THIS IS **YOUR ENERGY** COMPANY...

GENESIS ENERGY
INTERIM REPORT
2014/2015

genesis ENERGY

we're in it for you

THIS IS
OUR
REPORT
TO YOU.

YOUR INVESTMENT IS UNDERPINNED BY **OUR** PERFORMANCE.

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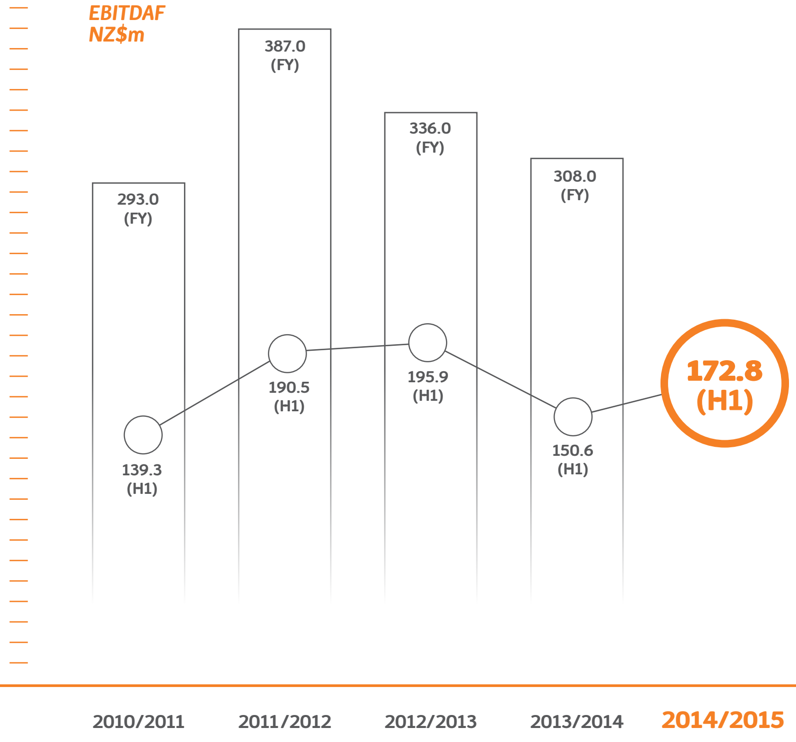
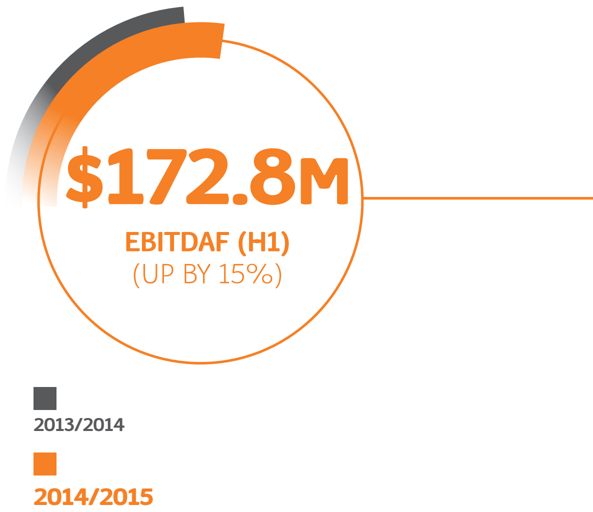
YOUR INVESTMENT
OUR PERFORMANCE AT A GLANCE



PERFORMANCE

Against challenging retail competition for customers, Genesis Energy achieved a sound financial performance for the six months to 31 December 2014.



$68.2M

NET PROFIT AFTER TAX
(UP BY 246.0%)

0.54

TOTAL RECORDABLE INJURY FREQUENCY RATE
(DOWN BY 80.0%)

$3.6B

TOTAL ASSETS

34.5%

GEARING RATIO

A NEW JUVENILE **WHIO** REARING FACILITY

ONLINE 'SELF SERVICE SAVER' **PLANS** OFFERED TO NEW ELECTRICITY CUSTOMERS

TOTAL ACCOUNTS **-3.4%** BUT COMMERCIAL CUSTOMER NUMBERS AND CONSUMER DEMAND ARE BOTH UP

+29% INCREASE IN RETAIL GAS SALES

$71.75 AVERAGE PRICE RECEIVED PER MW (UP BY 32%)

SHARE

Growth in consumer demand plus a focus on commercial customers, advanced retail electricity and gas sales although total customer accounts declined 3.4 per cent.

2013/2014

2014/2015

KUPE

Genesis Energy works with its Kupe joint venture partners to ensure the oil and gas field is working to maximum capacity, given the seasonal nature of gas market demand.

GENERATION

The average price received per megawatt was up by a third to $71.75, although total generation volumes were down slightly.

YOUR EXPECTATION
OUR PROMISE

SOUND PERFORMANCE FROM A DIVERSIFIED BUSINESS

Genesis Energy operates in continuously evolving consumer markets within a wholesale energy context of volatile prices and changing demand. The New Zealand electricity and gas market remains one of the most competitive in the world, evidenced by the significant retail challenges over the past six months.

Despite these highly competitive market conditions, the Board and Management are able to report a sound financial performance in the six months to 31 December 2014. Although most of the key financial metrics are higher than they were in the same period in 2013, there were a number of one-off items and market events that impacted the previous period's results.

The Board and Management are pleased to present an improved net profit after tax of $68.2 million for the six-month period, compared to $19.7 million in the first half of 2013/2014 (FY2014).

Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses (EBITDAF) increased to $172.8 million from $150.6 million in the comparable period of 2013.

$68.2M

NPAT

$80.0M

INTERIM DIVIDEND

Dame Jenny Shipley
Chairman of the Board

$172.8M

EBITDAF

The improvement in earnings can be attributed to increased EBITDAF from the Company's Customer Experience and Energy Management business activities, offset in part by a reduction in earnings from the Oil and Gas segment.

While total customer numbers for electricity, gas and LPG were down by 3.4 per cent at 31 December 2014 compared to 31 December 2013, retail electricity sales volumes were stable and gas sales climbed 29.0 per cent. LPG customers and sales were also up by 21.0 per cent. EBITDAF from the Customer Experience business activity was up from $35.6 million to $44.2 million.

Energy Management's total generation output was down by 1.9 per cent. However, wholesale market conditions were favourable to the Company's diverse portfolio of generating assets, and the average price received for generation during the six months was up by 31.5 per cent to $71.75 from $54.55 in the first half of FY2014.

The higher total EBITDAF, supported by a $34.6 million positive change in the fair value of financial instruments, resulted in the net profit increase. The change in the fair value of financial instruments mainly relates to movement in the fair value of electricity swaps and options driven by changes in the electricity price path between the date contracts were entered into and the reporting date.

ENHANCED COMPETITION FOR CUSTOMERS

The electricity and gas retail markets are experiencing increasing competition as customers demand cost-effective and simple services. In addition, the sector is facing some degree of fragmentation caused by new entrants and an overall pessimistic consumer outlook, resulting in declining brand loyalty for established retail market participants.

Genesis Energy and its sub-brand Energy Online is responding to these challenges, and experienced some success

Albert Brantley
Chief Executive

KEEPING AN EYE ON CUSTOMER NEEDS

David Goadby
General Manager Retail

during the past six months with lower switching rates compared to those of the previous six months of 2014, as well as improved customer retention. However, a weaker December resulted in an overall decline in customer numbers of 3.4 per cent compared to those of 31 December 2013. Retail gas customer accounts were down by 6.4 per cent during the half-year, due to intense competition and new entrants in the gas market.

In senior executive moves, David Goadby joined the Company in July 2014 as General Manager Retail.

David has held a number of senior sales and marketing roles in Australia and Britain including his most recent role as General Manager – Retail at Australian Power & Gas in Sydney.

