genesis

Interim Report 2022

GENESIS ENERGY LIMITED

Chairman and Chief Executive's joint letter

Pukapuka Mai I te Heamana me te Manahautū

Tēnā koutou,

Genesis continued to move at pace in the first half of the 2021-22 financial year with ongoing investment in the transformation of the business and new renewable generation, while at the same time delivering another solid financial performance.

The flexibility of our generation assets, the Waipipi wind farm being fully operational and growth in retail netbacks were among important contributors to the result. EBITDAF was $210.3m, NPAT was up 63% to $84.7m and gross margin was up 1% to $354.6m. The board approved an interim dividend of 8.7 cents per share and the reintroduction of the Dividend Reinvestment Plan at 2.5% discount.

Investing for the future

Our digital transformation continues and will create consistent and distinctive end-to-end customer experiences, allow us to scale new products and services at a greater pace, integrate with partners more efficiently, and reduce cost and risk through automated processes.

We also continue to invest in our assets to maximise their efficiency and output.

During the half, along with our Kupe joint venture partners Beach Energy and NZ Oil and Gas, a $72m project at the gas production station near New Plymouth was completed. It restored the plant's potential capacity of 77TJs per day, equivalent to approximately 15% of New Zealand's daily natural gas demand. The joint venture partners are now investigating the potential for drilling another development well to further increase recovery from the field. Kupe remains a high-quality gas asset and will continue to play a key role in New Zealand's transition to a lower carbon future.

After five years of planning, design and manufacture, work started on stage two of a challenging upgrade of our Tekapo B power station that will future-proof it for decades. The $15m+ project will see the station deliver its 800 GWh of annual generation by using up to 12,000 less litres of water per second. The project will deliver operational flexibility along with reduced running limitations and annual maintenance costs. The work follows the completion of a two-year $26.5m project to install a new intake gate at Tekapo A in FY21.

EBITDAF[1]
$210.3m
HY21 $216.0m

NPAT[2]
$84.7m
HY21 $52.0m

1. EBITDAF: Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes, and other gains and losses. Refer to the consolidated comprehensive income statement on page 6 for reconciliation from EBITDAF to net profit after tax.
2. Net Profit After Tax.

Marc England
CHIEF EXECUTIVE

Barbara Chapman CNZM
CHAIR

On the North Island's East Coast, a $7.7m project is underway to overhaul two turbines at the Piripaua power station. It's expected to improve efficiency by 3.3%. Work on the first generator started in November and will run through till March. The second unit will be upgraded in FY23.

Empowering New Zealand's sustainable future

Playing our role in the country's transition to a low carbon future remains top of mind across the organisation. This includes building a sustainability framework to help us deliver our targets.

In November we launched a comprehensive Sustainable Finance Programme, recognising the company's commitment, leadership and investment in mitigating climate change and sustainability more broadly. The programme includes a new Sustainable Finance Framework, designating an existing NZX listed bond (GNE030) as a Green Bond and a $100m loan linked to achieving our sustainability targets. The targets acknowledge the broad reach of sustainability, and include reductions across all scopes of emissions, ramp up renewable energy generation goals, and a future of work programme. As per the terms of sustainable linked loans, Genesis will pay a lower interest rate on the loan for achieving its goals but will have to pay higher interest if it falls short of its commitments. During December 2021, Genesis converted a further $150m of its funding facilities to a sustainability linked loan structure.

Continuing to execute our Future-gen strategy at pace, we also confirmed FRV Australia as our joint venture partner for the development of grid-scale solar. FRV Australia is a leading developer of utility-scale solar farms and will bring its expertise in developing these around the world to work with Genesis in delivering up to 500MW of solar capacity over the next five years. This will generate about 750GWh pa – enough to power 100,000 households or 185,000 EVs per year. Genesis will hold a 60% stake in the joint venture, which will add to our generation portfolio of hydro, wind, geothermal and thermal sources of energy. Locations for the solar developments will be mainly in the North Island with a focus on existing transmission connection points.

Helping customers reduce their emissions

Empowering New Zealand's sustainable future includes providing tools and insights to help customers understand and take action on their own carbon footprint. Reducing transport emissions is a focus for the country, and we've developed some unique offerings for electric vehicle owners. More than 1,000 customers have taken up our EV Plan over recent months, and we've developed a portal on our Energy IQ platform where they can access data on their usage and find the most cost-effective and emissions-friendly times to charge. Among those on the plan so far, we've seen 7% moving their household usage from day to night.

EV Sync can automate the best times for charging

We also partnered with Christchurch based company Evnex to develop and trial new EV smart charging technology. Evnex has been at the forefront of developing chargers since 2014 and now has a market-leading smart charger that can safely reduce overnight charging to a few hours. The smart charger can also 'talk' to electricity lines companies to balance load and help smooth demand on the grid. Genesis, through in-house software development, has added EV Sync, an intelligent feature that connects the smart chargers to the Energy IQ app so customers can schedule and automate the best times to charge.

Genesis is using the Evnex smart chargers in a pilot with EV car sharing company Zilch for one of their large corporate clients. It includes the installation of chargers in employee homes as a cost-effective alternative to workplace charging, with the added benefit that the power used can be measured separately from the rest of the house and sent directly to the company for reporting and reimbursement.

We have also seen strong growth among commercial and industrial customers wanting to understand their energy use as the first step toward decarbonising their business. Now, more than 25% of these customers – with 5% growth in the half - are purchasing decarbonisation services from us. A key driver in the uptake of these differentiating products has come from restructuring the supply of our Energy Insights monitoring product. We moved from a third-party leasing arrangement to developing our own sensors at the start of this financial year, and now operate more than 1,000 at clients' premises.

