Care	100%

All subsidiary entities have a balance date of 30 June.

Joint Ventures

The Group has a 70% participating interest in the Kupe Joint Venture, formed for the purpose of exploring, developing and exploiting the Kupe South Toru (PML38146) gas and condensate field. Under the arrangement, maintenance costs are shared equally and each venturer is entitled to use the facilities during specified hours.

The operating loss of \$257,452 (2002: \$204,000 loss) for the year reflects continuing maintenance activity by the venture.

Kinleith Finance Lease Receivables

Kinleith Co-generation Limited owns a co-generation plant at Kinleith which it leases under a finance lease arrangement. The gross investment in the lease at 30 June 2003 is \$140 million (2002: \$155 million) with unearned income totalling \$58 million (2002: \$69 million), resulting in a net investment of \$82 million (2002: \$86 million).

Acquisition of NGC Gas Customers

On 1 October 2002, Genesis acquired all of the gas retail customers and receivables from Natural Gas Corporation Limited for cash consideration of \$62.1 million.

Acquisition of Energy Online Retail Electricity Customers

On 1 December 2002, Genesis acquired all of the electricity retail customers from Energy Online Limited for cash consideration of \$4.4 million.

Acquisition of FreshStart Retail Customers

On 1 June 2003, Genesis acquired all of the electricity and gas retail customers from FreshStart Energy Limited for cash consideration of \$2.9 million.

9. GOODWILL

	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Goodwill (gross) at Beginning of Year	136,715	–	136,715	–
Accumulated Amortisation at Beginning of Year	(12,532)	–	(12,532)	–
Unamortised Balance at Beginning of Year	124,183	–	124,183	–
Goodwill Arising on Acquisition of Retail Customers	44,793	136,715	40,534	136,715
Current Year Amortisation	(15,924)	(12,532)	(15,676)	(12,532)
UNAMORTISED BALANCE AT END OF YEAR	153,052	124,183	149,041	124,183
Comprising:				
Goodwill (gross)	181,508	136,715	177,249	136,715
Accumulated Amortisation	(28,456)	(12,532)	(28,208)	(12,532)
	153,052	124,183	149,041	124,183

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2003

10. PROPERTY, PLANT AND EQUIPMENT

	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Generation Plant (including land and buildings)				
Cost	719,505	716,481	719,505	716,481
Less: Accumulated Depreciation	(83,141)	(64,181)	(83,141)	(64,181)
BOOK VALUE	636,364	652,300	636,364	652,300
Other Freehold Land and Improvements				
Cost	6,043	6,015	6,043	6,015
Less: Accumulated Depreciation	(279)	(214)	(279)	(214)
BOOK VALUE	5,764	5,801	5,764	5,801
Other Freehold Buildings				
Cost	812	489	812	489
Less: Accumulated Depreciation	(37)	(25)	(37)	(25)
BOOK VALUE	775	464	775	464
Capital Work in Progress				
COST	38,642	27,204	38,642	27,204
Other Plant and Equipment				
Cost	41,101	30,468	40,764	30,468
Less: Accumulated Depreciation	(19,721)	(12,183)	(19,683)	(12,183)
BOOK VALUE	21,380	18,285	21,081	18,285
Total Property, Plant and Equipment				
Cost	806,103	780,657	805,766	780,657
Less: Accumulated Depreciation	(103,178)	(76,603)	(103,140)	(76,603)
TOTAL BOOK VALUE	702,925	704,054	702,626	704,054
LATEST RATEABLE VALUE OF FREEHOLD LAND	5,369	5,791	5,369	5,791

11. CURRENT LIABILITIES

	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Accounts Payable	6,351	8,432	5,046	8,432
Accrued Liabilities	138,300	101,352	134,518	100,028
Taxation Payable	3,217	–	5,890	–
Employee Entitlements	2,295	2,378	2,232	2,378
Loans Repayable Within One Year	63,530	66,802	59,268	62,801
Intercompany Payables	–	–	7,473	5,356
Other Current Liabilities	9,668	3,909	9,374	3,909
TOTAL CURRENT LIABILITIES	223,361	182,873	223,801	182,904

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2003

12. NON-CURRENT LIABILITIES

	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
General-purpose Loans	59,268	62,801	59,268	62,801
Special-purpose Loans	27,043	31,044	–	–
	86,311	93,845	59,268	62,801
Repayable Within One Year	(63,530)	(66,802)	(59,268)	(62,801)
Total Term Liabilities	22,781	27,043	–	–
Provision for Rehabilitation	9,832	10,000	9,832	10,000
Hedge Contracts	5,227	6,632	5,227	6,632
Provision for Grants	328	–	–	–
TOTAL NON-CURRENT LIABILITIES	38,168	43,675	15,059	16,632
Principal Repayment Schedule				
Between One and Two Years	9,369	8,805	–	–
Between Two and Five Years	13,412	15,433	–	–
Later than Five Years	–	2,805	–	–
TOTAL REPAYMENTS	22,781	27,043	–	–

Interest Rates

Loans, one of which was acquired from ECNZ, have interest rates ranging from 7.2% to 8.3% per annum.

Repricing Analysis

	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Loan Balances Subject to Repricing				
Within One Year	13,611	66,745	–	–
Between One and Two Years	19,500	4,300	15,000	–
Between Two and Five Years	50,400	14,500	35,000	–
Later Than Five Years	2,800	8,300	–	–

The repricing analysis incorporates relevant derivative contract maturities.

Security

The general-purpose loans are secured by a negative pledge deed encompassing all Genesis Group companies, except Kinleith Co-generation Limited and Energy Online Limited.

The special-purpose loan is secured by a fixed charge over the assets of Kinleith Co-generation Limited.