The Company launched an online 'Self-Service Saver' plan to new electricity customers as part of the Company's positioning to meet the changing needs of New Zealand consumers. The plan offered the best promotional electricity rates in the new customer's region on a one-year fixed-term electricity plan. While providing benefit to consumers, the new plan generates incremental savings to Genesis Energy (up to 57 per cent in handling costs per customer per month) by using online channels to deliver bills and customer communications instead of physical documents.

CUSTOMER EXPERIENCE PERFORMANCE

	H1 2014/2015	H1 2013/2014	% CHANGE
TOTAL CUSTOMER ACCOUNTS	638,790	660,949	-3.4
GAS CUSTOMERS	108,217	115,613	-6.4
ELECTRICITY CUSTOMERS	517,492	534,597	-3.2
LPG CUSTOMERS	13,081	10,739	+21.8
NORTH ISLAND CUSTOMERS	435,973	451,768	-3.5
SOUTH ISLAND CUSTOMERS	81,519	82,829	-1.6
MASS MARKET ELECTRICITY SALES (GWH)	2,373	2,505	-5.3
TOU ELECTRICITY SALES (GWH)	453	346	+30.9
TOTAL ELECTRICITY SALES (GWH)	2,825	2,851	-0.9
RETAIL GAS SALES (PJ)	4.0	3.1	+29.0
LPG SALES (TONNES)	1,944	1,608	+20.9
AVERAGE RETAIL ELECTRICITY PURCHASE PRICE ($/MWH)	72.45	53.98	+34.2

Genesis Energy agreed to be the major sponsor of My Kitchen Rules New Zealand at the beginning of the half-year.

The sponsorship, including online activities, supported a multifaceted customer-acquisition campaign designed to create more in-home relevance for the Genesis Energy brand. The campaign and associated internal process were catalysts for customer account growth from August through to November.

ENERGY MANAGEMENT

Earnings (EBITDAF) from the Energy Management business activity increased to $100.7 million from $82.2 million compared to the first half of 2014.

The average price received per megawatt was up by 31.5 per cent to $71.75 ($54.55 in H1 2014), although total generation volumes were down by 1.9 per cent. The higher price reflected a number of plant outages as well as increased demand in the wholesale market. The national hydro storage situation in the period under review was also close to historical average levels compared to above-average levels in the previous comparable period.

Towards the end of the six-month period, the Company's own hydro storage and availability declined and the Company favoured its thermal plant in order to manage its hydro reserves. As a result, total hydro generation for the six months was down by 7.2 per cent while thermal generation was up by 2.3 per cent.

150MW

'SWAPTION' AGREEMENT

In July 2014, Genesis Energy signed a 'swaption' electricity hedge contract to provide dry-year cover for Meridian Energy for four years from 1 January 2015. The 150MW swaption followed on from a previous agreement between Genesis Energy and Meridian Energy for 200MW, which expired in October 2014.

The new four-year agreement has a provision to terminate after the first two years in the event Meridian's contract with New Zealand's Aluminium Smelter Limited sees a reduction in volume. The structure of the new agreement allows for 100MW to be available year-round, with an additional 50MW available from 1 April to 30 October in each year of the contract.

Genesis Energy's prospective financial information (PFI) included in the Company's April 2014 Share Offer was prepared on the assumption that the 200MW swaption existing at that time would not be replaced with a similar instrument. The new agreement, therefore, is expected to have a positive impact on Genesis Energy's FY2015 performance.

INTEGRATED SERVICES CONTRACT

During the half-year, Genesis Energy also signed an all-of-company contract with Transfield Worley Power Services that led to 80 separate outsourced maintenance service contracts being rolled up into one lead contract. The Company moved to an integrated services model as part of its drive for overall greater efficiency. The agreement for integrated services will standardise a high level of safety, quality and flexibility throughout the Company's business activities.

The five-year contract, valued at approximately $20 million a year, is expected to provide immediate operating cost savings of around 10 per cent per annum and is expected to create longer-term value for the Company through administrative and operational efficiencies.

GENERATION DATA

TYPE	H1 2014/2015	H1 2013/2014	% CHANGE
GAS (GWh)	1,277	1,471	-13.2
COAL (GWh)	641	405	+58.5
TOTAL THERMAL (GWh)	1,918	1,875	+2.3
HYDRO (GWh)	1,351	1,456	-7.2
WIND (GWh)	11	12	-6.7
TOTAL RENEWABLE (GWh)	1,363	1,468	-7.2
TOTAL GENERATION (GWh)	3,280	3,344	-1.9
NORTH ISLAND (GWh)	2,813	2,742	+2.6
SOUTH ISLAND (GWh)	467	601	-22.3
AVERAGE PRICE RECEIVED ($MWh)	$71.75	$54.55	+31.5
CARBON EMISSIONS FROM GENERATING (KILOTONNES CO_2)	1,143	1,036	+10.3
GENERATION CARBON INTENSITY (TONNES CO_2/GWH)	348	310	+12.5

KUPE CONTRIBUTION

Genesis Energy's 31 per cent share of the Kupe Oil and Gas field continued to contribute a significant proportion of Group earnings in the half-year, adding $46.9 million EBITDAF to the Group compared to $55.0 million in the same period of FY2014. Gas revenue of $28.1 million was down slightly from $29.3 million, and revenue from oil sales was down to $34.3 million from $42.6 million. The reduction in oil and gas revenues and EBITDAF contribution mainly reflect the lower production and sales volumes.

Genesis Energy hedges both the Brent Crude oil price in US dollars and the foreign currency exposure of converting US dollars to NZ dollars.

The Company's hedging policy requires that between 50 per cent and 75 per cent of the next 12 months' oil sales are hedged on a rolling basis, and between 25 per cent and 50 per cent for months 13 to 24.

The prices achieved for volumes above this level reflect the international spot oil market and the significant recent drop in international oil prices is likely to have an impact on oil revenues in the second half of the financial year.

$46.9M

KUPE EBITDAF CONTRIBUTION

COAL, OIL AND GAS

	H1 2014/2015	H1 2013/2014	% CHANGE
COAL USED IN GENERATION (PJ)	7.2	4.5	+58.8
COAL STOCKPILE (KILOTONNES)	870.7	993.8	-12.4
GAS PURCHASES (PJ)	24.2	20.5	+17.8
WHOLESALE GAS SALES (PJ)	10.7	5.7	+86.7
GAS USED IN GENERATION (PJ)	9.6	11.8	-18.8
KUPE – GENESIS ENERGY SALES SHARES:			
GAS SALES (PJ)	3.5	3.5	-0.6
OIL PRODUCTION (KBBL)	238.9	273.2	-12.6
OIL SALES (KBBL)	233.4	255.1	-8.5
LPG SALES (KILOTONNES)	15.2	15.1	+0.4

IWI RELATIONSHIPS STRENGTHENED

LAKE ROTOAIRA EASEMENT AGREEMENT ESTABLISHED

A Relationship Agreement, signed in October 2014 between the Lake Rotoaira Trust, Lake Rotoaira Forest Trust and Genesis Energy, allows for the grant of an easement in respect of Lake Rotoaira and surrounding land affected by the operation of the Tongariro Power Scheme. The agreement provides long-term certainty for the Tongariro Power Scheme and paves the way for a closer working relationship between the Trusts and Genesis Energy.

The Genesis Energy Board and Management acknowledge the perseverance, innovation and respect shown by the Trusts' negotiators and their advisors. We had constructive dialogue over the past two years which has enhanced our relationship with the Trusts, and we believe that this will only grow stronger following this agreement.

Lake Rotoaira is a privately owned lake administered by the Lake Rotoaira Trust on behalf of its owners.

The Lake is essentially the water-holding hub of the Tongariro Power Scheme, collecting waters from the Scheme's Eastern Diversion (headwaters of the Moawhango and Whangaehu Rivers) and Western Diversion (headwaters of the Whanganui River), before sending it under Mount Tihia to the Tokaanu Power Station and on to Lake Taupō. Some of the land surrounding the lake is inundated as a result of the operation of the scheme and its interests are in part represented by the Lake Rotoaira Forest Trust.

