



# MEETING DEMAND...

GENESIS ENERGY INTERIM REPORT 31 DECEMBER 2005

# BY GENERATING NEW SOLUTIONS.

**We are a doing business.** As the industry's largest energy retailer, we have to lead by example. We are charged with that responsibility. But what examples are there of Genesis Energy leading from the front, and where have we achieved results that will resonate positively beyond the current financial year?

**We are planning for the future energy needs of New Zealand.** We are investing in new energy infrastructure. Genesis Energy was the first major gas user in New Zealand to invest in the gas exploration and production industry. We are building the country's next large power station – the gas turbine at Huntly. We are committed to finding new energy solutions.



FRONT COVER: e3p gas turbine winds its way through Auckland streets.

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### LEADING BY EXAMPLE

- Rodney Power Station project announced
- LNG site selection studies near completion

### EXPLORING UNTAPPED OPPORTUNITIES

- Kupe drilling contract awarded
- Bids received for the construction of the Kupe production station
- Initial testing at Cardiff completed and preparations for further testing well advanced

### ENSURING SUPPLY

- Record amount of coal combusted at Huntly
- Record generation at Huntly
- Ship and rail system ensured seamless supply of coal

### BUILDING A FOUNDATION FOR A SECURE ENERGY FUTURE

- e3p's gas turbine and transformers arrived at Huntly
- Cooling tower for Units 1-4 completed
- Resource consent gained for Awhitu Wind Farm

### MEETING CUSTOMERS' NEEDS AND EXPECTATIONS

- Residential customer electricity plan aligned to needs
- Dairy farm energy efficiency calculator launched at Mystery Creek
- Energy efficiency seminars held for commercial customers

### GROWING A HIGH-PERFORMANCE CULTURE

- 20 apprentices recruited for round two of National Apprenticeship Scheme commencing 2006
- Second leadership development programme completed

### SHOWING OUR COMMUNITY SPIRIT

- Tens of thousands of customers supported the Genesis Oncology Trust
- Memorandum of Understanding agreed with Huntly iwi

### PUTTING MORE ENERGY INTO OUR ENVIRONMENT

- Climate change strategy developed
- Alliance formed with International Council for Local Environmental Initiatives
- Membership of Australian CO<sub>2</sub> CRC alongside Institute of Geological and Nuclear Sciences

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**SUBJECT:**

CHAIRMAN AND CHIEF EXECUTIVE'S REPORT

# MEETING DEMAND

**HALF-YEAR REPORT HIGHLIGHTS:**

High output from Huntly Power Station

e3p gas turbine arrived at Huntly

Climate change strategy developed

Resource consent gained for Awhitu Wind Farm

**NOTES:**

*Record amount of coal consumed  
by Huntly Power Station in 2005.*

**IMAGE:**

*Heat recovery steam generator and  
turbine hall for e3p under construction.*



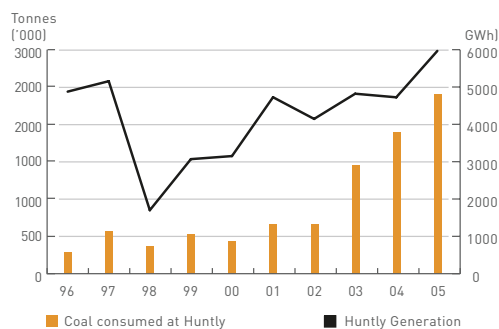
The net profit after tax for the half year to 31 December 2005 of \$47.5 million was an increase of \$2.4 million over the same period last year. The profit increase reflected greater revenues from electricity generation and a reduction in costs. Total operating revenue increased to \$969 million from \$715 million.

Genesis Energy had a total of 691,743 customers at 31 December 2005. This comprised 571,739 electricity customers and 120,004 gas customers. A key customer initiative during the half year was the Right Plan Promise, which seeks to ensure that all customers were on the pricing plan that was appropriate for their electricity consumption.

Increased generation from the Huntly Power Station was a feature of the half year as demand continued to grow and low rainfall in the southern lakes, particularly in the second quarter, meant a greater reliance on thermal generation.

Huntly Power Station ended the calendar year with an annual record output of 6,047 gigawatt hours and a coal consumption record of 2.4 million tonnes. The high output from the station during the period meant that the removal from service of Unit 3 at the end of the year for a major overhaul was even more vital for the station to repeat its performance in 2006.