Committed Funding Facilities

At 30 June 2003, the Company had a maximum committed funding facility of \$175 million from a major New Zealand trading bank that expires 31 August 2004. It is anticipated that this facility will be renewed or replaced at that time.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2003

13. PROVISIONS

	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Provision for Rehabilitation				
Balance at Beginning of Year	10,000	30,000	10,000	30,000
Opening Balance Restatement	–	(20,000)	–	(20,000)
Rehabilitation Expenses Incurred	(168)	–	(168)	–
BALANCE AT END OF YEAR	9,832	10,000	9,832	10,000

Provision for Rehabilitation

A provision of \$9.8 million has been recognised for site rehabilitation. These costs are expected to be incurred over 10 years. The provision has been estimated using existing technology, at current prices and discounted to reflect net present value given the appropriate risks.

14. EQUITY

As at 30 June 2003 there were 540,565,001 (2002: 540,565,001) shares issued and fully paid to the extent of \$1.00 each. All shares rank equally with one vote attached to each share.

The Company is a state-owned enterprise and all shares are owned by the Crown, as represented by the Shareholding Ministers, Hon. Dr Michael Cullen, Minister of Finance and Hon. Mark Burton, Minister of State-Owned Enterprises.

15. COMMITMENTS

	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Capital Commitments				
COMMITMENTS FOR CAPITAL EXPENDITURE	2,449	2,000	2,449	2,000
Operating Lease Commitments				
Within One Year	1,904	990	1,849	990
Between One and Two Years	1,792	965	1,792	965
Between Two and Five Years	3,760	2,814	3,760	2,814
Later than Five Years	9,010	5,954	9,010	5,954
TOTAL OPERATING LEASE COMMITMENTS	16,466	10,723	16,411	10,723

Fuel Commitments

The Company has contracted to purchase coal and gas fuel for thermal generation requirements for varying periods and prices including a contract for 11 million tonnes of coal over eight years to 2011.

16. FINANCIAL INSTRUMENTS

The Group is subject to a number of financial risks that arise as a result of its operational activities.

To manage and limit the effects of those financial risks, the Board of Directors has approved policy guidelines and authorised the use of various financial instruments. The policies approved, and financial instruments being utilised at balance date, are outlined below.

Revenue Risk

As part of its energy supply contracts, Genesis has entered into electricity price hedges with customers. These hedges expire at various dates up to September 2006.

Genesis also has an interest in hedge contracts entered into by ECNZ, by way of agreement dated 22 December 1998 between ECNZ, Genesis Power Limited, Mighty River Power Limited and Meridian Energy Limited. These hedges substantially expire prior to 30 September 2003.

Under these contracts, Genesis enters forward rate electricity contracts. Any difference on maturity between the fixed hedge price and the spot price is settled between the parties. If the spot price is greater than the hedge price, Genesis must pay the counterparty.

Conversely, if the spot price is less than the hedge price, the counterparty must pay Genesis.

Trading in hedge contracts for speculative purposes is not permitted by Company policy.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2003

16. FINANCIAL INSTRUMENTS (CONTINUED)

Unrecognised Balances

As at balance date, the aggregate face value of energy contracts amounted to \$226.1 million (2002: \$368.6 million) with terms up to four years.

Currency Risk

Policies

Trading in foreign exchange is permitted only to support specified normal business purposes. This includes purchase or sale of foreign currency for the purpose of fixing the price of goods and services in New Zealand Dollars.

All transactions which are required to be settled in a foreign currency will be covered 100% at the time of commitment by either purchase of the appropriate foreign currency, or the purchase of forward cover.

Trading in foreign currencies and related financial instruments for speculative purposes is not permitted by Company policy.

Unrecognised Balances

The notional or principal contract amounts of foreign exchange instruments outstanding at balance date is \$4.5 million principally denominated in US Dollars (2002: \$1.1 million principally denominated in Australian Dollars).

The cash settlement requirements of the forward exchange contracts approximates the notional amounts shown above.

Interest Rate Risk

Repricing Analysis

Refer to Note 7 and Note 12 for interest rate repricing analysis on bank, short-term deposits and term liabilities.

Trade receivables, trade creditors and sundry receivables and creditors are not interest rate sensitive.

Unrecognised Balances

The notional contract amounts of interest rate hedge instruments outstanding at balance date is \$77.0 million (2002: \$31.0 million) with terms up to five years.

Credit Risk

The Group incurs credit risk from transactions with trade customers and financial institutions in the normal course of its business.

The counterparties used for banking and finance activities are financial institutions with commercially acceptable credit ratings. The Company's credit policy includes the requirement for an assessment of:

- size and nature of Genesis' aggregate credit exposure at any point of time;
- credit risk appropriate to the size and nature of the relevant transaction. Where the customer or counterparty does not meet Genesis' minimum credit quality, appropriate security is required, for example bond, guarantee or prepayment; and
- credit concentration risk.

The Group does not have any significant concentration of credit risk.

Fair Values

Methods and Assumptions

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- cash at bank, bank overdraft, borrowings, term deposits, receivables and trade creditors – the carrying value of these items is equivalent to their fair value;
- foreign currency forward exchange contracts based on valuations provided by the Group's bankers.

The fair value of foreign exchange instruments outstanding at balance date is \$(0.1) million principally denominated in US Dollars (2002: \$(0.1) million principally denominated in Australian Dollars).

The fair value of interest derivative instruments outstanding at balance date is \$(3.1) million (2002: \$(1.2) million).

17. RELATED PARTIES

The ultimate shareholder of the Company is the Crown. Genesis undertakes many transactions with state-owned enterprises and government departments, carried out on a commercial and arm's-length basis. Because it is considered that these do not fall within the intended scope of related party disclosures, they have not been treated as such in these financial statements.

All members of the Group are considered to be related parties of Genesis. This includes the subsidiaries and the joint ventures identified in Note 8.

Related Party Transactions and Balances

Key Management Personnel and Members of the Board of Directors

Each company within the Group maintains an Interests Register in which members of the Board record all entities and transactions in which they have, or may have, a potential or actual self-interest. During the year the Group and Parent undertook transactions with directors as detailed below.