SIGNING OF RELATIONSHIP AGREEMENT REGARDING THE LAKE ROTOAIRA EASEMENT

RESTORATION OF TAIPOURI ISLAND

The riparian enhancement works at Taipouri Island, a culturally significant location adjacent to the Huntly Power Station ash ponds, was undertaken through the winter of 2014. The enhancement work was completed as part of Huntly Power Station resource consent activities and as part of the Relationship Agreement with Hukanui Amuri.

SPONSORSHIP BOOST FOR AORAKI BOUND

The opportunity for young Māori to develop leadership skills and personal and cultural growth on the Aoraki Bound programme is the focus of a partnership between Te Rūnanga o Ngāi Tahu and Genesis Energy.

In December 2014, Genesis Energy, along with co-sponsor Bank of New Zealand, reconfirmed its support for Aoraki Bound. The agreement ensures Aoraki Bound continues to provide future Māori leaders with a unique experience, at the same time facilitating greater cultural understanding and respect.

Aoraki Bound combines Ngāi Tahu cultural knowledge and expertise with the experience and reputation of Outward Bound in a journey from Anakiwa at the top of Te Waipounamu to the foot of Aoraki/Mount Cook in the south. The programme has been running for nine years and 197 participants have taken part since its inception in 2006.

YOUR SAFETY
OUR PRIORITY

RECOGNITION FOR TE REO

Genesis Energy honoured its cultural diversity through celebrating Māori Language Week in July 2014 across its sites with poi demonstrations, hangi, Kapa Haka and quizzes with spot prizes. This activity, combined with other company-wide Te Reo initiatives, resulted in the Company winning a 2014 Te Wiki o te Reo Māori Award for the private sector in November 2014. The awards are run by Te Taura Whiri te Reo Māori (Māori Language Commission) to recognise Māori language excellence, innovation and success.

GM GENERATION TRACEY HICKMAN, GM CORPORATE SERVICES ANDREW STEELE AND GROUP MANAGER SAFETY BRENT MILLER CELEBRATE WITH THE DELOITTE ENERGY EXCELLENCE AWARD FOR HEALTH AND SAFETY INITIATIVE.

DELOITTE ENERGY EXCELLENCE AWARDS WINNER

PEOPLE AND SAFETY

SAFETY

The Company's December 2014 Total Recordable Injury Frequency Rate (TRIFR) reduced to less than 0.54 (2.69 at 31 December 2013). The Company has made substantial progress on its journey towards Zero Harm – looking back to 2011, the TRIFR exceeded 30. During the past six-month period, there was one lost-time injury at a Genesis Energy site.

2011 TRIFR EXCEEDED 30

2014 TRIFR ACHIEVED **0.54**

TRIFR is a key performance indicator that the Company uses to measure Genesis Energy's improvement in health and safety compared to other industry players and New Zealand and Australian employers in general. The number represents the ratio of recordable injury incidents per 1,000,000 hours worked.

The comprehensive and company-wide attention to personal health and safety gained national recognition in August 2014, when Genesis Energy won the Excellence in Health and Safety Award at the Deloitte Energy Excellence Awards. The award is for the best overall demonstration of health and safety by an organisation operating in the New Zealand energy sector.

887

FULL TIME EQUIVALENT EMPLOYEES *as at 31 December 2014*

DIVERSITY AT WORK

The Company is committed to achieving a diversity in its workforce that reflects the growing diversity of New Zealand. The Company remains committed to reporting annually its progress towards achieving diversity of gender and other measures.

These ongoing efforts were recognised in the half-year when Genesis Energy was selected as a finalist in the Diversity category at the Deloitte Business Awards.

38%

TAKE UP ON EMPLOYEE SHARE SCHEME OFFER

Genesis Energy's Employee Share Scheme was initiated in August 2014.

The scheme enables employees to purchase Genesis Energy shares directly each month from their after-tax salaries; this provides the opportunity for staff to share in the Company's future success and aligns their interests with other shareholders.

Just over 38 per cent of eligible employees took up the offer. This was an outstanding response and, according to the Company's share registrar, Computershare, ranks with the best in the world in respect of participation rates. Share purchases on behalf of the scheme's participants started in September 2014.

YOUR COMMUNITIES
OUR SUPPORT

SCHOOLGEN ACCELERATES

The Company's premier community investment programme, Schoolgen, has now provided solar panels to 71 schools throughout New Zealand and helps teachers and students learn about solar energy and energy efficiency. The programme continues to grow and gain traction as school boards see the value of solar energy and commit additional funding to solar panel installations.

A good example of this commitment was seen during the past six months at Vauxhall School in Auckland which share-funded the installation of the largest solar array on a school roof in the North Island and equal largest on any existing school in New Zealand. Vauxhall School's involvement in the programme was sparked by its wish to become a modern learning environment which embraces sustainability.

During the six-month period, a second tranche of four schools gained solar panels with joint funding from the Wellington City Council, which has agreed to joint-fund a total of 16 Wellington schools into the programme.

All New Zealand schools are able to use the Schoolgen teaching resources about electricity generation, solar energy, photovoltaic systems and energy efficiency. Also, Schoolgen schools are supplied with free educational resources that are linked to the New Zealand Curriculum and receive ongoing support from Genesis Energy's two environmental educators.

71
SCHOOLS THROUGHOUT NEW ZEALAND

www.schoolgen.co.nz

SCHOOLGEN LAUNCH ASSEMBLY AT VAUXHALL SCHOOL

HELPING OUT IN HUNTLY

Genesis Energy supports the Huntly community in many different ways. Most recently, the Company supported an initiative to encourage children to speak out against domestic violence. Around 500 cases are being reported to police in Huntly each year and this campaign is about making sure domestic violence does not become accepted as normal behaviour. The programme, which is being run by Raukura Waikato Social Services Trust, involves tutors working with Huntly school children and teaching them to use art and song to express their opinions about domestic violence.

In Huntly, Genesis Energy also: provides funding support to the Foundation for Youth Development – Kiwi Can programmes in a number of Huntly primary schools; provides scholarships for students at Huntly College and Te Wharekura O Rakaumangamanga (the Māori immersion school); and supports Waikato RiverCare.

34
MORE KWPH INSTALLED

WHIO NUMBERS UP ON LAST YEAR

WHIO FOREVER: IN PARTNERSHIP WITH THE DEPARTMENT OF CONSERVATION

DUCKLINGS HATCHED

- Record number of ducklings hatched at Tongariro Forest = 202.
- Record year for Wangapeka/Fyfe too, with 50 ducklings from 16 pairs – the highest density of birds yet.

CAPTIVE REARING

- 39 ducklings hatched in captivity and available for release this season.
- First season for National Trout Centre hardening facility working at full capacity with 23 ducklings currently being conditioned there.

STOAT TRAP LINES UPGRADED

- 1,620 replacement traps installed in Te Urewera.
- 125 additional traps installed to expand trap networks at three recovery sites: Pungapunga, Pearse and Arthur's Pass.

MINISTER OF CONSERVATION, MAGGIE BARRY, CHIEF EXECUTIVE ALBERT BRANTLEY AND GUESTS RELEASE WHIO INTO NEW TURANGI NURSERY.

202
WHIO DUCKLINGS HATCHED AT TONGARIRO FOREST

PROGRESS AT COMMUNITY INITIATIVES SUPPORTED BY GENESIS ENERGY

HILLARY STEP

A total of 90 students from Huntly, Wairoa and Ruapehu Colleges and Tongariro School attended Hillary Outdoors Programmes.

TAUPO FOR TOMORROW

In Turangi, 1,445 students were involved with the programme on site at the National Trout Centre.