Launching Frank*Energy

We also rebranded Energy Online to Frank*Energy to reflect a new direction, offering and attitude that it will bring to the market. Challenger retail brands have grown 40% over the last four years and Frank*Energy offers a simplified customer proposition and business model to keep prices low with digital sign up, service and automation to drive lower cost to acquire and serve. There are no contracts, no preferential deals with the same plans available for new and existing customers. Frank*Energy starts with a base of 90,000 customers and offers electricity, gas and LPG. Customers can sign up, manage their usage, pay bills and place orders for LPG through the Frank app and online. While owned by Genesis, Frank*Energy, will operate autonomously.

frank* energy

* selling it to you straight

The role of Huntly

Huntly's role in supporting the market through the dry year of 2021 underlined its strategic importance to New Zealand. This was also borne out in independent analysis of the market that we commissioned looking at four different market scenarios through to 2030. In all scenarios, New Zealand is on track to achieve 96% - 98% renewable electricity by 2030 with some thermal generation expected to be needed to maintain a reliable electricity system when renewable energy is low.

Emissions from Huntly will decrease sharply throughout this decade. We believe we have reached peak coal use and are looking at alternative fuel options for the Rankines, such as biomass. Broadly speaking, there are three aspects to the work – sourcing the right type of biomass, ensuring there is a reliable supply, and understanding the changes that will need to be made to the Rankine units. There is a lot to learn in each of these areas. We are hopeful a biomass trial will be possible in the coming months, and, if successful, we'll assess the fuel's commercial viability.

We believe that Huntly is a viable alternative to the Lake Onslow pumped hydro project. It's ideally located for major electricity generation, close to demand, with high voltage connection, and has access to a good local workforce. Transitioning the Rankines to biomass strengthens the case for Huntly to continue as the country's electricity back-up.

Coping with Covid

Covid-19 has proven to be a marathon rather than a sprint for the country. We're very proud of how our staff have adapted to fluctuating alert levels and varied restrictions to continue supporting our customers and keeping our sites operational.

At all times, our priority has been the safety of our people and we have proactively looked at trends and developments around the world. In August we introduced saliva testing at Huntly to provide assurance our staff and the plant could operate safely.

Saliva testing at Huntly

We also joined other businesses in November calling on the Government to allow us to import rapid antigen tests as another layer of protection for staff and help ensure workplace continuity. The Government agreed and we secured more than 50,000 tests that are being deployed across our business. Each staff member has been provided with rapid antigen testing kits and training. To enter any of our premises, staff need to complete a negative test twice a week and upload the result to an internal app. The feedback from staff was overwhelmingly positive and our people have completed more than 15,500 rapid antigen tests to date.

Looking ahead

Dealing with Covid-19 remains a key priority but will not slow the pace of our transformation.

The sector is waiting for the Government to deliver a national energy strategy later this year that we hope will provide a detailed framework for how the country will achieve a lower carbon future. We would like to see a clearly defined long-term national energy strategy with a strong commitment to a more renewable energy system supported by clear policies developed in collaboration with business. We believe a focus on carbon intensive areas such as process heat and transport should be a priority, recognising the opportunity for electricity to support a lower carbon Aotearoa.

We enter the next phase of our growth with four new executives and a gender balanced executive team. Three of the appointments are internal promotions highlighting the strong professional development programme within the business to foster growth and succession. Peter Kennedy was appointed Chief Digital Officer in January while Rebecca Larking and Pauline Martin will transition to their respective new roles, Chief Operations Officer and Chief Trading Officer, by mid-April. We're also pleased to welcome James Spence as Chief Financial Officer.

We should all be mindful of NIWA's warning about La Nina weather patterns for the next few months, but the sector is in better shape heading toward autumn and winter than a year ago. The lakes are fuller, we have reliable supplies of gas, and the Waipipi wind farm is now fully operational. There is also sufficient coal to back-up the system, if the country needs it.

Above all, after more than 100 days of lockdown, our thanks go to all our people who adjusted superbly to the challenges and continued to deliver strongly for our customers and shareholders, helping Genesis to continue to empower New Zealand's sustainable future.

Ngā mihi,

Barbara Chapman
Chairman

Marc England
Chief Executive Officer

Condensed Consolidated Interim Financial Statements

Ngā Tauākī Pūtea Tōpū Whakarāpopoto Weherua

For the six months ended
31 December 2021

Condensed consolidated interim financial statements

Notes to the condensed consolidated interim financial statements

Consolidated comprehensive income statement

For the six months ended 31 December 2021

	Note	31 Dec 2021 unaudited $ million	Restated* 31 Dec 2020 unaudited $ million
Revenue	A2	**1,382.4**	1,419.4
Expenses	A2	**(1,172.1)**	(1,203.4)
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses (EBITDAF)	A2	**210.3**	216.0
Depreciation, depletion and amortisation	A3	**(106.0)**	(102.1)
Impairment of non-current assets		**(2.5)**	-
Revaluation of generation assets	B1	**-**	0.5
Change in fair value of financial instruments	E2	**37.0**	(10.1)
Share of associates and joint ventures		**(3.4)**	(0.4)
Other gains (losses)		**13.3**	(1.0)
Profit before net finance expense and income tax		**148.7**	102.9
Finance revenue		**0.2**	0.3
Finance expense	D2	**(30.6)**	(30.3)
Profit before income tax		**118.3**	72.9
Income tax expense		**(33.6)**	(20.9)
Net profit for the period		**84.7**	52.0
Other comprehensive income			
Change in cash flow hedge reserve		**59.1**	22.4
Income tax expense relating to items above		**(16.5)**	(6.3)
Total items that may be reclassified to profit or loss		**42.6**	16.1
Change in asset revaluation reserve	B1	**-**	(257.6)
Income tax credit relating to items above		**-**	72.1
Total items that will not be reclassified to profit or loss		**-**	(185.5)
Total other comprehensive income (expense) for the period		**42.6**	(169.4)
Total comprehensive income (expense) for the period		**127.3**	(117.4)
Earnings per share (EPS) from operations attributable to shareholders		**Cents**	Cents
Basic and diluted EPS		**8.12**	5.02

* The comparative information has been restated to reflect the revision of the accounting policy for Intangible assets. Refer to the 'General information and significant matters' section in the notes for a reconciliation to the previously reported information.