The Group paid contracting fees of \$1,800 (2002: \$1,092,151) to Fulton Hogan Limited, of which Hanlin Johnstone is a director. These payments were made on standard commercial terms and there was no amount outstanding at year end.

Other Related Parties

Genesis acquired certain assets, personnel and liabilities on 1 April 1999 from ECNZ, another state-owned enterprise. In addition, there is a continuing relationship with ECNZ Residual, particularly related to hedges (refer Note 16).

During the year, the Parent lent \$0.8 million (2002: \$6.1 million) to subsidiaries. Interest paid during the year was \$0.2 million (2002: \$0.2 million).

No related party debts have been written off or forgiven during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2003

18. INTERCOMPANY BALANCES (PARENT ONLY)

	PARENT 2003 \$000	PARENT 2002 \$000
Intercompany Receivables		
Genesis Power Investments Limited	9,368	10,928
Energy Online Limited	4,636	–
	14,004	10,928
Intercompany Payables		
Kinleith Co-generation Limited	7,473	5,356
	7,473	5,356

19. RECONCILIATION OF NET SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
Net Surplus for the Year	61,114	48,063	58,851	45,700
Add/(less) Non-Cash Items				
Depreciation	28,221	25,632	28,183	25,632
Increase/(decrease) in Provision for Deferred Taxation	460	963	(1,913)	(2,697)
Amortisation of Goodwill	15,924	12,532	15,676	12,532
Other Non-Cash Items	858	(17,944)	(998)	(17,643)
Add/(less) Movements in Working Capital Items				
Decrease/(increase) in Accounts Receivable	(45,034)	43,155	(41,387)	43,296
Decrease/(increase) in Prepayments	(9,355)	2,970	(9,396)	2,930
Decrease/(increase) in Inventories	(753)	8,202	(753)	8,202
Decrease/(increase) in Other Current Assets	(52)	57	(3,116)	(6,738)
Increase/(decrease) in Accounts Payable	34,867	(12,048)	31,104	(11,953)
Increase/(decrease) in Taxation Payable	13,035	(21,637)	13,600	(20,956)
Increase/(decrease) in Other Current Liabilities	5,676	(12,699)	7,436	(10,649)
Add/(less) Items Classified as Investing Activities				
Purchase of Receivables	19,541	–	19,541	–
Gain on Sale of Fixed Assets	–	(10,099)	–	(10,099)
Advances to Subsidiaries	–	–	771	6,082
NET CASH FROM OPERATING ACTIVITIES	124,502	67,147	117,599	63,639

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2003

20. CONTINGENT ASSETS AND LIABILITIES

The following matters have not been reflected in the financial statements because of the uncertainty associated with their outcomes.

Land Claims

Genesis 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. Genesis 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 ECNZ and/or 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 Genesis.

Lawsuits and Other Claims

Carter Holt Harvey

Carter Holt Harvey commenced proceedings in May 2001 in the High Court against Genesis as first defendant and Rolls Royce as second defendant in connection with a Co-generation 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 Co-generation plant and seeks damages.

Source Distribution

Source Distribution Limited commenced proceedings against Genesis in December 2002 alleging Genesis breached an agreement between the parties dated 28 October 1999, pursuant to which Source Distribution Limited was engaged by Genesis as a reseller to acquire electricity customers for Genesis. Source Distribution Limited seeks damages for breach of the agreement.

Effect on Operations

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

21. RESOURCE CONSENTS

Genesis requires land, air and water consents, obtained under the Resource Management Act 1991, to enable it to operate its thermal, hydro and wind-powered power stations. The duration of the consents varies up to a maximum of 35 years. The current resource consents within which the power stations operate are due for renewal at varying times. The renewal dates are fixed by the expiry date of the consent. Most consents are subject to periodic reviews.

22. SEGMENTAL INFORMATION

Genesis operates predominantly in one industry – the generation, trading and retailing of electricity and gas. Its operations are carried out in New Zealand and are, therefore, within one geographical segment for reporting purposes.

23. SIGNIFICANT EVENTS AFTER BALANCE DATE

Dividend

On 27 August 2003, the Directors declared a dividend of \$16.2 million payable in September 2003. This dividend is a second dividend payment in respect of the year ended 30 June 2003.

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF GENESIS POWER LIMITED AND GROUP FOR THE YEAR ENDED 30 JUNE 2003

We have audited the financial statements on pages 45 to 59. The financial statements provide information about the past financial performance and financial position of Genesis Power Limited and Group as at 30 June 2003. This information is stated in accordance with the accounting policies set out on pages 47 to 49.

Responsibilities of the Board of Directors

The State-Owned Enterprises Act 1986 and the Financial Reporting Act 1993 require the Board of Directors (the Board) to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the financial position of Genesis Power Limited and Group as at 30 June 2003 and the results of operations and cash flows for the year ended on that date.

Auditor's Responsibilities

Section 15 of the Public Audit Act 2001 and Section 19(1) of the State-Owned Enterprises Act 1986 require the Auditor-General to audit the financial statements presented by the Board. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Graham Naylor of Deloitte Touche Tohmatsu to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Genesis Power Limited and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Genesis Power Limited or any of its subsidiaries.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by Genesis Power Limited and Group as far as appears from our examination of those records; and
- the financial statements of Genesis Power Limited and Group on pages 45 to 59:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of:
 - Genesis Power Limited and Group's financial position as at 30 June 2003; and
 - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 2 September 2003 and our unqualified opinion is expressed as at that date.