DUFFY BOOKS IN HOMES

From 1 July to 31 December 2014, 1,058 books were given to school pupils at Huntly Primary and Huntly West Schools.

CURTAIN BANKS

CURTAIN BANK LOCATION	FAMILIES ASSISTED JULY TO DEC 2014
CHRISTCHURCH (COMMUNITY ENERGY ACTION)	449
WELLINGTON (SUSTAINABILITY TRUST)	400
AUCKLAND (VISIONWEST)	120

FOUNDATION FOR YOUTH DEVELOPMENT

LOCATION (BACKGROUND)	TOTAL CHILDREN JULY TO DEC 2014
HUNTLY WEST (98% MĀORI)	179
OHINEWAI (38% MĀORI, 53% EUROPEAN)	128
AUCKLAND (88% MĀORI)	50

INDEPENDENT REVIEW REPORT

TO THE SHAREHOLDERS OF GENESIS ENERGY LIMITED

We have reviewed the condensed consolidated interim financial statements of Genesis Energy Limited ("the Company") and its subsidiaries ("the Group") which comprise the balance sheet as at 31 December 2014, and the comprehensive income statement, statement of changes in equity and cash flow statement for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 15 to 28.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our engagement, for this report, or for the opinions we have formed.

Board of Directors' Responsibilities

The Board of Directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors are also responsible for the publication of the condensed consolidated interim financial statements, whether in printed or electronic form.

Independent Reviewer's Responsibilities

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

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. As the auditor of Genesis Energy Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on the condensed consolidated interim financial statements.

We did not evaluate the security and controls over the electronic publication of the condensed consolidated interim financial statements.

In addition to this review and the audit of the Group annual financial statements, we have performed other assurance services which are compatible with the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. In addition, principals and employees of our firm deal with the Group on arm's length terms within the ordinary course of trading activities of the Group. These services have not impaired our independence as auditor of the Company or Group. Other than these engagements and arm's length transactions, and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with, or interests in, the Company or Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and of its financial performance and its cash flows for the six months ended on that date in accordance with NZ IAS 34: *Interim Financial Reporting* and IAS 34: *Interim Financial Reporting*.

Andrew Dick

Deloitte
On behalf of the Auditor-General
23 February 2015
Auckland, New Zealand

Genesis Energy Group
comprising Genesis Energy Limited and its subsidiaries

CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 31 December 2014

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INTERIM COMPREHENSIVE INCOME STATEMENT

For the six-month period ended 31 December 2014

Genesis Energy Group	Note	6 months ended 31 December 2014 Unaudited $ million	6 months ended 31 December 2013 Audited $ million
Operating revenue			
Electricity revenue		**869.6**	809.2
Gas revenue		**155.8**	117.7
Petroleum revenue		**34.3**	42.6
Other revenue		**8.1**	3.6
		1,067.8	973.1
Operating expenses			
Electricity purchases, transmission and distribution		**(491.4)**	(422.8)
Gas purchases and transmission		**(158.9)**	(113.9)
Petroleum production, marketing and distribution		**(13.4)**	(14.5)
Fuels consumed		**(89.0)**	(95.3)
Employee benefits		**(42.5)**	(45.6)
Other operating expenses	3	**(99.8)**	(130.4)
		(895.0)	(822.5)
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses		**172.8**	150.6
Depreciation, depletion and amortisation		**(75.7)**	(81.2)
Impairment of non-current assets	4	**(3.3)**	(3.6)
Change in fair value of financial instruments	5	**34.6**	(2.6)
Other gains (losses)		**0.9**	(0.3)
		(43.5)	(87.7)
Profit before net finance expense and income tax		**129.3**	62.9
Finance revenue		**0.4**	0.4
Finance expense	6	**(34.3)**	(34.6)
Profit before income tax		**95.4**	28.7
Income tax (expense)		**(27.2)**	(9.0)
Net profit for the period		**68.2**	19.7
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in cash flow hedge reserve		**(8.6)**	(3.9)
Income tax credit relating to items that may be reclassified		**2.4**	1.1
Total items that may be reclassified subsequently to profit or loss		**(6.2)**	(2.8)
Total other comprehensive income for the period		**(6.2)**	(2.8)
Total comprehensive income for the period		**62.0**	16.9
Earnings per share from operations attributable to shareholders of the Parent			
Basic and diluted earnings per share (cents)	7	**6.82**	1.97

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

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 31 December 2014

Genesis Energy Group	**Note**	Share capital Unaudited $ million	Asset revaluation reserve Unaudited $ million	Cash flow hedge reserve Unaudited $ million	Retained earnings Unaudited $ million	Total Unaudited $ million
Balance as at 1 July 2014		**539.7**	**805.8**	**(5.1)**	**540.3**	**1,880.7**
Net profit for the period		**–**	**–**	**–**	**68.2**	**68.2**
Other comprehensive income						
Change in cash flow hedge reserve		**–**	**–**	**(8.6)**	**–**	**(8.6)**
Income tax credit relating to other comprehensive income		**–**	**–**	**2.4**	**–**	**2.4**
Total comprehensive income for the period		**–**	**–**	**(6.2)**	**68.2**	**62.0**
Dividends	8	**–**	**–**	**–**	**(66.0)**	**(66.0)**
Balance as at 31 December 2014		**539.7**	**805.8**	**(11.3)**	**542.5**	**1,876.7**

	Note	Share capital Audited $ million	Asset revaluation reserve Audited $ million	Cash flow hedge reserve Audited $ million	Retained earnings Audited $ million	Total Audited $ million
Balance as at 1 July 2013		540.6	806.4	(8.7)	611.5	1,949.8
Net profit for the period		–	–	–	19.7	19.7
Other comprehensive income						
Change in cash flow hedge reserve		–	–	(3.9)	–	(3.9)
Income tax credit relating to other comprehensive income		–	–	1.1	–	1.1
Total comprehensive income for the period		–	–	(2.8)	19.7	16.9
Revaluation reserve reclassified to retained earnings on disposal of assets		–	(0.6)	–	0.6	–
Dividends	8	–	–	–	(57.0)	(57.0)
Balance as at 31 December 2013		540.6	805.8	(11.5)	574.8	1,909.7

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

INTERIM BALANCE SHEET

As at 31 December 2014

Genesis Energy Group	**Note**	**31 December 2014 Unaudited $ million**	30 June 2014 Audited $ million
Current assets			
Cash and cash equivalents		**30.4**	23.3
Receivables and prepayments		**203.6**	216.4
Inventories		**78.2**	93.8
Intangible assets		**3.7**	3.9
Tax receivable		**0.6**	–
Derivatives	13	**35.8**	19.9
Total current assets		**352.3**	357.3
Non-current assets			
Property, plant and equipment	9	**2,728.1**	2,758.8
Oil and gas assets	10	**318.6**	342.1
Intangible assets		**127.9**	128.2
Inventories		**41.1**	34.1
Receivables and prepayments		**1.0**	0.9
Derivatives	13	**35.6**	8.0
Total non-current assets		**3,252.3**	3,272.1
Total assets		**3,604.6**	3,629.4
Current liabilities			
Payables and accruals		**165.1**	194.8
Tax payable		**-**	3.4
Borrowings	12	**19.2**	12.3
Provisions		**18.4**	13.6
Derivatives	13	**13.4**	22.5
Total current liabilities		**216.1**	246.6
Non-current liabilities			
Payables and accruals		**0.7**	0.7
Borrowings	12	**970.2**	977.1
Provisions		**119.9**	126.9
Deferred tax liability		**388.8**	384.2
Derivatives	13	**32.2**	13.2
Total non-current liabilities		**1,511.8**	1,502.1
Total liabilities		**1,727.9**	1,748.7
Shareholders' equity			
Share capital		**539.7**	539.7
Reserves		**1,337.0**	1,341.0
Total equity		**1,876.7**	1,880.7
Total equity and liabilities		**3,604.6**	3,629.4

The Directors of Genesis Energy Limited authorise these condensed interim financial statements for issue on behalf of the Board.