Huntly was able to break its records largely because of the professionalism of its operating and maintenance staff and the ability of the coal transport system to bring a seamless flow of coal to Huntly from local and off-shore mines. The ship and rail system bringing coal to Huntly from Indonesia continued to perform reliably with one million tonnes arriving during 2005.



#### KEY OPERATING HIGHLIGHTS

# \$969m

Operating Revenue

# \$47.5m

Net Profit  
for half year to 31 December 2005

# 691,743

Genesis Energy Customers



## CHAIRMAN AND CHIEF EXECUTIVE'S REPORT CONT...

However, the record amount of coal consumed meant a higher fuel bill bringing total operating expenses from \$637.9 million to \$887.5 million for the six months to 31 December 2005.

Genesis Energy is planning to meet New Zealand's energy growth. The company is committed to a climate change strategy which seeks to reduce its CO<sub>2</sub> emissions, largely through the development of less carbon-intensive generation. A significant element of this strategy is the construction of e3p, a 385MW combined cycle gas turbine (CCGT) at Huntly which will not only produce electricity 55 percent more efficiently than the existing steam boilers but also burns natural gas which has a third of the CO<sub>2</sub> emissions of the older station.

The most important milestone in the development of e3p during the period was the arrival at the Ports of Auckland of the large components for e3p. The gas turbine components, each weighing up to 372 tonnes, were transported to Huntly from Ports of Auckland

over several nights and were safely mounted on the turbine hall floor before the end of December.

Another CCGT project, north of Auckland, was also announced during the half year. Work commenced during the period on the design and environmental impact of the new 360MW Rodney Power Station, to be sited adjacent to State Highway 16, north of Helensville.

The new 250MW capacity cooling tower located in front of the Huntly Power Station was available for use during the period in time for summer, when the Waikato River heats to a point that constrains generation at Huntly.

In December the Environment Court handed down the resource consent for the Awhitu Wind Farm – an 18-turbine wind farm development near Waiuku in Franklin County. The Court's decision ended a two-year process to gain approval for the much needed renewable energy development, which will feed into the Counties Manukau 33Kv network.

Genesis Energy is not only tackling the issue



Announcement of Rodney Power Station site



e3p 372 tonne gas turbine arriving from Japan to be transported to Huntly





e3p gas turbine winds its way through Auckland streets.

of new generation but is also involved in projects to discover and produce new reserves of gas for the country. At the Cardiff gas prospect in Taranaki the initial testing of the deep well was completed and preparations for further testing of commercial quantities will commence in January 2006.

The Kupe Oil and Gas Project moved another step forward with the award of a drilling contract to ENSCO Oceanics International. Bids have also been received for the construction of the Kupe offshore production station and onshore processing plant. The Kupe Gas Project is on track for the joint venture to make the final investment decision in the first half of 2006. Once approved it is expected that commercial gas and liquids production will commence during 2008.

Genesis Energy had a total of 431 full-time equivalent staff members at 31 December 2005. The company's National Apprentice Programme saw 20 apprentices successfully complete their first year and a second intake of 20 apprentices was recruited during the

latter stages of the year to commence training in 2006.

On behalf of shareholders, directors and management, we thank all our staff and service providers for their commitment to Genesis Energy and the challenges Genesis Energy faces in meeting the energy needs of New Zealand.



Cooling tower and e3p underway at Huntly

*Brian Corban*

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**BRIAN CORBAN QSO**  
 Chairman, Genesis Energy  
 MA (Hons), LLB, FIOD, FNZIM

*Murray Jackson*

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**MURRAY JACKSON**  
 Chief Executive, Genesis Energy  
 MBA, BEc, FTSE, FIE Aust

**FINANCIAL STATEMENTS** for the six months ended 31 December 2005

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE		FOR THE SIX MONTHS ENDED 31 DECEMBER 2005		
	NOTES	SIX MONTHS ENDED 31 DECEMBER 2005 UNAUDITED \$'000	SIX MONTHS ENDED 31 DECEMBER 2004 UNAUDITED \$'000	YEAR ENDED 30 JUNE 2005 AUDITED \$'000
Operating Revenue		969,110	714,612	1,493,642
Operating Expenses		(887,510)	(637,923)	(1,371,391)
Net Finance Expense	1	(1,033)	(2,048)	(3,599)
<b>Surplus Before Taxation</b>		<b>80,567</b>	<b>74,641</b>	<b>118,652</b>
Income Tax		(33,046)	(29,498)	(48,407)
<b>NET SURPLUS FOR THE PERIOD</b>		<b>47,521</b>	<b>45,143</b>	<b>70,245</b>
<b>Operating surplus comprises:</b>				
Operating surplus from continuing activities		47,521	45,143	70,245