GRAHAM NAYLOR
Deloitte Touche Tohmatsu
On behalf of the Auditor-General
Hamilton, New Zealand

REPORT ON THE STATEMENT OF CORPORATE INTENT

FOR THE YEAR ENDED 30 JUNE 2003

PERFORMANCE MEASURE	ACTUAL	TARGET
Financial Performance Targets		
Return on Equity (NPAT/Average Shareholders' Funds)	6.7%	4.6%
Earnings before Interest and Tax to Average Total Assets	9.8%	6.6%
Dividends Paid	Interim dividends paid – \$8.2 million Dividends declared after year-end \$16.2 million Total dividends of \$24.4 million	40% of NPAT
Non-Financial Performance Targets		
Compliance with Resource Consents	>99% ¹	100%
Trainee Employees	6.7%	10%
Customer Satisfaction	87% ²	85%
Power Station Availability		
– Hydro	99.59%	98%
– Thermal	99.65%	92%

¹ There were no prosecutions, fines, penalties or excursions necessitating further action on behalf of consent authorities.

² Based on a survey taken in April 2003 and represents a score based on customers rating Genesis as good, very good and excellent.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2003

The following is an overview of the Group's main corporate governance practices. Genesis has a strong focus on corporate governance and aims to comply with internationally recommended best corporate governance practices as they may apply in New Zealand.

Shareholders

Genesis is a state-owned enterprise pursuant to the State-Owned Enterprises Act 1986 and is wholly owned by Her Majesty the Queen in Right of New Zealand ('Crown'). The Crown's shareholding is held by the Shareholding Ministers who as at 30 June 2003 were:

HON. DR MICHAEL CULLEN Minister of Finance
HON. MARK BURTON Minister for State-Owned Enterprises

The Shareholding Ministers appoint the Board of Directors. The Board provides shareholders with a Statement of Corporate Intent (SCI) on an annual basis outlining goals, objectives and business plans in respect of the relevant financial year and each of the immediately following two financial years.

Role of the Board of Directors

The Board is responsible for the proper direction and control of the Group's activities. Generally, the principal functions of the Board are to:

- confirm corporate objectives, establish policy and approve major strategies
- ensure the Group's business risks are appropriately identified and controlled
- oversee processes for financial reporting and compliance and ensure the integrity of the management information system
- select and review the performance of the Chief Executive and review succession planning
- appoint directors to subsidiary companies.

While the Board acknowledges that it is responsible for the overall control framework of the Group, it recognises that no cost-effective internal control system will preclude all errors and irregularities. The system is based on written procedures, policies and guidelines, organisational structures that provide an appropriate division of responsibility, a programme of internal audit, and the careful selection and training of qualified personnel.

The Board has delegated the day-to-day management of the Company to the Chief Executive.

In discharging its duties the Board requires management to submit annually for its consideration a business plan embracing the Company's resource requirements. The Board also requires an annual budget to be submitted for approval based on the adopted business plan.

The Board monitors actual financial results compared to budget and forecasts on a monthly basis, and on a quarterly basis it reviews the Company's performance compared to its business plan objectives.

The Board recognises the particular importance of and the need to comply with legislation controlling the environment and management of natural resources and safety and health. For that reason, it monitors the Company's compliance with the statutes concerned through consideration of reports from management.

Board Membership

The Board comprises seven non-executive directors. All appointments to the Board are made by the Shareholding Ministers in accordance with Section 36 (1)(a)(i) of the Companies Act 1993 and the Company's constitution.

The constitution requires that Directors be appointed to the Board for a fixed term not exceeding three years. Shareholding Ministers may choose to renew an appointment for a further fixed term of up to three years.

The Board includes some of the country's most experienced business professionals and advisers. Directors' qualifications are set out below.

Director, Qualifications, Experience and Special Responsibilities

BRIAN CORBAN QSO MA (Hons), LLB, FIOD, FNZIM

Brian Corban is a professional company director, lawyer and business and community leader. He has experience in successfully leading companies through restructuring and deregulatory changes in the television, telecommunications, transport and electricity sectors. He is currently a member of the Waitangi Tribunal, Chairman of the Melanesian Mission Trust Board and Auckland City Mission, Chairman of Ngatarawa Wines, chairman of a number of private companies and a trustee of various community trusts. In 2000, Brian Corban was appointed a Fellow of the Institute of Directors in New Zealand and in 2001 Brian was appointed a Fellow of the New Zealand Institute of Management.

Appointed 21 December 1998

- Deputy Chair of the Board of Directors from 15 February 1999
- Acting Chair of the Board from 15 April to 10 May 1999
- Chair of the Board of Directors from 11 May 1999
- Member of Audit Committee
- Member of Remuneration Committee

KEITH SMITH BCom, FCA

Keith Smith is a partner of the Auckland firm BDO Spicers. He is a past president of the Institute of Chartered Accountants, Chairman of the following public listed companies: The Warehouse Group Limited, Tourism Holdings Limited, Skellmax Industries Limited, and a director of a number of private companies.

Appointed 16 December 1998

- Chair of the Board of Directors from 16 December 1998 to 15 April 1999
- Deputy Chair of the Board of Directors from 6 October 1999
- Chair of Audit Committee
- Chair of Remuneration Committee until March 2003
- Member of Remuneration Committee

HANLIN JOHNSTONE BE (Civil)

Hanlin Johnstone is a Director of Fulton Hogan Limited, Deputy Chairman of Jade Stadium, Chairman of Dunedin Casino and Chairman of Applied Research Limited.

Appointed 14 January 1999

- Member of Audit Committee until March 2003
- Member of Remuneration Committee
- Chair of Remuneration Committee from March 2003

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2003

GERALDINE BAUMANN LLB

Geraldine Baumann is a Director of Legal Information (NZ) Limited, a member of the Energy Efficiency and Conservation Authority, a Trustee of the New Zealand Ballet and the Meridian Energy Katherine Mansfield Fellowship and senior legal adviser to the New Zealand Historic Places Trust.

Appointed 28 April 2002

- Member of Audit Committee from March 2003

DENIS McNAMARA LLB (Hons)

Denis McNamara is a senior partner in the law firm Simpson Grierson, the Honorary Consul of Mexico and a Board member and Deputy Chairman of the New Zealand Committee of the Pacific Economic Co-operation Council.