Rt Hon Dame Jenny Shipley DNZM
Chairman of the Board
23 February 2015

Joanna Perry MNZM
Chairman of the Audit and Risk Committee
23 February 2015

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

INTERIM CASH FLOW STATEMENT

For the six-month period ended 31 December 2014

Genesis Energy Group	Note	6 months ended 31 December 2014 Unaudited $ million	6 months ended 31 December 2013 Audited $ million
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		**1,075.6**	1,053.2
Interest received		**0.4**	0.4
		1,076.0	1,053.6
Cash was applied to:			
Payments to suppliers		**872.8**	834.1
Payments to employees		**42.8**	45.7
Tax paid		**24.2**	9.2
		939.8	889.0
Net cash inflows from operating activities		**136.2**	164.6
Cash flows from investing activities			
Cash was provided from:			
Proceeds from disposal of property, plant and equipment		**–**	0.2
		–	0.2
Cash was applied to:			
Purchase of property, plant and equipment		**20.4**	25.0
Purchase of oil and gas assets		**2.3**	0.3
Purchase of intangibles (excluding emission units)		**2.9**	7.5
		25.6	32.8
Net cash (outflows) from investing activities		**(25.6)**	(32.6)
Cash flows from financing activities			
Cash was provided from:			
Proceeds from borrowings		**42.8**	61.0
		42.8	61.0
Cash was applied to:			
Repayment of borrowings		**47.6**	75.0
Interest paid and other finance charges		**31.1**	33.4
Repayment of principal on finance lease liabilities		**1.6**	2.0
Dividends	8	**66.0**	57.0
		146.3	167.4
Net cash (outflows) from financing activities		**(103.5)**	(106.4)
Net increase in cash and cash equivalents		**7.1**	25.6
Cash and cash equivalents at 1 July		**23.3**	22.7
Cash and cash equivalents at 31 December		**30.4**	48.3

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

INTERIM CASH FLOW STATEMENT CONTINUED

For the six-month period ended 31 December 2014

Genesis Energy Group	Note	6 months ended 31 December 2014 Unaudited $ million	6 months ended 31 December 2013 Audited $ million
Reconciliation of net profit for the period to net cash inflows from operating activities			
Net profit for the period		**68.2**	19.7
Items classified as investing/financing activities			
Net (gain) loss on disposal of property, plant and equipment		**0.1**	(0.1)
Interest and other finance charges paid		**31.1**	31.7
Other items classified as investing/financing activities		**(1.9)**	(4.1)
		29.3	27.5
Non-cash items			
Depreciation, depletion and amortisation expense		**75.7**	81.2
Impairment of non-current assets	4	**3.3**	3.6
Change in fair value of financial instruments		**(34.6)**	2.6
Deferred tax expense		**7.0**	(1.6)
Change in capital expenditure accruals		**3.4**	(0.7)
Change in rehabilitation and contractual arrangement provisions		**1.7**	0.6
		56.5	85.7
Movements in working capital			
Change in receivables and prepayments (excluding finance lease receivable)		**12.7**	75.8
Change in inventories		**8.6**	(17.5)
Change in emission units on hand		**(3.2)**	(2.7)
Change in payables and accruals		**(29.7)**	(40.6)
Change in tax receivable/payable		**(4.0)**	1.4
Change in provisions		**(2.2)**	15.3
		(17.8)	31.7
Net cash inflows from operating activities		**136.2**	164.6

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

1. GENERAL INFORMATION

Genesis Energy Limited (the 'Parent') is a company registered under the Companies Act 1993. The Parent is majority owned by Her Majesty the Queen in Right of New Zealand ('the Crown') and is listed on the NZSX, NZDX and ASX. The Parent, as a mixed ownership model company, is bound by the requirements of the Public Finance Act 1989. The liabilities of the Parent are not guaranteed in any way by the Crown. The Parent is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The condensed interim financial statements comprise Genesis Energy Limited (the 'Parent'), its subsidiaries and its interests in associates and joint operations (together the 'Group'). The condensed interim financial statements cover the six-month period ended 31 December 2014.

These interim financial statements have not been audited.

The Group is designated as a profit-oriented entity for financial reporting purposes.

The Group's core business is located in New Zealand and involves the generation of electricity, retailing and trading of energy, and the development and procurement of fuel sources. To support these functions, the Group's scope of business includes retailing and trading of related complementary products designed to support its key energy business.

Basis of preparation

The condensed interim financial statements have been prepared in accordance with and comply with New Zealand Equivalent International Accounting Standard 34 *Interim Financial Reporting* ('NZ IAS 34'). In complying with NZ IAS 34, these statements comply with International Accounting Standard 34 *Interim Financial Reporting*.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements. Consequently these condensed interim financial statements should be read in conjunction with the annual financial statements and related notes included in Genesis Energy's Annual Report for the year ended 30 June 2014.

The condensed interim financial statements are presented in New Zealand dollars rounded to the nearest million.

Revised accounting policies

During the period, the Group commenced active trading of emission units, both on hand and via forward sale and purchase agreements. The emission units and derivative accounting policies have been extended to cover this new area of activity. Refer below for the revised accounting policies.

Emission units

Emission units are purchased (or granted by the Crown) to either meet the Group's emission obligation or are held for trading purposes. Emission units on hand and receivable are initially recognised at fair value. Fair value is cost in the case of purchased units or the initial market value in the case of government-granted units and units receivable from third parties. Emission units held to settle the Group's emission obligation are not revalued subsequent to initial recognition. They are assessed as having indefinite useful lives and are not amortised but are subject to annual impairment testing or whenever there are indicators of impairment.

Emission units held for trading purposes are subsequently remeasured to their fair value. Changes in the fair value are recognised immediately in profit or loss. Emission units held for trading are classified as inventory.

Emission units receivable from Group entities are recognised using the weighted average cost of emission obligations incurred by the Group on the date the receivable is recognised. The difference between cost and fair value of government-granted units is treated as revenue. Emission units receivable are accounted for in the period in which they are earned within receivables and prepayments and are transferred to intangibles when the emission units are received.

Derivatives

Forward sale and purchase agreements in relation to emission units held for trading do not meet the 'own use' exemption and therefore meet the definition of a derivative. These contracts are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured to their fair value. Changes in the fair value are recognised immediately in profit or loss.

Application of new and revised accounting standards, interpretations and amendments

There have been no new or revised accounting standards, interpretations and amendments effective during the period which have a material impact on the Group's accounting policies or disclosures.

Other than the revised accounting policies noted above, there have been no changes in accounting policies or methods of computation since 30 June 2014. The accounting policies set out in Genesis Energy's Annual Report for the year ended 30 June 2014 have been applied consistently to all periods presented in these condensed interim financial statements.

Critical accounting estimates and judgements

The preparation of the Group's condensed interim financial statements requires management to make estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, revenues and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Significant areas of estimation and judgement in these condensed interim financial statements are the same as those disclosed in Genesis Energy's annual financial statements included in Genesis Energy's Annual Report for the year ended 30 June 2014.

Seasonality of operations

Fluctuations in seasonal weather patterns can have a significant impact on supply and demand and therefore the generation of electricity which in turn can have a positive or negative impact on the reported result.

2. SEGMENT REPORTING

For management purposes, the Group is currently organised into four segments as follows:

Segment	Activity
Customer Experience	Supply of energy (electricity, gas and LPG) to end-user customers as well as related services.
Energy Management	Generation and trading of electricity and related products. The segment includes electricity sales to the wholesale electricity market, derivatives entered into to fix the price of electricity, and wholesale gas and coal sales.
Oil and Gas	Exploration, development, production and sale of gas, LPG and light oil.
Corporate	Head-office functions including new generation investigation and development, fuel management, information systems, human resources, finance, corporate relations, property management, legal and corporate governance. Corporate revenue is made up of property rental and miscellaneous income.