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY		FOR THE SIX MONTHS ENDED 31 DECEMBER 2005		
	NOTES	SIX MONTHS ENDED 31 DECEMBER 2005 UNAUDITED \$'000	SIX MONTHS ENDED 31 DECEMBER 2004 UNAUDITED \$'000	YEAR ENDED 30 JUNE 2005 AUDITED \$'000
<b>Equity at Beginning of the Period</b>		<b>1,369,556</b>	991,813	<b>991,813</b>
Net Surplus		47,521	45,143	70,245
Property Revaluation Reserve		-	-	330,718
Dividends Paid		-	(23,220)	(23,220)
<b>EQUITY AT END OF THE PERIOD</b>		<b>1,417,077</b>	1,013,736	<b>1,369,556</b>



**FINANCIAL STATEMENTS** for the six months ended 31 December 2005

CONSOLIDATED STATEMENT OF FINANCIAL POSITION		AS AT 31 DECEMBER 2005		
NOTES	SIX MONTHS ENDED 31 DECEMBER 2005 UNAUDITED \$'000	SIX MONTHS ENDED 31 DECEMBER 2004 UNAUDITED \$'000	YEAR ENDED 30 JUNE 2005 AUDITED \$'000	
<b>Assets</b>				
<b>Current Assets</b>				
Cash	9,697	17,277	8,165	
Fuel Stocks	31,949	48,246	59,604	
Consumable Spares	4,637	3,806	4,181	
Prepayments	15,582	11,735	10,606	
Accounts Receivable	191,283	155,554	204,355	
Taxation Receivable	5,322	-	16,970	
Other Current Assets	393	422	482	
Current Portion Kinleith Finance Lease Receivable	7,682	6,933	7,415	
<b>TOTAL CURRENT ASSETS</b>	<b>266,545</b>	<b>243,973</b>	<b>311,778</b>	
<b>Non-Current Assets</b>				
Property, Plant and Equipment	1,476,013	867,383	1,331,849	
Goodwill	111,008	127,825	119,417	
Mining Licence	16,518	16,518	16,518	
Development Expenditure	7,939	3,250	4,720	
Exploration Expenditure	17,751	7,134	16,181	
Non-Current Mining Stores	-	106	106	
Non-Current Kinleith Finance Lease Receivable	60,686	68,367	64,595	
Other - Investments	188	-	250	
Other - Intangibles	1,907	2,084	1,954	
<b>TOTAL ASSETS</b>	<b>1,958,555</b>	<b>1,336,640</b>	<b>1,867,368</b>	
<b>Liabilities and Equity</b>				
<b>Current Liabilities</b>				
Accounts Payable	9,284	3,431	12,547	
Accrued Liabilities	211,861	124,897	164,031	
Employee Entitlements	2,741	2,325	3,085	
Other Current Liabilities	17,251	10,350	13,989	
Taxation Payable	-	5,802	-	
General Purpose Loans Repayable Within One Year	30,500	26,700	24,400	
Special Purpose Loans Repayable Within One Year	-	2,306	4,827	
Provisions Due Within One Year	10,267	6,293	14,146	
Electricity Hedge Contracts Due Within One Year	1,606	3,092	3,034	
<b>TOTAL CURRENT LIABILITIES</b>	<b>283,510</b>	<b>185,196</b>	<b>240,059</b>	
<b>Non-Current Liabilities</b>				
General Purpose Loans (Secured)	220,900	93,000	210,000	
Special Purpose Loans (Secured)	-	18,238	13,411	
Provision for Rehabilitation	10,062	9,335	10,077	
Provision for Hedge Contracts	-	1,606	(55)	
Provision for Mitigations	6,416	7,052	6,885	
Deferred Taxation	20,590	8,477	17,435	
<b>TOTAL LIABILITIES</b>	<b>541,478</b>	<b>322,904</b>	<b>497,812</b>	
Equity	1,417,077	1,013,736	1,369,556	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,958,555</b>	<b>1,336,640</b>	<b>1,867,368</b>	