Appointed 29 April 2002

- Member of Remuneration Committee from March 2003

MICHAEL WILLIAMS MA (Hons)

Michael Williams is the President of the New Zealand Labour Party, a Director of the Institute of Geological and Nuclear Sciences, Authority member of Transit New Zealand, and a trustee of Enterprise Waitakere.

Appointed 27 November 2002

ELIZABETH HICKEY MCom, CA, ACIS

Elizabeth Hickey is a chartered accountant. She is a Director of Radio New Zealand and its subsidiary Sound Archives Nga Taonga Korero Limited. She is also currently a member of the New Zealand Securities Commission and the Accounting Standards Review Board.

Appointed 6 December 2002

- Member of Audit Committee from March 2003 until June 2003

The Directors support the principles set out in the Code of Proper Practice for Directors issued by the Institute of Directors in New Zealand. While recognising that the Code expresses principles and does not purport to determine the detailed course of conduct by directors on any particular matter, the Directors support the need for the highest standards of governance, behaviour and accountability.

Composition of the Board

During the year there were several changes to the composition of the Board. On 7 October 2002 Alan Haronga resigned and on 30 November 2002 Taitimu Maipi's term of appointment expired. Elizabeth Hickey resigned with effect from 30 June 2003.

Board Committees

The Board may constitute standing committees that focus on specific areas of the Board's responsibility. The Board also reserves the right to constitute temporary non-standing committees to consider agreed business or projects of the Company. The current standing committees comprise the Audit Committee and the Remuneration Committee.

Audit Committee

The Committee is scheduled to meet no less than four times a year, with additional meetings being convened when required.

The role of the Audit Committee is to:

- assist the Board in the proper and efficient discharge of its responsibilities relating to financial reporting; that is, in producing accurate financial statements in compliance with the law and accounting standards;
- to oversee, review and enhance the Company's external financial reporting procedures; and
- monitor and enhance the Company's internal financial systems and controls.

Remuneration Committee

The Committee is scheduled to meet no less than two times a year, with additional meetings being convened when required. The role of the Remuneration Committee is to oversee, review and monitor the remuneration of the Chief Executive and to act in an advisory capacity to the Chief Executive, as requested by the Chief Executive, in respect of terms and conditions of employment, including remuneration, for senior executives.

Risk Management

Genesis has developed a comprehensive, enterprise-wide risk management framework. The Company's management actively participate in the identification, assessment, and monitoring of new and existing risks. Particular attention is given to the market risks that could impact on Genesis. All trading activities are consistent with the policies and procedures stipulated in the Company's Electricity Trading Risk Policy. Management undertake regular reporting to appraise the Board of the Company's risks and the treatment of those risks.

Internal Audit

The Group has established an outsourced internal audit function that is responsible for monitoring the Group's internal control systems and the integrity of the financial information reported to the Board. Internal audit operates independently from management and reports its findings directly to the Audit Committee. Internal audit liaises closely with the external auditors, who review the system of internal control to the extent necessary to support their audit opinion. Both the internal auditors and the external auditors have unrestricted access to the Audit Committee and to the Board.

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2003

Dividends

An interim dividend of \$8.2 million was declared and paid to Shareholding Ministers in March 2003. A final dividend of \$16.2 million was declared and paid to Shareholding Ministers in September 2003.

Donations

In accordance with Section 211(1)(h) of the Companies Act 1993, the Company records that the total amount of donations made by the Group during the period was \$8,001.70.

Auditors

In accordance with Section 19 of the State-Owned Enterprises Act 1986 and Section 15 of the Public Audit Act 2001, the Auditor-General is required to express an audit opinion on the Group's financial statements. The Auditor-General has appointed Graham Naylor of Deloitte Touche Tohmatsu to undertake the audit on his behalf. The Report of the Auditor-General is set out on page 60 of this report. In accordance with Section 211(1)(j) of the Companies Act 1993, the audit fees of \$131,000 were paid or payable to the auditor by the Group.

Remuneration of Directors

Shareholding Ministers advise the Board of the total amount of fees available to Directors of the Group (including those of subsidiary companies). In accordance with Section 211(1)(f) of the Companies Act 1993, the following sets out the total remuneration for the period from 1 July 2002 to 30 June 2003 (including remuneration for committee membership) and the value of other benefits received or receivable from Genesis by them.

Name	Total
BRIAN CORBAN	\$62,143.08
KEITH SMITH	\$46,691.01
HANLIN JOHNSTONE	\$35,000.20
GERALDINE BAUMANN	\$29,664.00
DENIS McNAMARA	\$29,044.00
MICHAEL WILLIAMS	\$16,333.31
ELIZABETH HICKEY	\$18,000.65

During the year in review, Taitimu Maipi and Alan Haronga ceased to be Directors. In the year in review, total remuneration paid to these two former Directors was \$11,666.65 and \$8,250.00 respectively.

The Company has nine subsidiary companies. The Directors of eight of those companies are Brian Corban, Keith Smith and Murray Jackson. The Directors of Energy Online Limited are Murray Jackson, Vince Hawksworth and Mark Anderson. None of the Directors received any specific remuneration or other benefits during the period in relation to their duties as Directors of these companies.

Interest Register Entries

In accordance with Section 211(1)(e) of the Companies Act 1993, particulars of the entries in the Interests Register and the Interests Registers of its subsidiary companies made during the period are as set out below.

Disclosure of Interest

The general disclosures of interests made by the Directors of Genesis and its subsidiaries pursuant to Section 140(2) of the Companies Act 1993 are shown over page. There were no declarations of interest made pursuant to Section 140(1) of the Companies Act 1993 entered in the Interests Registers of Genesis or its subsidiaries. No Director of Genesis is a shareholder of Genesis or any of its subsidiaries.