The segments are based on the different products and services offered by the Group. No operating segments have been aggregated.

Six months ended 31 December 2014	Customer experience Unaudited $ million	Energy management Unaudited $ million	Oil and gas Unaudited $ million	Corporate Unaudited $ million	Inter-segment items Unaudited $ million	Total Unaudited $ million
Operating revenue						
Electricity revenue	**609.4**	**512.6**	**–**	**–**	**(252.4)**	**869.6**
Gas revenue	**83.2**	**103.2**	**28.1**	**–**	**(58.7)**	**155.8**
Petroleum revenue	**–**	**–**	**34.3**	**–**	**–**	**34.3**
Other revenue	**4.6**	**2.9**	**0.1**	**0.5**	**–**	**8.1**
	697.2	**618.7**	**62.5**	**0.5**	**(311.1)**	**1,067.8**
Operating expenses						
Electricity purchases, transmission and distribution	**(509.9)**	**(233.9)**	**–**	**–**	**252.4**	**(491.4)**
Gas purchases and transmission	**(68.9)**	**(121.9)**	**–**	**–**	**31.9**	**(158.9)**
Petroleum production, marketing and distribution	**–**	**–**	**(13.4)**	**–**	**–**	**(13.4)**
Fuel consumed	**–**	**(115.8)**	**–**	**–**	**26.8**	**(89.0)**
Employee benefits	**(12.7)**	**(15.2)**	**–**	**(14.6)**	**–**	**(42.5)**
Other operating expenses	**(61.5)**	**(31.2)**	**(2.2)**	**(4.9)**	**–**	**(99.8)**
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses	**44.2**	**100.7**	**46.9**	**(19.0)**	**–**	**172.8**
Depreciation, depletion and amortisation	**(1.5)**	**(42.7)**	**(25.8)**	**(5.7)**	**–**	**(75.7)**
Impairment of non-current assets	**–**	**(3.3)**	**–**	**–**	**–**	**(3.3)**
Change in fair value of financial instruments	**–**	**29.6**	**6.2**	**(1.2)**	**–**	**34.6**
Other gains (losses)	**–**	**0.5**	**0.4**	**–**	**–**	**0.9**
Profit (loss) before net finance expense and income tax	**42.7**	**84.8**	**27.7**	**(25.9)**	**–**	**129.3**
Finance revenue	**–**	**–**	**0.1**	**0.3**	**–**	**0.4**
Finance expense	**(0.2)**	**(1.7)**	**(1.5)**	**(30.9)**	**–**	**(34.3)**
Profit (loss) before income tax	**42.5**	**83.1**	**26.3**	**(56.5)**	**–**	**95.4**
Other segment information						
Capital expenditure	**1.7**	**14.6**	**2.2**	**2.8**	**–**	**21.3**

2. SEGMENT REPORTING (CONTINUED)

Six months ended 31 December 2013	Customer experience Audited $ million	Energy management Audited $ million	Oil and gas Audited $ million	Corporate Audited $ million	Inter-segment items Audited $ million	Total Audited $ million
Operating revenue						
Electricity revenue	593.7	461.9	–	–	(246.4)	809.2
Gas revenue	74.9	68.9	29.3	–	(55.4)	117.7
Petroleum revenue	–	–	42.6	–	–	42.6
Other revenue	2.3	0.8	–	0.5	–	3.6
	670.9	531.6	71.9	0.5	(301.8)	973.1
Operating expenses						
Electricity purchases, transmission and distribution	(491.3)	(177.9)	–	–	246.4	(422.8)
Gas purchases and transmission	(65.5)	(76.6)	–	–	28.2	(113.9)
Petroleum production, marketing and distribution	–	–	(14.5)	–	–	(14.5)
Fuel consumed	–	(122.5)	–	–	27.2	(95.3)
Employee benefits	(13.6)	(17.9)	–	(14.1)	–	(45.6)
Other operating expenses	(64.9)	(54.5)	(2.4)	(8.6)	–	(130.4)
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses	35.6	82.2	55.0	(22.2)	–	150.6
Depreciation, depletion and amortisation	(1.6)	(43.5)	(30.1)	(6.0)	–	(81.2)
Impairment of non-current assets	–	(3.5)	–	(0.1)	–	(3.6)
Change in fair value of financial instruments	–	(1.2)	(1.1)	(0.3)	–	(2.6)
Other gains (losses)	–	–	(0.3)	–	–	(0.3)
Profit (loss) before net finance expense and income tax	34.0	34.0	23.5	(28.6)	–	62.9
Finance revenue	0.1	–	–	0.3	–	0.4
Finance expense	(0.1)	(1.6)	(1.4)	(31.5)	–	(34.6)
Profit (loss) before income tax	34.0	32.4	22.1	(59.8)	–	28.7
Other segment information						
Capital expenditure	1.5	21.2	0.3	10.7	–	33.7

3. OTHER OPERATING EXPENSES

Other operating expenses for the six months ended 31 December 2013 included $19.1 million in relation to the contract termination fee and onerous contracts expense from exiting the coal importation contract. The onerous contract provision was reduced by $2.7 million during the six months ended 31 December 2014.

4. IMPAIRMENT OF NON-CURRENT ASSETS

Impairment for the six months ended 31 December 2014 and 31 December 2013 consists of impairment of property, plant and equipment. The impairment relates to expenditure of a capital nature on the Rankine units and Unit 6 at Huntly and rehabilitation of the Huntly ash ponds associated with the units. Refer to note 2 for disclosure of impairment by segment. Expenditure associated with the Rankine units and Unit 6 is immediately impaired when incurred as the fair value of these units is nil.

5. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

	6 months ended 31 December 2014 Unaudited $ million	6 months ended 31 December 2013 Audited $ million
Change in fair value of derivatives – gain (loss)	**39.1**	(3.3)
Fair value interest rate risk adjustment on borrowings – gain (loss)	**(4.5)**	0.7
	34.6	(2.6)

The change in the fair value of derivatives for the six months ended 31 December 2014 mainly relates to movement in the fair value of electricity swaps and options ($30.5 million) and Cross-Currency Interest Rate Swaps ('CCIRS') ($4.3 million), which were entered into during the period to manage foreign exchange and interest rate risks on the US private placement notes ('USPP') (refer to note 12 for further information).

5. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The movement in the fair value of electricity swaps and options primarily reflects movements in the electricity price path between the date contracts were entered into and balance date.

The movement in the fair value of the CCIRS relates to movements in interest and foreign exchange rates between the date contracts were entered into and balance date. The movement in the fair value of the CCIRS was offset by the change in the fair value interest rate risk adjustment on the USPP ($4.3 million). The net impact on net profit of the CCIRS and USPP was $0.1 million.

6. FINANCE EXPENSE

	6 months ended 31 December 2014 Unaudited $ million	6 months ended 31 December 2013 Audited $ million
Interest on borrowings (excluding Capital Bonds)	**24.7**	25.0
Interest on Capital Bonds	**6.2**	6.5
Total interest on bonds, revolving credit and money market	**30.9**	31.5
Other interest and finance charges	**0.4**	0.4
Time value of money adjustments on provisions	**3.1**	2.9
	34.4	34.8
Capitalised finance expenses	**(0.1)**	(0.2)
	34.3	34.6

7. EARNINGS PER SHARE

During the six months ended 30 June 2014, the number of ordinary shares on issue increased due to a taxable bonus issue. The increase was partially offset by the acquisition of shares acquired to satisfy the long-term incentive plan. In accordance with NZ IAS 33, earnings per share for the prior period has been restated to take into consideration the changes in the number of ordinary shares.