**FINANCIAL STATEMENTS** for the six months ended 31 December 2005

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>		<b>FOR THE SIX MONTHS ENDED 31 DECEMBER 2005</b>		
	<b>SIX MONTHS ENDED 31 DECEMBER 2005 UNAUDITED \$'000</b>	<b>SIX MONTHS ENDED 31 DECEMBER 2004 UNAUDITED \$'000</b>	<b>YEAR ENDED 30 JUNE 2005 AUDITED \$'000</b>	
<b>Cash Flows from Operating Activities</b>				
Cash was provided from:				
Receipts from Customers	961,018	732,535	1,464,438	
Interest Received	181	1,341	2,053	
	<b>961,199</b>	<b>733,876</b>	<b>1,466,491</b>	
<b>Cash was applied to:</b>				
Payments to Suppliers	822,652	615,212	1,260,059	
Payments to Employees	20,870	19,275	38,768	
Interest Paid and Other Charges	1,214	3,389	5,652	
Taxation Paid	18,243	15,498	48,655	
	<b>862,979</b>	<b>653,374</b>	<b>1,353,134</b>	
<b>NET CASH FROM/(TO) OPERATING ACTIVITIES</b>	<b>98,220</b>	<b>80,502</b>	<b>113,357</b>	
<b>Cash Flows from Investing Activities</b>				
Cash was provided from:				
Sale of Property, Plant and Equipment	54	200	413	
Principal Repayments of Finance Lease	1,562	1,858	2,775	
Sale of Investments	21,000	-	-	
Proceeds from Other Assets	109	-	-	
	<b>22,725</b>	<b>2,058</b>	<b>3,188</b>	
<b>Cash was applied to:</b>				
Gas Exploration and Development	4,683	7,134	20,069	
Purchase of Investments	-	-	241	
Purchase of Property, Plant and Equipment	105,381	96,507	232,771	
Interest Capitalised	8,111	2,539	8,590	
	<b>118,175</b>	<b>106,180</b>	<b>261,671</b>	
<b>NET CASH FROM/(TO) INVESTING ACTIVITIES</b>	<b>(95,450)</b>	<b>(104,122)</b>	<b>(258,483)</b>	
<b>Cash Flows from Financing Activities</b>				
Cash was provided from:				
Proceeds from Borrowings	17,000	54,454	169,155	
	<b>17,000</b>	<b>54,454</b>	<b>169,155</b>	
<b>Cash was applied to:</b>				
Repayment of Principal on Borrowings	18,238	2,236	4,543	
Dividends Paid	-	23,220	23,220	
	<b>18,238</b>	<b>25,456</b>	<b>27,763</b>	
<b>NET CASH FROM/(TO) FINANCING ACTIVITIES</b>	<b>(1,238)</b>	<b>28,998</b>	<b>141,392</b>	

**FINANCIAL STATEMENTS** for the six months ended 31 December 2005

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>		<b>FOR THE SIX MONTHS ENDED 31 DECEMBER 2005</b>		
	<b>SIX MONTHS ENDED 31 DECEMBER 2005 UNAUDITED \$'000</b>	<b>SIX MONTHS ENDED 31 DECEMBER 2004 UNAUDITED \$'000</b>	<b>YEAR ENDED 30 JUNE 2005 AUDITED \$'000</b>	
<b>Net increase/(decrease) in Cash Held</b>	<b>1,532</b>	5,378	<b>(3,734)</b>	
Cash Balance at Beginning of Period	<b>8,165</b>	11,899	<b>11,899</b>	
<b>CASH BALANCE AT END OF PERIOD</b>	<b>9,697</b>	17,277	<b>8,165</b>	
<b>Composition of Cash</b>				
Cash and Bank Balances	<b>9,697</b>	17,277	<b>8,165</b>	
<b>Reconciliation of Net Surplus to Net Cash from Operating Activities</b>				
<b>Net Surplus for the Period</b>	<b>47,521</b>	45,143	<b>70,245</b>	
Add/(less): Non-Cash Items				
Depreciation	<b>24,813</b>	17,714	<b>37,386</b>	
Amortisation	<b>10,489</b>	8,409	<b>16,818</b>	
Increase/(decrease) in Provision for Deferred Taxation	<b>3,155</b>	2,256	<b>11,214</b>	
Increase/(decrease) in Provision for Rehabilitation	<b>(4,095)</b>	3,372	<b>11,905</b>	
Increase/(decrease) in Provision for Mitigations	<b>6,657</b>	-	<b>9,181</b>	
Net Gain on Sale of Assets	<b>(29)</b>	-	<b>(5)</b>	
Other Non-Cash Items	<b>(295)</b>	1,435	<b>3,396</b>	
<b>Add/(less): Movements in Working Capital Items</b>				
Decrease/(increase) in Accounts Receivable	<b>13,072</b>	18,649	<b>(30,152)</b>	
Decrease/(increase) in Prepayments	<b>(4,976)</b>	(3,255)	<b>(2,126)</b>	
Decrease/(increase) in Inventories	<b>27,199</b>	440	<b>(11,293)</b>	
Decrease/(increase) in Other Current Assets	<b>89</b>	56	<b>(4)</b>	
Increase/(decrease) in Accounts Payable	<b>47,486</b>	(27,068)	<b>27,567</b>	
Increase/(decrease) in Taxation Payable	<b>11,648</b>	11,310	<b>(11,462)</b>	
Increase/(decrease) in Other Current Liabilities	<b>(1,373)</b>	2,041	<b>(3,033)</b>	
<b>Add/(less): Items Classified as Investing Activities</b>				
Sale of Investment	<b>(21,000)</b>	-	<b>-</b>	
Capital Expenditure Reclassified as Investing Activities	<b>(62,141)</b>	-	<b>(16,280)</b>	
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>98,220</b>	80,502	<b>113,357</b>	