STATUTORY INFORMATION (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2003

Director	Position	Organisation
BRIAN CORBAN	Chairman and Shareholder	Corban Consultants Limited Lindsay Corban Associates Limited Ngatarawa Wines Limited Ready Hire Limited
	Consultant Chairman	Corban Revell Lawyers Auckland City Mission Radio New Zealand Limited Melanesian Mission Trust Board Corbans Viticulture Limited West Auckland Trust Services Limited Trusts Investments Management Limited Fisher Funds Management Limited Butts Bainbridge & Weir, Accountants Languages International Limited
	Member Trustee	Waitangi Tribunal Anglican Trust Board Royal New Zealand Navy Museum West Auckland Hospice Foundation Trust Corban Estate Arts Centre
	Advisory Council Member	Church of Melanesia
KEITH SMITH	Partner Chairman	BDO Spicers The Warehouse Group Limited Tourism Holdings Limited Skellmax Industries Limited Healthcare Holdings Limited Electronic Navigation Limited Wickliffe Limited
	Director	Cooper Henderson Motors (1993) Limited Lowe Corporation Limited and subsidiaries/associates Enterprise Motor Group Limited and subsidiaries New Zealand Flower & Garden Show Limited
HANLIN JOHNSTONE	Director and Shareholder	Fulton Hogan Limited
GERALDINE BAUMANN	Director Member Trustee	Legal Information (NZ) Limited Energy Efficiency and Conservation Authority New Zealand Ballet Meridian Energy Katherine Mansfield Fellowship New Zealand Historic Places Trust
	Senior Legal Adviser	
DENIS McNAMARA	Senior Partner Honorary Consul Member and Deputy Chairman	Simpson Grierson Mexico New Zealand Committee of the Pacific Economic Co-operation Council
MICHAEL WILLIAMS	President Director Member Trustee	New Zealand Labour Party Institute of Geological and Nuclear Sciences Transit New Zealand Limited Enterprise Waitakere
ELIZABETH HICKEY	Director	Radio New Zealand Limited, and its subsidiary Sound Archives Nga Taonga Korero Limited
	Member	Securities Commission Accounting Standards Review Board

STATUTORY INFORMATION (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2003

Insurance

In accordance with Section 162 of the Companies Act 1993, and the Constitution of the Company, the Company has insured all Directors named in this report and current and former Executive Officers of the Company and its subsidiaries against all liabilities to persons (other than the Company or a related body corporate) 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 under Section 145 of the Companies Act 1993 with regard to the use of Company information received by Directors in their capacities as Directors.

Remuneration of Employees

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

Bands	Number of Employees
\$540,001 – \$550,000	1
\$340,001 – \$350,000	1
\$330,001 – \$340,000	1
\$280,001 – \$290,000	1
\$260,001 – \$270,000	1
\$250,001 – \$260,000	1
\$220,001 – \$230,000	1
\$190,001 – \$200,000	1
\$180,001 – \$190,000	1
\$150,001 – \$160,000	1
\$140,001 – \$150,000	1
\$130,001 – \$140,000	5
\$120,001 – \$130,000	6
\$110,001 – \$120,000	4
\$100,001 – \$110,000	12

There are no former employees – all are current employees.

STATEMENT OF CORPORATE INTENT (SUMMARISED)

FOR THE YEAR ENDED 30 JUNE 2003

This Statement of Corporate Intent ('Statement') is submitted by the Board of Directors of Genesis Power Limited ('Genesis') in accordance with Section 14 of the State-Owned Enterprises Act 1986 ('Act'). This Statement, as required by the Act, covers the next three financial years.

For the purpose of this Statement, Genesis and its subsidiary companies are referred to as either Genesis or the Company.

Nature and Scope of Activities

Genesis' business is primarily the generation, trading and retailing of energy in New Zealand.

Consistent with these principal activities, the Company pursues activities designed to ensure the efficient utilisation of its existing capital assets, energy sources and human resources.

Ratio of Consolidated Shareholders' Funds to Total Assets

Genesis estimates, as at the date of this Statement, that the ratio of Consolidated Shareholders' Funds to Total Assets will be as follows:

Year Ending 30 June	2004	2005	2006
Consolidated Shareholders' Funds: Total Assets	71.2%	55.0%	52.7%

Performance Targets

Genesis' performance targets for the next three financial years are:

Year Ending 30 June	2004	2005	2006
Financial Performance Targets			
Return on Capital (NOPAT/Average Debt + Equity)	4.4%	4.5%	5.6%
Return on Equity (NPAT/Average Shareholders' Funds)	4.7%	6.0%	7.6%
Earnings Before Interest and Tax to Average Total Assets	6.8%	6.9%	8.1%
Non-Financial Performance Targets			
Number of Significant RMA Non-Compliances	0	0	0
Trainee Employees	10%	10%	10%
Customer Satisfaction	85%	85%	85%
Power Station Availability			
– Hydro	98%	98%	98%
– Thermal	92%	92%	92%

Dividend Policy

In recommending dividends payable to Shareholding Ministers, Genesis will comply with the solvency levels specified in the Companies Act 1993 and will follow the procedures generally adopted by directors of publicly listed companies.

Under ordinary business circumstances the dividend to be declared will be determined by reference to:

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

Genesis intends to pay two dividends each year. The interim payment, comprising 50% of the total estimated dividend, will be made no later than the last working day of March and the final payment will be made no later than the last working day of September.

Genesis estimates, as at the date of this Statement, that its annual dividend will be 40% of its Net Profit after Tax.

Reporting Requirements

An annual report will be submitted in accordance with Section 15 of the Act.

A half-yearly report will be supplied in accordance with Section 16 of the Act. This report will include unaudited Statements of Financial Performance, Financial Position and Cash Flows, and such details as are necessary to allow an informed assessment of Genesis' performance during that reporting period.

Genesis will supply quarterly reports to the Shareholding Ministers comprising summarised financial statements together with a brief commentary on key events for the previous quarter and performance against key targets.