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

Consolidated statement of changes in equity

For the six months ended 31 December 2021

	Note	Share capital unaudited $ million	Share-based payments reserve 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 2021		**652.2**	**2.2**	**1,508.5**	**(50.3)**	**(60.9)**	**2,051.7**
Restatement for adoption of revised accounting policy*		-	-	-	-	(5.2)	(5.2)
Restated balance as at 1 July 2021		**652.2**	**2.2**	**1,508.5**	**(50.3)**	**(66.1)**	**2,046.5**
Net profit for the period		-	-	-	-	84.7	84.7
Other comprehensive income							
Change in cash flow hedge reserve		-	-	-	59.1	-	59.1
Income tax expense relating to other comprehensive income		-	-	-	(16.5)	-	(16.5)
Total comprehensive income for the period		-	-	-	42.6	84.7	127.3
Changes associated with share-based payments		(0.2)	(0.6)	-	-	0.2	(0.6)
Net change in treasury shares		0.1	-	-	-	-	0.1
Dividends	D3	-	-	-	-	(91.8)	(91.8)
Balance as at 31 December 2021		**652.1**	**1.6**	**1,508.5**	**(7.7)**	**(73.0)**	**2,081.5**

	Note	Share capital unaudited $ million	Share-based payments reserve 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 2020		635.0	1.8	1,398.0	(42.7)	77.7	2,069.8
Restatement for adoption of revised accounting policy*		-	-	-	-	(3.4)	(3.4)
Restated balance as at 1 July 2020		635.0	1.8	1,398.0	(42.7)	74.3	2,066.4
Restated net profit for the period		-	-	-	-	52.0	52.0
Other comprehensive income							
Change in cash flow hedge reserve		-	-	-	22.4	-	22.4
Change in asset revaluation reserve	B1	-	-	(257.6)	-	-	(257.6)
Income tax (expense) credit relating to other comprehensive income		-	-	72.1	(6.3)	-	65.8
Restated total comprehensive income (expense) for the period		-	-	(185.5)	16.1	52.0	(117.4)
Revaluation reserve reclassified to retained earnings on disposal of assets		-	-	(4.4)	-	4.4	-
Hedging gains and losses transferred to the cost of assets		-	-	-	0.2	-	0.2
Income tax on hedging gains and losses transferred to the cost of assets		-	-	-	(0.1)	-	(0.1)
Changes associated with share-based payments		(0.2)	(0.2)	-	-	0.2	(0.2)
Shares issued under dividend reinvestment plan	D3	17.3	-	-	-	-	17.3
Net change in treasury shares		0.1	-	-	-	-	0.1
Dividends	D3	-	-	-	-	(89.9)	(89.9)
Restated balance as at 31 December 2020		652.2	1.6	1,208.1	(26.5)	41.0	1,876.4

* The accounting policy for Intangible assets has been revised during the period. Refer to the 'General information and significant matters' section in the notes for a reconciliation to the previously reported information.

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

Consolidated balance sheet

As at 31 December 2021

	Note	31 Dec 2021 unaudited $ million	30 Jun 2021 restated* $ million
Cash and cash equivalents		**71.6**	104.3
Receivables and prepayments	C1	**231.6**	341.3
Inventories	C2	**184.0**	93.2
Intangible assets		**82.1**	55.4
Tax receivable		**-**	15.1
Derivatives	E1	**77.0**	320.1
Total current assets		**646.3**	929.4
Receivables and prepayments	C1	**3.4**	4.1
Property, plant and equipment	B1	**3,435.8**	3,485.4
Oil and gas assets	B2	**280.9**	293.9
Intangible assets		**335.2**	340.4
Investments in associates and joint ventures		**27.4**	21.0
Derivatives	E1	**68.9**	160.5
Total non-current assets		**4,151.6**	4,305.3
Total assets		**4,797.9**	5,234.7
Payables and accruals		**290.9**	390.5
Tax payable		**6.7**	-
Borrowings	D1	**367.0**	379.7
Provisions		**11.6**	7.1
Derivatives	E1	**75.9**	404.3
Total current liabilities		**752.1**	1,181.6
Payables and accruals		**5.2**	4.3
Borrowings	D1	**1,078.9**	1,048.1
Provisions		**156.2**	159.1
Deferred tax		**643.2**	619.5
Derivatives	E1	**80.8**	175.6
Total non-current liabilities		**1,964.3**	2,006.6
Total liabilities		**2,716.4**	3,188.2
Share capital		**652.1**	652.2
Reserves		**1,429.4**	1,394.3
Total equity		**2,081.5**	2,046.5
Total equity and liabilities		**4,797.9**	5,234.7

* The comparative information has been restated to reflect the revision of the accounting policy for Intangible assets. Refer to the 'General information and significant matters' section in the notes for a reconciliation to the previously reported information.

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

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

Barbara Chapman
Chairman of the Board

Date: 25 February 2022

Catherine Drayton
Chairman of the Audit and Risk Committee

Date: 25 February 2022

Consolidated cash flow statement

For the six months ended 31 December 2021

	Note	31 Dec 2021 unaudited $ million	Restated* 31 Dec 2020 unaudited $ million
Receipts from customers		**1,544.5**	1,449.4
Interest received		**0.3**	0.1
Payments to suppliers and related parties		**(1,349.5)**	(1,145.9)
Payments to employees		**(67.4)**	(57.3)
Tax paid		**(4.4)**	(1.7)
Operating cash flows		**123.5**	244.6
Proceeds from disposal of property, plant and equipment		**0.2**	-
Proceeds from assets under finance lease		**0.4**	-
Payments to associates and joint ventures		**(10.3)**	(3.9)
Purchase of assets under finance lease		**(5.5)**	-
Purchase of property, plant and equipment		**(24.0)**	(27.0)
Purchase of oil and gas assets		**(8.7)**	(10.2)
Purchase of intangibles (excluding emission units and deferred customer acquisition costs)		**(9.4)**	(9.1)
Investing cash flows		**(57.3)**	(50.2)
Proceeds from lease incentives		**-**	11.1
Proceeds from borrowings		**100.0**	200.0
Repayment of borrowings		**(78.3)**	(255.3)
Interest paid and other finance charges		**(28.3)**	(28.4)
Dividends	D3	**(91.8)**	(72.6)
Acquisition of treasury shares		**(0.5)**	(0.4)
Financing cash flows		**(98.9)**	(145.6)
Net increase (decrease) in cash and cash equivalents		**(32.7)**	48.8
Cash and cash equivalents at 1 July		**104.3**	32.5
Cash and cash equivalents at 31 December		**71.6**	81.3