8. DIVIDENDS

		6 months ended 31 December 2014 Unaudited $ million	6 months ended 31 December 2013 Audited $ million	**6 months ended 31 December 2014 Unaudited Cents per share**	6 months ended 31 December 2013 Audited Cents per share
Dividends declared and paid during the period					
Previous period final dividend	Fully imputed	**66.0**	57.0	**6.60**	10.50
		66.0	57.0	**6.60**	10.50
Dividends declared subsequent to reporting date					
Interim dividend	Fully imputed	**80.0**	64.0	**8.00**	11.83

Imputation credits

Imputation credits available for use in subsequent periods at reporting date was $2.5 million (31 December 2013: $283.9 million).

9. PROPERTY, PLANT AND EQUIPMENT

	6 months ended 31 December 2014 Unaudited $ million	Year ended 30 June 2014 Audited $ million
Opening balance	**2,758.8**	2,800.1
Additions	**16.4**	62.3
Capitalised finance expenses	**0.1**	0.6
Change in rehabilitation and contractual arrangement assets	**–**	2.9
Transfer to oil and gas assets	**–**	(8.3)
Disposals	**–**	(0.3)
Impairment	**(3.3)**	(10.1)
Depreciation expense	**(43.9)**	(88.4)
Closing balance	**2,728.1**	2,758.8

10. OIL AND GAS ASSETS

	6 months ended 31 December 2014 Unaudited $ million	Year ended 30 June 2014 Audited $ million
Opening balance	**342.1**	391.9
Additions	**2.3**	1.7
Transfer from property, plant and equipment	**–**	8.3
Disposals and reversals	**–**	(3.5)
Depreciation and depletion expense	**(25.8)**	(56.3)
Closing balance	**318.6**	342.1

11. MATERIAL RELATED PARTY TRANSACTIONS

The Group entered into a contract with Meridian Energy, a Crown-controlled entity, to provide dry year cover for four years from 1 January 2015. The 150MW contract follows on from the existing 200MW contract between Genesis Energy and Meridian Energy which expired in October 2014.

Other than the contract noted above, there were no individually significant transactions with shareholders and entities controlled and related to shareholders during the period (31 December 2013: nil).

Other transactions with Crown-controlled and related entities which are collectively but not individually significant relate to the purchase of coal, sale of gas and electricity derivatives. All of the coal acquired by the Group during the period was supplied by Crown-controlled and related entities under coal supply agreements which expire in June 2017 (31 December 2013: approximately 80 per cent). Approximately 17 per cent of the gas sales were made to Crown-controlled and related entities under gas sales agreements which expire in December 2015 (31 December 2013: approximately 9 per cent). Approximately 86 per cent of the value of electricity derivative assets and approximately 54 per cent of the value of electricity derivative liabilities held by the Group at the reporting date were held with Crown-controlled and related entities (31 December 2013: 64 per cent and 36 per cent respectively). The contracts expire at various times with the latest one being December 2025.

For a list and description of transactions with related parties refer to Genesis Energy's annual financial statements included in Genesis Energy's Annual Report for the year ended 30 June 2014.

12. BORROWINGS

	31 December 2014 Unaudited $ million	30 June 2014 Audited $ million
Revolving credit and money market	**310.3**	357.9
Wholesale term notes	**320.7**	320.5
Retail term notes	**106.9**	106.8
Capital Bonds	**202.6**	202.6
USPP	**48.9**	–
Finance lease liabilities	**–**	1.6
Total	**989.4**	989.4
Current	**19.2**	12.3
Non-current	**970.2**	977.1
Total	**989.4**	989.4

USPP

On 24 October 2014 the Group entered into a firm commitment for the issue of $150.0 million US dollar denominated unsecured notes to US-based institutional investors. A Note Purchase Agreement ('NPA') was signed on 25 November 2014. The NPA is structured as follows:

- US$100.0 million of 12-year notes with a fixed rate coupon of 3.69 per cent per annum. US$33.5 million were issued on 25 November 2014 and US$66.5 million were issued on 23 January 2015.
- US$50.0 million of 11-year notes with a fixed rate coupon of 3.64 per cent per annum were issued on 23 January 2015.

The proceeds from the USPP were used to reduce revolving credit facilities. CCIRS were entered into to manage foreign exchange and interest rate risks on the notes. The USPP is measured at amortised cost adjusted for the change in fair value associated with the hedged risks in accordance with the Group's accounting policy.

Revolving credit

As at 31 December 2014 the Group had drawn down $300.0 million (30 June 2014: $350.0 million) and had available undrawn funding of $275.0 million (30 June 2014: $275.0 million).

13. DERIVATIVES

Net carrying value of derivatives	31 December 2014 Unaudited $ million	30 June 2014 Audited $ million
Cash flow hedges designated at fair value		
Foreign exchange swaps	**(3.1)**	3.3
Interest rate swaps and options	**(13.1)**	(3.3)
Electricity swaps	**(4.2)**	(5.5)
Oil swaps	**14.8**	(4.4)
CCIRS	**(3.8)**	–
Fair value hedges designated at fair value		
Interest rate swaps and options	**1.5**	1.4
CCIRS	**3.9**	–
Derivatives not designated as hedges		
Foreign exchange options	**–**	1.4
Electricity swaps and options	**29.4**	(0.7)
Forward sale and purchase agreements of emission units held for trading	**0.4**	–
Total	**25.8**	(7.8)
Carrying value of derivatives by balance sheet classification		
Current assets	**35.8**	19.9
Non-current assets	**35.6**	8.0
Current liabilities	**(13.4)**	(22.5)
Non-current liabilities	**(32.2)**	(13.2)
Total	**25.8**	(7.8)

During the period, the Group entered into CCIRS to swap the US$ principal and fixed coupon obligations for the USPP disclosed in note 12 to NZ$ floating rate exposure.

The methods of valuing derivatives is outlined in note 14.

Change in carrying value of derivatives

	6 months ended 31 December 2014 Unaudited $ million	Year ended 30 June 2014 Audited $ million
Opening balance	**(7.8)**	(14.7)
Total change recognised in electricity and petroleum revenue	**12.9**	32.6
– Net change in derivatives not designated as hedges	**26.5**	4.0
– Net change in fair value hedges	**4.0**	(1.0)
– Ineffective gain (loss) on cash flow hedges	**8.6**	(3.5)
Total change recognised in the change in fair value of financial instruments	**39.1**	(0.5)
Gain (loss) recognised in other comprehensive income	**2.0**	13.2
Settlements	**(10.0)**	(7.5)
Sales (option fees)	**(10.6)**	(32.1)
Purchases (option fees)	**0.2**	1.2
Closing balance	**25.8**	(7.8)

14. FAIR VALUE

Fair value hierarchy

The Group's assets and liabilities measured at fair value are categorised into one of three levels. The levels are outlined in Genesis Energy's annual financial statements included in Genesis Energy's Annual Report for the year ended 30 June 2014.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels one, two and three during the period (2013: nil).

Level two items carried at fair value

Recurring fair value measurements	31 December 2014 Unaudited $ million	30 June 2014 Audited $ million
Level two		
Derivatives		
Interest rate swaps and options	**(11.6)**	(1.9)
Foreign exchange swaps and options	**(3.1)**	4.7
Oil swaps	**14.8**	(4.4)
Electricity swaps (cash flow hedges)	**(0.1)**	–
Electricity swaps (not designated as hedges)	**(0.5)**	0.5
CCIRS	**0.1**	–
Forward sale and purchase agreements of emission units held for trading	**0.4**	–
	–	(1.1)
Inventory		
Emission units held for trading	**0.4**	–

Valuation of level two items carried at fair value

The fair value of level two items carried at fair value are determined using discounted cash flow models. The key inputs in the valuation models were:

Level two items carried at fair value	Valuation inputs
Interest rate swaps and options	Forward interest rate price curve
Foreign exchange swaps and options	Forward foreign exchange rate curves
Oil swaps	Forward oil price and foreign exchange rate curves
Electricity swaps (not designated as hedges)	ASX forward price curve
CCIRS	Forward interest rate price curve and foreign exchange rate curves
Forward sale and purchase agreements for emission units held for trading	OM Financial forward curve
Emission units held for trading	OM Financial forward curve

Level three items carried at fair value

Recurring fair value measurements	31 December 2014 Unaudited $ million	30 June 2014 Audited $ million
Level three		
Derivatives		
Electricity swaps (cash flow hedges)	**(4.1)**	(5.5)
Electricity swaps and options (not designated as hedges)	**29.9**	(1.2)
	25.8	(6.7)
Property, plant and equipment		
Generation assets	**2,662.2**	2,689.9

14. FAIR VALUE (CONTINUED)

Valuation of level three items carried at fair value

Valuation processes of the Group

The process used to value level three generation assets and derivatives has been disclosed in Genesis Energy's annual financial statements included in Genesis Energy's Annual Report for the year ended 30 June 2014. The process used as at 31 December 2014 is consistent with that used at 30 June 2014.