**STATEMENT OF ACCOUNTING POLICIES**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

**BASIS OF PREPARATION**

These unaudited interim financial statements cover the six-month period ended 31 December 2005. They have been prepared in accordance with Financial Reporting Standard 24 (FRS-24 : Interim Financial Statements) and should be read in conjunction with Genesis Power Limited's ("Genesis Energy") Annual Report for the year ended 30 June 2005.

**ACCOUNTING POLICIES**

There have been no changes in accounting policies from those applied in Genesis Energy's Annual Report for the year ended 30 June 2005. Comparatives have been restated to reflect the current period's classification where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS**

**1. NET FINANCE EXPENSE**

	<b>SIX MONTHS ENDED 31 DECEMBER 2005 UNAUDITED \$'000</b>	<b>SIX MONTHS ENDED 31 DECEMBER 2004 UNAUDITED \$'000</b>	<b>YEAR ENDED 30 JUNE 2005 AUDITED \$'000</b>
<b>Net Finance Expense</b>			
Interest Expense and Other Charges	1,214	3,389	5,652
Interest Income	(181)	(1,341)	(2,053)
<b>NET FINANCE EXPENSE</b>	<b>1,033</b>	<b>2,048</b>	<b>3,599</b>

**2. CAPITAL COMMITMENTS**

<b>Commitments in respect of contracts for capital expenditure were as follows:</b>	<b>SIX MONTHS ENDED 31 DECEMBER 2005 UNAUDITED \$'000</b>	<b>SIX MONTHS ENDED 31 DECEMBER 2004 UNAUDITED \$'000</b>	<b>YEAR ENDED 30 JUNE 2005 AUDITED \$'000</b>
Capital Commitments	120,716	344,017	204,427



## NOTES TO THE FINANCIAL STATEMENTS

### 3. 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 Energy 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 Energy 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 Energy.

#### **LAWSUITS AND OTHER CLAIMS**

**CARTER HOLT HARVEY** Carter Holt Harvey commenced proceedings on May 2001 in the High Court against Genesis Energy 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.

**EFFECT ON OPERATIONS** The Directors of Genesis Power Limited cannot reasonably estimate the adverse effect (if any) on Genesis Energy if any of the foregoing claims are ultimately resolved against Genesis Energy's 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 Energy's business, financial condition or results of operations.

### 4. RESOURCE CONSENTS

Genesis Energy 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.

### 5. EVENTS OCCURRING AFTER BALANCE DATE

There have been no events subsequent to the balance date which require disclosure in or adjustment to the financial statements.

## DIRECTORY

### BOARD OF DIRECTORS

#### Chairman

Brian Corban QSO

#### Directors

Keith Smith (Deputy Chairman)

Geraldine Baumann

Annabel Cotton

Nicola Crauford

Ian Kusabs

Denis McNamara

Mike 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 Engineering

Bruce Cole

#### General Manager Corporate Affairs

Malcolm Alexander

### CORPORATE OFFICE

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### GENESIS ENERGY

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### GENESIS ENERGY

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### GENESIS ENERGY

#### HAMILTON

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Hamilton

Telephone 64 7 857 1699

### CUSTOMER CONTACT CENTRE

0800 300 400

### AUDITOR

Bruce Taylor of Deloitte has been

appointed to perform the audit on behalf

of the Auditor-General

### BANKER

Westpac Institutional Bank

### SOLICITORS

Russell McVeagh

### GENESIS ENERGY WEBSITE

[www.genesisenergy.co.nz](http://www.genesisenergy.co.nz)

### INTERIM REPORT DESIGN

DesignWorks|Enterprise|IG





Heavy Haul