Reconciliation of net profit to operating cash flows	Note	31 Dec 2021 unaudited $ million	Restated* 31 Dec 2020 unaudited $ million
Net profit for the period		**84.7**	52.0
Net (gain) loss on disposal of property, plant and equipment		**-**	1.1
Finance expense excluding time value of money adjustments on provisions		**28.4**	28.3
Change in advances to associates and joint ventures receivable and change in lease receivable		**4.5**	-
Change in rehabilitation and contractual arrangement provisions		**1.8**	2.9
Items classified as investing/financing activities		**34.7**	32.3
Depreciation, depletion and amortisation expense	A3	**106.0**	102.1
Revaluation of generation assets	B1	**-**	(0.5)
Impairment of non-current assets		**2.5**	-
Change in fair value of financial instruments	E2	**(37.0)**	10.1
Deferred tax expense		**7.2**	(16.5)
Change in capital expenditure accruals		**2.1**	3.5
Share of associates and joint ventures		**3.4**	0.4
Other non-cash items		**1.4**	5.7
Total non-cash items		**85.6**	104.8
Change in receivables and prepayments		**110.4**	27.0
Change in inventories		**(90.8)**	(8.5)
Change in emission units on hand		**(26.7)**	(9.8)
Change in deferred customer acquisition costs		**0.9**	0.3
Change in payables and accruals		**(98.7)**	11.5
Change in tax receivable/payable		**21.8**	35.3
Change in provisions		**1.6**	(0.3)
Movements in working capital		**(81.5)**	55.5
Net cash inflow from operating activities		**123.5**	244.6

* The comparative information has been restated to reflect the revision of the accounting policy for Intangible assets. Refer to the 'General information and significant matters' section in the notes for a reconciliation to the previously reported information.

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

Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2021

General information and significant matters

General information

The unaudited condensed consolidated interim financial statements comprise Genesis Energy Limited ('Genesis'), its subsidiaries, controlled entities and the Group's interests in associates and joint arrangements (together, the 'Group') for the six month period ended 31 December 2021.

Genesis is registered under the Companies Act 1993. It is a mixed ownership model company, majority owned by the 'Crown', bound by the requirements of the Public Finance Act 1989. Genesis is listed on the New Zealand Stock Exchange ('NZX') and the Australian Securities Exchange ('ASX') and has bonds listed on the NZX debt market. Genesis is an FMC reporting entity under the Financial Markets Conduct Act 2013.

The core business of the Group and activities carried out by each segment is disclosed in note A2.

Basis of preparation

The condensed consolidated interim financial statements:

- Comply with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* and International Accounting Standard 34 *Interim Financial Reporting*;
- Do not include all the information and disclosures required in the annual financial statements. Consequently, they 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 2021 ('2021 Annual Report');
- Are presented in New Zealand dollars rounded to the nearest 100,000.

Critical accounting estimates and judgements

The basis of critical accounting estimates and judgements are the same as those disclosed in the 2021 Annual Report.

COVID-19

To date the economic disruption caused from the COVID-19 pandemic has not had a material impact on reported results. This is mainly due to the fact that Genesis provides an essential service.

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 reported results.

Accounting policies

During the period the Group implemented the IFRS Interpretations Committee ('IFRIC') agenda decision on Configuration and Customisation costs incurred in implementing Software-as-a-Service ('SaaS'). The accounting policies set out in the 2021 Annual Report have been applied consistently to all periods presented, with the exception of those impacted by the IFRIC agenda decision. There have been no other changes in accounting policies or methods of computation since 30 June 2021.

Implementation of IFRIC agenda decision on Configuration and Customisation costs incurred in implementing Software-as-a-Service

As noted in the 2021 Annual Report the IFRIC released an agenda decision in April 2021 in relation to accounting for configuration and customisation costs incurred in implementing SaaS arrangements. SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. The agenda decision clarifies how current accounting standards should be applied to these types of arrangements.

The Group's accounting policy has historically been to capitalise costs directly attributable to the configuration and customisation of SaaS arrangements as intangible assets in the Balance Sheet, aligned to the underlying subscription contract. Following the adoption of the above IFRIC agenda decision, current SaaS arrangements were identified and assessed to determine if the Group has control of the software. For those arrangements where the Group does not have control of the developed software, the configuration and customisation costs previously capitalised have been derecognised and prospectively these costs are now recognised as operating expenses when the services are received; the ongoing fees to obtain access to the cloud provider's application software continue to be an operating expense. Amounts paid to the supplier in advance of the commencement of the service period, including for configuration or customisation that are not distinct from the underlying SaaS, are treated as a prepayment.

Costs may be incurred for the integration of the SaaS or the development of software code that enhances or modifies existing on-premise systems. This spend continues to meet the definition of, and recognition criteria for, an intangible asset. These costs are recognised as software assets and amortised over the useful life of the software on a straight line basis.

The change in accounting policy has been applied retrospectively and as a result the comparative information has been restated. The impact of the accounting policy change is disclosed on the following page.