Valuation method of the Group

The valuation method used to value level three generation assets and derivatives has been disclosed in Genesis Energy's annual financial statements included in Genesis Energy's Annual Report for the year ended 30 June 2014. The valuation method used as at 31 December 2014 is consistent with that used at 30 June 2014.

The key unobservable inputs, range of assumptions and third-party inputs combine to determine the wholesale electricity price path. The wholesale electricity price paths used to value level three on a time-weighted basis range from $69 per MWh to $118 per MWh over the period from January 2015 to 31 December 2025 (30 June 2014: $70 per MWh to $113 per MWh over the period from July 2014 to 31 December 2025).

Valuation of electricity swaps and options

If the price path increased by 10 per cent while holding the discount rate consistent, this would result in the carrying value of the electricity derivatives increasing to $3.3 million liability (30 June 2014: $13.7 million liability). If the price path decreased by 10 per cent while holding the discount rate constant, the carrying value of electricity swaps and options would decrease to $45.0 million asset (30 June 2014: $1.1 million liability).

The valuation of electricity options is based on a discounted cash flow model over the life of the agreement. The key inputs in the model were: the callable volumes, strike price and option fees outlined in the agreement, the forecast internally generated electricity price path, 'day one' gains and losses, emission credits and the discount rate. The options were deemed to be called when the internally generated price path was higher than the strike price after taking into account obligations relating to the specific terms of each contract. The discount rate used in the model ranged from 2.3 per cent to 10.1 per cent (30 June 2014: 3.4 per cent to 5.5 per cent) and the emission credit price used ranged between $5.00 and $25.00 (30 June 2014: $6.00 and $26.00).

Reconciliation of level three derivatives	**6 months ended 31 December 2014 Unaudited $ million**	Year ended 30 June 2014 Audited $ million
Opening balance	**(6.7)**	(9.1)
Total gain (loss)		
– Electricity revenue	**12.9**	32.7
– Change in fair value of financial instruments	**30.4**	(0.5)
Total gain (loss) in profit or loss	**43.3**	32.2
Total gain (loss) recognised in cash flow hedge reserve	**2.5**	9.2
Settlements (gain) loss	**(2.7)**	(6.9)
Sales	**(10.6)**	(32.1)
Closing balance	**25.8**	(6.7)

Change in fair value of financial instruments for the period included an unrealised gain of $30.4 million (30 June 2014: $0.8 million loss) relating to level three derivatives that are measured at fair value at the end of each reporting period.

Deferred 'day one' gains (losses)

Where the Group estimates fair values of derivatives using forecasted internally generated future price paths, as is the case with electricity derivatives, the instrument is fair-valued at inception and the difference arising between the estimated fair value and its cost (nil) is a deferred day one gain (loss). For electricity options, the valuation adjustment is effectively amortised based on expected call volumes over the term of the contract. The carrying value of derivatives is disclosed net of the day one adjustments.

The following table details the movements and amounts of deferred 'day one' gains (losses) included in the fair value of electricity derivatives held at balance date:

	6 months ended 31 December 2014 Unaudited $ million	Year ended 30 June 2014 Audited $ million
Opening balance	**12.9**	26.0
Deferred day one gains (losses) on new derivatives	**12.1**	0.1
Deferred day one gains (losses) realised during the period	**(7.2)**	(13.2)
Closing balance	**17.8**	12.9

14. FAIR VALUE (CONTINUED)

Items disclosed at fair value

	Carrying value		Fair value	
	31 December 2014 Unaudited $ million	30 June 2014 Audited $ million	**31 December 2014 Unaudited $ million**	30 June 2014 Audited $ million
Level one				
Retail term notes	**(106.9)**	(106.8)	**(111.3)**	(111.8)
Capital Bonds	**(202.6)**	(202.6)	**(205.5)**	(198.2)
Level two				
Wholesale term notes	**(320.7)**	(320.5)	**(336.9)**	(327.5)
USPP	**(48.9)**	–	**(46.3)**	–

The carrying value of all other financial assets and liabilities in the balance sheet approximate their fair values.

Valuation of wholesale term notes

The valuation of wholesale term notes is based on estimated discounted cash flow analyses using applicable market yield curves adjusted for the Group's credit rating. Market yield curves at balance date used in the valuation ranged from 4.0 per cent to 5.5 per cent (30 June 2014: 4.3 per cent to 6.5 per cent).

Valuation of USPP

The valuation of USPP is based on estimated discounted cash flow analyses using applicable US market yield curves adjusted for the Group's credit rating. The credit adjusted market yield curve at balance date used in the valuation was 3.4 per cent.

15. COMMITMENTS

	31 December 2014 Unaudited $ million	30 June 2014 Audited $ million
Total capital commitments	**9.3**	12.4
Total operating lessee commitments	**42.9**	54.2
	52.2	66.6

16. CONTINGENT ASSETS AND LIABILITIES

The Group's contingent assets and liabilities were disclosed in Genesis Energy's Annual Report for the year ended 30 June 2014. There has been no change in the nature or status of these contingent assets and liabilities. On 5 February 2015, the Inland Revenue Department released a copy of a draft provisional Depreciation Determination for Hydroelectric Power Houses, including proposed depreciation rates. The Determination is subject to public consultation and, as a result, is not yet finalised. If the draft provisional Depreciation Determination is approved in its current form, the estimated impact on the Income Statement is to decrease income tax expense by between $3 million and $4 million as at 31 December 2014. There are no other known material contingent assets or liabilities (30 June 2014: nil).

17. EVENTS OCCURRING AFTER BALANCE DATE

Subsequent to balance date the following events occurred:

- The Group declared a fully imputed interim dividend of $80.0 million (8.0 cents per share);
- On 23 January 2015 US$116.5 million of USPP notes was issued and $150.0 million of the revolving credit facility was repaid and cancelled. The revolving credit facility at 31 December 2014 was $575.0 million and has subsequently reduced to $425.0 million. Refer to note 12 for further details.

There have been no other significant events subsequent to the reporting date.

YOUR PEOPLE
OUR PEOPLE

BOARD OF DIRECTORS

Chairman
Rt Hon Dame Jenny Shipley, DNZM

Directors
Joanna Perry MNZM (Deputy Chairman)
Mark Cross
John Dell
John Leuchars
Doug McKay
Graeme Milne, ONZM
Rukumoana Schaafhausen

EXECUTIVE TEAM

Chief Executive
Albert Brantley

General Counsel and Company Secretary
Maureen Shaddick

Chief Financial Officer
Andrew Donaldson

GM Retail
David Goadby

GM Generation
Tracey Hickman

GM Strategy and Corporate Affairs
Dean Schmidt

GM Corporate Services
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AUDITOR

The Auditor-General pursuant to section 14 of the Public Audit Act 2001. Andrew Dick of Deloitte was appointed to perform the audit on behalf of the Auditor-General.

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Russell McVeagh

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Westpac (Singapore)
ANZ Bank (Singapore)

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Outlook – Stable

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