A summary of Genesis' Business Plan and a draft Statement of Corporate Intent will be supplied to the Shareholding Ministers for discussion prior to the start of the financial year to which it relates.

Genesis will provide, in a timely manner, any other information requested by the Shareholding Ministers pursuant to Section 18 of the Act.

BOARD OF DIRECTORS

BRIAN CORBAN QSO >>

MA (Hons), LLB, FIOD, FNZIM

Brian Corban is a professional company director, lawyer and business and community leader. He has experience in successfully leading companies through restructuring and deregulatory changes in the television, telecommunications, transport and electricity sectors. He is currently a member of the Waitangi Tribunal, Chairman of the Melanesian Mission Trust Board and Auckland City Mission, Chairman of Ngatarawa Wines, chairman of a number of private companies and a trustee of various community trusts. In 2000, Brian Corban was appointed a Fellow of the Institute of Directors in New Zealand and in 2001 Brian was appointed a Fellow of the New Zealand Institute of Management.



ELIZABETH HICKEY >>

MCom, CA, ACIS

Elizabeth Hickey is a chartered accountant. She is a Director of Radio New Zealand, and its subsidiary Sound Archives Nga Taonga Korero Limited. She is also a member of the New Zealand Securities Commission and the Accounting Standards Review Board.



MICHAEL WILLIAMS >>

MA (Hons)

Michael Williams is the President of the New Zealand Labour Party, a Director of the Institute of Geological and Nuclear Sciences, an Authority member of Transit New Zealand and a Trustee of Enterprise Waitakere.

KEITH SMITH >>

BCom, FCA

Keith Smith is a partner of the Auckland firm BDO Spicers. He is a past president of the Institute of Chartered Accountants, and is Chairman of The Warehouse Group Limited, Tourism Holdings Limited, and Skellmax Industries Limited, and a director of a number of private companies.



HANLIN JOHNSTONE >>

BE (Civil)

Hanlin Johnstone is a Director of Fulton Hogan Limited, Deputy Chairman of Jade Stadium, Chairman of Dunedin Casino and Chairman of Applied Research Limited.



GERALDINE BAUMANN >>

LLB

Geraldine Baumann is a Director of Legal Information (NZ) Limited, a member of the Energy Efficiency and Conservation Authority, a trustee of the New Zealand Ballet and the Meridian Energy Katherine Mansfield Fellowship and senior legal adviser to the New Zealand Historic Places Trust.

DENIS McNAMARA >>

LLB (Hons)

Denis McNamara is a senior partner in the law firm Simpson Grierson, the Honorary Consul of Mexico and a board member and Deputy Chair of the New Zealand Committee of the Pacific Economic Co-operation Council.

SENIOR MANAGEMENT



MURRAY JACKSON >>

MBA, BEc, FTSE, FIEAust

Chief Executive

Overall management and strategic leadership of all Genesis' business interests. Murray has more than 30 years' experience in the Australian power industry. Prior to joining Genesis, he was Commissioner for the Snowy Mountains Hydro Electric Scheme in southern New South Wales and Director of Production for Pacific Power (NSW). Murray is Chairman of the Genesis Oncology Trust, Chairman of Energy Online Ltd, a Director of the Electricity Complaints Commission, and member of Counties Manukau Pacific Trust Board.



VINCE HAWKSWORTH >>

C.Eng, MBA

General Manager Retail

Management of Genesis' retail business, leading the retail business unit to provide services driven by the needs of our customers in the residential, commercial, industrial and derivative markets.

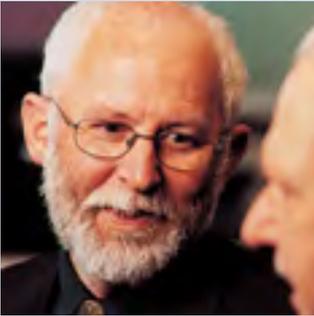


DEAN CARROLL >>

BSc

General Manager Generation and Trading

Management and operation of all Genesis' generation assets; thermal fuel procurement and logistics, trading strategy development and implementation; transmission and intra generator hedge trading desk. Dean is a member of the NZEM Rules Committee.



BRUCE COLE >>
ME, MIPENZ

General Manager
Business Development

Management of Business Development at Genesis with particular emphasis on long-term fuel supply including Kupe oil and gas field, generation acquisitions, redevelopment of the Meremere site, development of renewable generation projects and customer co-generation projects.



KAREN PATERSON >>
LLB

General Manager
Legal and Company Secretary

Karen is the company secretary and is responsible for the management of legal services, government relations, environmental policy and iwi relationships.



PEGGY MOLYNEUX >>
MBA, BA, MIPM

General Manager
Corporate Services

Information systems, property and administration management, management of Genesis' recruitment, development training, NZQA training, e-learning and performance, employee relationships, payroll services, health and safety, remuneration and internal communication.



MARK ANDERSON >>
BCom, ACA

General Manager
Finance

Management of Genesis' financial, audit, treasury and insurance functions. In addition Mark has responsibility for the company-wide risk management framework including management of the Genesis trading risk position and risk reporting to the Board.

OUR PHYSICAL ASSETS



Huntly Power Station



HUNTLY POWER STATION
 Year commissioned: 1981
 Capacity: 1000MW
 Generation units: four 250MW units
 Fuel: coal and/or gas
 Chimney height: 150 metres
 Site area: 71 hectares

THERMAL >>

Huntly Power Station

With a present output of 1000MW, Huntly is New Zealand's largest thermal power station. It has four separate generating units of 250MW utilising conventional boiler and steam turbine technology. Each unit is capable of burning coal, natural gas or a combination of the two.

e3p (Energy Efficiency Enhancement Project)

A new high efficiency combined cycle gas turbine power plant is planned for Huntly. This 360MW plant will be about 50% more energy efficient than existing technology and reduce gas consumption and greenhouse emissions.