Implementation of IFRIC agenda decision on Configuration and Customisation costs incurred in implementing Software-as-a-Service (continued)

Consolidated comprehensive income statement **For the six months ended 31 December 2020**	As originally presented $ million	SaaS agenda decision $ million	Restated $ million
EBITDAF	217.3	(1.3)	216.0
Depreciation, depletion and amortisation	(102.5)	0.4	(102.1)
Profit before income tax	73.8	(0.9)	72.9
Income tax expense	(21.1)	0.2	(20.9)
Net profit after tax	52.7	(0.7)	52.0

The restatement primarily impacts the Retail segment with only $0.1 million of the amortisation adjustment being allocated to the Corporate segment.

Earnings per share decreased from 5.09 cents per share to 5.02 cents per share as a result of applying the IFRIC agenda decision.

Consolidated cash flow statement **For the six months ended 31 December 2020**	As originally presented $ million	SaaS agenda decision $ million	Restated $ million
Operating cash flows	245.9	(1.3)	244.6
Investing cash flows	(51.5)	1.3	(50.2)

Consolidated balance sheet **As at 30 June 2021**	As originally presented $ million	SaaS agenda decision $ million	Restated $ million
Receivables and prepayments	343.5	1.9	345.4
Intangible assets	404.9	(9.1)	395.8
Deferred tax	(621.5)	2.0	(619.5)
Retained earnings	60.9	5.2	66.1

Consolidated balance sheet **As at 1 July 2020**	As originally presented $ million	SaaS agenda decision $ million	Restated $ million
Receivables and prepayments	238.1	0.9	239.0
Intangible assets	358.3	(5.7)	352.6
Deferred tax	(631.6)	1.4	(630.2)
Retained earnings	(77.7)	3.4	(74.3)

Amendment to NZ IFRS 9, NZ IAS 39 and NZ IFRS 7 - Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). These alternative risk-free rates are gradually being adopted; however there are uncertainties around the timing and method of transition.

As noted in the 2021 Annual Report, the IBOR reform only impacts the Group's Cross Currency Interest Rate Swaps ('CCIRS') that are linked to USD LIBOR. The Group manages interest rate risk on the fixed rate United States Private Placement ('USPP') notes (notional value US$150.0 million) by swapping back to floating rates, maturing in 2026 and 2027. As such, LIBOR is documented in hedge relationships for CCIRS.

The Group adopted the Phase 1 amendments of the Interest Rate Benchmark Reform in the prior year. Despite the cessation date for certain LIBOR tenors announced as 30 June 2023, there is still uncertainty around transition to alternative rates, for example when existing rates will no longer be representative and the need for a liquid market. The Group has applied the relief provisions in the accounting standards to transition the hedge relationships to the alternative benchmark without de-designation.

Phase 2 amendments to Interest Rate Benchmark Reform apply to the Group from 1 July 2021 and address issues that may affect Genesis at the point of transition from LIBOR to the alternative benchmark rate. The amendments are relevant for the following types of hedging relationships:

- Fair value hedges where LIBOR is designated as the fair value hedge of fixed rate debt in respect of the USD LIBOR risk component of the CCIRS (notional value of US$150.0 million);
- Cash flow hedge where LIBOR is designated as a cash flow hedge component of the CCIRS (notional value of NZ$193.2 million).

The Group does not expect the transition to alternative benchmark rates to lead to discontinuation of hedge accounting relationships. The Group continues to work through the transition plan including actions required to update processes, systems and documentation.

A. Financial performance

A1. Underlying EBITDAF and underlying earnings

Underlying EBITDAF and underlying earnings are performance measures used internally to provide insight into the operating performance of the Group by adjusting for items that are outside Management's control or items that relate to strategic rather than operational decisions. Items are excluded from underlying EBITDAF and underlying earnings when they meet the criteria outlined in the Group's non-GAAP financial information policy (refer to www.genesisenergy.co.nz/investors/governance/documents for a copy of the policy). These measures are considered to be non-GAAP performance measures. They should not be viewed in isolation nor considered a substitute for measures reported in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS'). Underlying EBITDAF and underlying earnings are used by many companies, however, because these measures are not defined by NZ IFRS they may not be uniformly defined or calculated by all companies. Accordingly, these measures may not be comparable.

		6 months ended	
Reconciliation of reported net profit to underlying earnings	**Note**	**31 Dec 2021 unaudited $ million**	Restated 31 Dec 2020 unaudited $ million
Net profit for the period		**84.7**	52.0
Change in fair value of financial instruments	E2	**(37.0)**	10.1
Revaluation of generation assets	B1	**-**	(0.5)
Impairment of non-current assets		**2.5**	-
Unrealised loss on revaluation of carbon units held for trading		**0.6**	1.1
Adjustments before tax expense		**(33.9)**	10.7
Tax expense on adjustments		**9.5**	(3.0)
Adjustments after tax expense		**(24.4)**	7.7
Underlying earnings		**60.3**	59.7
		Cents	Cents
Underlying EPS		**5.78**	5.76

There were no differences between reported EBITDAF and underlying EBITDAF.

A2. Segment reporting

The Group reports activities under four segments as follows:

Segment	Activity
Retail	Supply of energy (electricity, gas and LPG) and related services to end users.
Wholesale	Supply of electricity to the wholesale electricity market, supply of gas and LPG to wholesale customers and the Retail segment and the sale and purchase of derivatives to fix the price of electricity.
Kupe	Exploration, development and production of gas, oil and LPG. Supply of gas and LPG to the Wholesale segment and supply of light oil.
Corporate	Head office functions, including human resources, finance, corporate relations, property management, legal, corporate governance and strategy.

The segments are based on the different products and services offered by the Group. All segments operate in New Zealand. No operating segments have been aggregated. The Group has no individual customers that account for 10.0 per cent or more of the Group's external revenue (31 December 2020: none).

Reconciliation of expenses in the consolidated comprehensive income statement to the segment note

Expenses in the consolidated comprehensive income statement includes the following line items in the segment note: external costs, employee benefits and other operating expenses.

Intersegment revenue

Sales between segments is based on transfer prices developed in the context of long-term contracts. The electricity transfer price per MWh charged between Wholesale and Retail was $105.53 (31 December 2020: $89.51).

A2. Segment reporting (continued)

Six months ended 31 December 2021	Retail unaudited $ million	Wholesale unaudited $ million	Kupe unaudited $ million	Corporate unaudited $ million	Total unaudited $ million
Electricity	685.0	409.8	-	-	**1,094.8**
Gas	95.5	68.6	-	-	**164.1**
LPG	45.7	9.9	-	-	**55.6**
Oil	-	-	13.7	-	**13.7**
Emissions on fuel sales and electricity contracts	0.3	18.2	-	-	**18.5**
Emission unit revenue from trading	-	33.7	-	-	**33.7**
Other revenue	0.8	0.1	0.5	0.6	**2.0**
Total external revenue	**827.3**	**540.3**	**14.2**	**0.6**	**1,382.4**
Electricity – intersegment	-	347.1	-	-	**347.1**
Gas – intersegment	-	49.2	38.1	-	**87.3**
LPG – intersegment	-	15.1	10.7	-	**25.8**
Emissions on fuel sales – intersegment	-	-	6.1	-	**6.1**
Total segment revenue	**827.3**	**951.7**	**69.1**	**0.6**	**1,848.7**
Electricity purchases	-	(405.5)	-	-	**(405.5)**
Electricity network, transmission, levies and meters	(266.6)	(7.6)	-	-	**(274.2)**
Fuel consumed in electricity generation	-	(106.6)	-	-	**(106.6)**
Gas purchases	-	(107.1)	-	-	**(107.1)**
Gas network, transmission, levies and meters	(35.9)	(8.8)	-	-	**(44.7)**
LPG purchases, inventory changes and transportation costs	(7.5)	(7.6)	(0.1)	-	**(15.2)**
Oil inventory changes, storage and transportation costs	-	-	(0.5)	-	**(0.5)**
Emissions associated with electricity generation	-	(17.5)	-	-	**(17.5)**
Emissions associated with fuel sales	-	(16.2)	(11.9)	-	**(28.1)**
Emission unit expenses from trading	-	(22.9)	-	-	**(22.9)**
Other costs	(0.2)	-	(5.3)	-	**(5.5)**
Total external costs	**(310.2)**	**(699.8)**	**(17.8)**	**-**	**(1,027.8)**
Electricity purchases – intersegment	(347.1)	-	-	-	**(347.1)**
Fuel consumed in electricity generation – intersegment	-	(38.1)	-	-	**(38.1)**
Gas purchases – intersegment	(49.2)	-	-	-	**(49.2)**
LPG purchases, inventory changes and transportation costs – intersegment	(15.1)	(10.7)	-	-	**(25.8)**
Emission costs – intersegment	-	(6.1)	-	-	**(6.1)**
Total segment costs	**(721.6)**	**(754.7)**	**(17.8)**	**-**	**(1,494.1)**
Gross margin	**105.7**	**197.0**	**51.3**	**0.6**	**354.6**
Employee benefits	(32.0)	(16.5)	-	(15.5)	**(64.0)**
Other operating expenses	(39.6)	(20.3)	(11.0)	(9.4)	**(80.3)**
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses (EBITDAF)	**34.1**	**160.2**	**40.3**	**(24.3)**	**210.3**
Depreciation, depletion and amortisation	(11.9)	(69.9)	(20.6)	(3.6)	**(106.0)**
Impairment of non-current assets	(2.0)	(0.5)	-	-	**(2.5)**
Change in fair value of financial instruments	-	37.1	-	(0.1)	**37.0**
Share of associates and joint ventures	(3.0)	(0.4)	-	-	**(3.4)**
Other gains (losses)	0.1	12.9	-	0.3	**13.3**
Profit (loss) before net finance expense and income tax	**17.3**	**139.4**	**19.7**	**(27.7)**	**148.7**
Finance revenue	0.1	-	-	0.1	**0.2**
Finance expense	(0.2)	(1.8)	(1.4)	(27.2)	**(30.6)**
Profit (loss) before income tax	**17.2**	**137.6**	**18.3**	**(54.8)**	**118.3**
Other segment information					
Capital expenditure excluding leased assets	11.0	20.0	6.5	0.6	**38.1**

A2. Segment reporting (continued)