Meremere Power Station (decommissioned)



Tokaanu Power Station



TONGARIRO POWER DEVELOPMENT SCHEME
 Year commissioned:
 Tokaanu – 1973
 Rangipo – 1983
 Total capacity: 360MW
 Generation units:
 Tokaanu – four 60MW units
 Rangipo – two 60MW units

HYDRO >>

Tongariro Power Development Scheme

The Tongariro Power Scheme gathers water from the mountains of the central volcanic plateau in the North Island. The water passes through two power stations – Rangipo (120MW) and Tokaanu (240MW) – before entering into Lake Taupo. The scheme has a catchment area of more than 2600 sq km and uses a series of lakes, canals and tunnels to bring water to the two stations that typically generate 1300GWh p.a. – about 4% of the country's total generation.



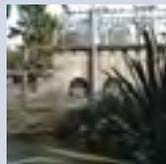
Kaitawa Power Station



WAIKAREMOANA HYDRO SCHEME
 Year commissioned:
 Tuai – 1929
 Piripaua – 1943
 Kaitawa – 1947/8
 Total capacity: 138MW
 Generation units:
 Tuai – three 20MW units
 Piripaua – two 21MW units
 Kaitawa – two 18MW units

Waikaremoana Hydro Scheme

The Waikaremoana Hydro Scheme includes the Kaitawa (36MW), Tuai (60MW) and Piripaua (42MW) hydro stations. The Waikaremoana storage reservoir was created by a landslide that closed off the valley and provided the opportunity to implement flood control while creating the characteristics for a high head hydro scheme.



Kourarau Hydro Scheme



KOURARAU HYDRO SCHEME
 Year commissioned: 1923
 Total capacity: 1MW

Kourarau Hydro Scheme

This scheme in the Wairarapa hills consists of two small power stations. Each station is fed by a small artificial reservoir that was formed by the damming of the Kourarau Stream.



Te Awamutu Co-generation Plant



TE AWAMUTU CO-GENERATION
 Year commissioned: 1995
 Electrical output in co-generation mode: 27MW
 Electrical output in open cycle plus co-generation mode: 54MW

CO-GENERATION >>

Genesis owns two co-generation plants in the North Island – the Te Awamutu Co-generation Plant and the Kinleith Co-generation Plant.

Te Awamutu Co-generation Plant

This plant has been developed under a partnership between Fonterra and Genesis, to provide electricity and steam to the major milk-processing site at Te Awamutu. The plant is based on a 54MW Pratt and Whitney aero-derivative Twinpak gas turbine exhausting into a heat recovery boiler to raise steam for process use.



Kinleith Co-generation Plant



KINLEITH CO-GENERATION
 Year commissioned: 1995
 Electrical output: 40MW
 Wood waste burnt:
 400,000-700,000 t/year

Kinleith Co-generation Plant

This plant is located at the Carter Holt Harvey Pulp and Paper Plant at Kinleith, Tokoroa. It is fuelled by wood waste biomass supplemented as necessary with gas or coal. Biomass fuel is considered a renewable energy because it can be replenished by planting more plantations. The fuel is burnt in a boiler to produce steam for a 40MW steam turbine and for process use.



Hau Nui Wind Farm



HAU NUI WIND FARM
 Year commissioned: 1996
 Total capacity: 3.85MW

WIND >>

Hau Nui Wind Farm

Harnessing the strong and consistent winds of the South Wairarapa coast, the wind farm is aptly named 'Hau Nui' – which means 'strong wind' in Maori. Hau Nui's present seven wind turbines provide enough power for around 2000 homes in the South Wairarapa. Hau Nui has an excellent availability, recording 48% capacity factor over the period since commissioning. As part of our ongoing commitment to extend our renewable energy sources, Genesis is planning to expand the existing wind farm site at Hau Nui from seven turbines to a total of up to 23.



GAS >>

Kupe

Genesis now owns 70% of the proven oil and gas field of Kupe, located 30km offshore from South Taranaki.

DIRECTORY

Board of Directors

Chairman

Brian Corban QSO

Directors

Keith Smith (Deputy Chairman)
Geraldine Baumann
Hanlin Johnstone
Denis McNamara
Michael Williams

Executive Management Team

Chief Executive

Murray Jackson

General Counsel and Company Secretary

Maureen Shaddick

General Manager Finance

Mark Anderson

General Manager Retail

Vince Hawksworth

General Manager Generation and Trading

Dean Carroll

General Manager Corporate Services

Peggy Molyneux

General Manager Business Development

Bruce Cole

Corporate Office

602 Great South Road
PO Box 17188
Greenlane
Auckland
Telephone 64 9 580 2094
Facsimile 64 9 580 4894

Genesis Energy Wellington

Level 1, 93 The Terrace
Corner Woodward Street & The Terrace
PO Box 10568
The Terrace
Wellington
Telephone 64 4 495 6350
Facsimile 64 4 495 6363

Genesis Energy New Plymouth

Ground Floor, Glenport House
Corner Gill & Liardet Streets
PO Box 8143
New Plymouth
Telephone 64 6 759 1841
Facsimile 64 6 759 1843

Genesis Energy Palmerston North

Ground Floor
Farmers Mutual House
68 The Square
PO Box 4021
Palmerston North
Telephone 64 6 350 0576
Facsimile 64 6 357 7077

Genesis Energy Hamilton

Ground Floor
ASB Bank Hamilton
500 Victoria Street
Hamilton

Customer Contact Centre

Telephone 0800 436 374

Auditor

Graham Naylor of Deloitte Touche
Tohmatsu has been appointed to perform
the audit on behalf of the Controller and
Auditor-General.

Banker

Westpac Institutional Bank

Solicitors

Russell McVeagh

For further information email:

feedback@genesispower.co.nz

Genesis Oncology Trust website:

www.genesisoncology.org.nz

Genesis website:

www.genesispower.co.nz

Genesis