Six months ended 31 December 2020	Restated retail unaudited $ million	Wholesale unaudited $ million	Kupe unaudited $ million	Restated corporate unaudited $ million	Restated total unaudited $ million
Electricity	695.8	485.2	-	-	1,181.0
Gas	88.0	58.8	-	-	146.8
LPG	44.1	5.4	-	-	49.5
Oil	-	-	10.8	-	10.8
Emissions on fuel sales and electricity contracts	0.2	11.9	-	-	12.1
Emission unit revenue from trading	-	17.3	-	-	17.3
Other revenue	1.2	0.2	0.1	0.4	1.9
Total external revenue	829.3	578.8	10.9	0.4	1,419.4
Electricity – intersegment	-	310.0	-	-	310.0
Gas – intersegment	-	44.2	47.9	-	92.1
LPG – intersegment	-	11.9	14.6	-	26.5
Emissions on fuel sales – intersegment	-	-	4.9	-	4.9
Total segment revenue	829.3	944.9	78.3	0.4	1,852.9
Electricity purchases	-	(453.5)	-	-	(453.5)
Electricity network, transmission, levies and meters	(266.4)	(8.0)	-	-	(274.4)
Fuel consumed in electricity generation	-	(112.8)	-	-	(112.8)
Gas purchases	(0.4)	(105.7)	-	-	(106.1)
Gas network, transmission, levies and meters	(35.3)	(10.5)	-	-	(45.8)
LPG purchases, inventory changes and transportation costs	(8.1)	(2.8)	-	-	(10.9)
Emissions associated with electricity generation	-	(19.2)	-	-	(19.2)
Emissions associated with fuel sales	-	(13.7)	(10.0)	-	(23.7)
Emission unit expenses from trading	-	(15.3)	-	-	(15.3)
Other costs	-	-	(8.1)	-	(8.1)
Total external costs	(310.2)	(741.5)	(18.1)	-	(1,069.8)
Electricity purchases – intersegment	(310.0)	-	-	-	(310.0)
Fuel consumed in electricity generation – intersegment	-	(47.9)	-	-	(47.9)
Gas purchases – intersegment	(44.2)	-	-	-	(44.2)
LPG purchases, inventory changes and transportation costs – intersegment	(11.9)	(14.6)	-	-	(26.5)
Emission costs – intersegment	-	(4.9)	-	-	(4.9)
Total segment costs	(676.3)	(808.9)	(18.1)	-	(1,503.3)
Gross margin	153.0	136.0	60.2	0.4	349.6
Employee benefits	(26.8)	(15.9)	-	(14.0)	(56.7)
Other operating expenses	(39.1)	(18.4)	(10.8)	(8.6)	(76.9)
Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses (EBITDAF)	87.1	101.7	49.4	(22.2)	216.0
Depreciation, depletion and amortisation	(13.3)	(64.7)	(20.2)	(3.9)	(102.1)
Revaluation of generation assets	-	0.5	-	-	0.5
Change in fair value of financial instruments	-	(10.8)	0.1	0.6	(10.1)
Share of associates and joint ventures	(0.2)	(0.2)	-	-	(0.4)
Other gains (losses)	-	(1.2)	-	0.2	(1.0)
Profit (loss) before net finance expense and income tax	73.6	25.3	29.3	(25.3)	102.9
Finance revenue	-	-	-	0.3	0.3
Finance expense	(0.3)	(1.6)	(1.3)	(27.1)	(30.3)
Profit (loss) before income tax	73.3	23.7	28.0	(52.1)	72.9
Other segment information					
Capital expenditure excluding leased assets	9.2	15.0	11.9	4.9	41.0

A3. Depreciation, depletion and amortisation	6 months ended 31 Dec 2021 unaudited $ million	Restated 31 Dec 2020 unaudited $ million
Property, plant and equipment	**75.3**	70.6
Oil and gas assets	**19.5**	19.0
Intangibles (excluding amortisation of deferred customer acquisition costs)	**11.2**	12.5
	106.0	102.1

B. Operating assets

B1. Property, plant and equipment	6 months ended 31 Dec 2021 unaudited $ million	Year ended 30 Jun 2021 audited $ million
Opening balance	**3,485.4**	3,367.7
Additions	**25.7**	68.0
Revaluation of generation assets		
Increase taken to revaluation reserve	**-**	163.6
Increase taken to the income statement	**-**	27.9
Change in rehabilitation and contractual arrangement assets	**-**	1.7
Transfer from/(to) intangible assets	**0.7**	(1.6)
Disposals	**(0.1)**	(6.0)
Depreciation expense recognised in inventories	**(0.6)**	(1.3)
Depreciation expense	**(75.3)**	(134.6)
Closing balance	**3,435.8**	3,485.4

Property, plant and equipment includes $68.9 million of leased assets (30 June 2021: $69.1 million).

Generation assets

A valuation of generation assets has been undertaken as at 31 December 2021; the results indicate the carrying value approximates the fair value and, as a result, the Group has not undertaken a full revaluation of generation assets at 31 December 2021. The last revaluation of generation assets occurred on 30 June 2021.

The valuation is based on a discounted cash flow model prepared by Management, calculated by generating scheme except for the Huntly site where it is calculated by type of unit (units 1 to 4, unit 5 and unit 6). As the key inputs into the valuation are based on unobservable market data, the valuation is classified as level 3 in the fair value hierarchy. It requires significant judgement and therefore there is a range of reasonably possible assumptions that could be used in estimating the fair value. Refer to the 2021 Annual Report for an overview of the fair value hierarchy.

B1. Property, plant and equipment (continued)

Key estimates and judgements

Wholesale electricity price path
The wholesale electricity price path is the key driver of changes in the valuation. The price path is an average of the internally generated price path and price paths published by two independent third parties, and as a result reflects the uncertainty surrounding Tiwai Point smelter operating beyond 2024 and the impact this could have on future prices

Internally generated price path
The internally generated price path assumes wholesale electricity demand will continue to grow based on the latest available industry analysis and Genesis' view of future economic growth. Forecast hydrology is based on 83 years of historical hydrological inflow data. New and retiring generation plant assumptions are based on publicly available information and Genesis' view on wholesale electricity prices required to support the plant. The internally generated price path assumes that Tiwai Point smelter will continue to operate beyond 2024.

Price paths published by independent third parties
Independent third party price path assumptions on the future of Tiwai Point smelter range from Tiwai Point smelter exiting in 2025 through to operating beyond 2025 or the generation load consumed by Tiwai Point smelter being replaced by other major industrial loads beyond 2025.

Significant unobservable inputs in the valuation model were:

Significant unobservable inputs	Method used to determine input	Sensitivity range	Increase/(decrease) in fair value of generation assets	Interrelationships between unobservable inputs
Wholesale electricity price path	The average annual wholesale electricity price ranged between $78 per MWh and $139 per MWh referenced to the Otahuhu 220KV locational node from January 2022 to June 2041.	+10% - 10%	$532 million ($532) million	Hydrological inflows affect generation volumes, as well as wholesale electricity prices.
Generation volumes	In-house modelling of the wholesale electricity market. The generation volumes used in the valuation range between 2,679 GWh and 7,025 GWh per annum. The low end of the range relates to periods where there is no thermal generation.	+10% - 10%	$410 million ($410) million	Wholesale electricity prices affect the amount of generation.
Discount rate	Pre-tax equivalent discount rate of 9.3%.	+1% - 1%	($346) million $455 million	Discount rate is independent of wholesale electricity prices and generation volumes.

Other key assumptions

The valuation also includes assumptions around market fuel and electricity supply and demand. Our longer term demand assumption increases from industrial electrification and electric vehicle fleet growth in response to climate change. The impact of COVID-19 has also been considered in the valuation, primarily through the wholesale electricity price path. Our current view is that Genesis' generation will be less affected by COVID-19 as it is an essential service and the vaccine rollout is well advanced. Changes in these interrelated factors will impact the wholesale electricity price path and generation volumes. These factors are reviewed for reasonableness by senior management personnel who are responsible for the price path used by the business.

B2. Oil and gas assets

	6 months ended 31 Dec 2021 unaudited $ million	Year ended 30 Jun 2021 audited $ million
Opening balance	**293.9**	307.4
Additions	**6.5**	22.0
Depreciation and depletion expense	**(19.5)**	(35.5)
Closing balance	**280.9**	293.9

Since 30 June 2021 the only change to the estimated remaining reserves disclosed in the 2021 Annual Report was in relation to actual production for the six months ended 31 December 2021 of 16.0 PJe. The estimated remaining reserves balance as at 31 December 2021 was 202.3 PJe for proved reserves (1P) and 292.8 PJe for proved and probable reserves (2P) (30 June 2021: 218.3 PJe and 308.8 PJe respectively).

C. Working capital

C1. Receivables and prepayments	31 Dec 2021 unaudited $ million	30 Jun 2021 restated $ million
Total trade receivables and accrued revenue	**176.8**	291.5
Advances to associates and joint ventures	**2.6**	2.2
Lease receivable	**7.9**	3.7
Emission units receivable	**23.0**	31.8
Other receivables	**9.9**	10.7
Prepayments	**14.8**	5.5
Total	**235.0**	345.4
Current	**231.6**	341.3
Non-current	**3.4**	4.1
Total	**235.0**	345.4

Lease receivable

The group enters into lease agreements as a lessor in respect of some of its property leases and vehicles.

Where the Group is a head lessor, the leases have been classified as finance leases as the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. Where the Group is an intermediate lessor, the head lease and the sublease are accounted for as two separate contracts. Subleases that transfer substantially all of the risks and rewards of ownership to the lessee are classified as finance leases, all other subleases are classified as operating leases. The assessment is based on the right-of-use asset arising from the head lease.

Amounts due from lessees under finance leases are recognised as lease receivables. Finance lease income is allocated to individual periods based on a constant periodic rate of return. Rental income from operating leases is recognised on a straight line basis over the term of the lease.

C2. Inventories	31 Dec 2021 unaudited $ million	30 Jun 2021 audited $ million
Fuel	**142.3**	47.0
Petroleum products	**2.6**	2.3
Consumables and spare parts	**30.0**	29.5
Emission units held for trading	**9.1**	14.4
Total	**184.0**	93.2

Fuel, petroleum, consumables and spare parts

Fuel inventories mainly consist of coal used in electricity production. Fuel inventories (excluding natural gas) expensed during the period amounted to $28.8 million (31 December 2020: $63.0 million).

D. Funding

D1. Borrowings	31 Dec 2021 unaudited $ million	30 Jun 2021 audited $ million
Sustainable Financing		
Green bonds	**101.2**	-
Other Financing		
Revolving credit facility	-	10.0
Term loan facility	**30.0**	30.0
Money market and commercial paper	**194.8**	259.8
Wholesale term notes	**322.6**	222.7
Retail term notes	-	101.0
Capital bonds	**469.0**	474.7
United States Private Placement ('USPP')	**234.9**	235.2
Lease liability	**93.4**	94.4
Total	**1,445.9**	1,427.8
Current	**367.0**	379.7
Non-current	**1,078.9**	1,048.1
Total	**1,445.9**	1,427.8

Green Bonds

The Group's retail term notes were designated as a Green Bond on 3 November 2021. The terms and conditions remain unchanged, the expiry remains in March 2022.

Wholesale term notes

A $100.0 million wholesale term note was issued in December 2021. The note expires in December 2028.

Revolving credit facilities

Available revolving credit facilities	31 Dec 2021 unaudited $ million	30 Jun 2021 audited $ million
Sustainable Financing	**250.0**	-
Other Financing	**295.0**	445.0
Total available revolving credit facilities	**545.0**	445.0
Revolving credit drawn down (excluding accrued interest)	-	10.0
Total undrawn revolving credit facilities	**545.0**	435.0

During the period, the Group launched its Sustainable Finance Programme, as part of this programme $200.0 million of existing facilities were converted to be sustainably linked; additionally $50.0 million sustainbly linked revolving credit facilities were added. The Sustainable Finance facilities have variable payments that are linked to performance against the Group's sustainability targets. There was also $50.0 million of other financing secured.

In addition, there is a $100.0 million undrawn bridge facility in place to cover refinancing of the Green Bond in March 2022.

The undrawn facilities ensure the Group will have sufficient funds to meet its liabilities when due, under both normal and stressed conditions.

Fair value of borrowings held at amortised cost	31 Dec 2021 Carrying value unaudited $ million	31 Dec 2021 Fair value unaudited $ million	30 Jun 2021 Carrying value audited $ million	30 Jun 2021 Fair value audited $ million
Level one				
Green bonds	**101.2**	**101.8**	-	-
Retail term notes	-	-	101.0	103.4
Capital bonds	**469.0**	**477.2**	474.7	487.6
Level two				
Term loan facility	**30.0**	**31.2**	30.0	31.3
Wholesale term notes	**322.6**	**330.9**	222.7	239.2
USPP	**234.9**	**240.7**	235.2	241.1

The carrying value of all other borrowings approximates their fair values.

Level two - Fair value calculation

The valuation of the term loan facility and the wholesale term notes is based on estimated discounted cash flow analyses, using applicable market yield curves adjusted for the Group's credit rating. The credit-adjusted market yield curves used in the valuation at the reporting date ranged from 1.5 per cent to 3.7 per cent (30 June 2021: 0.8 per cent to 2.1 per cent).

The valuation of USPP is based on estimated discounted cash flow analyses, using applicable United States market yield curves adjusted for the Group's credit rating. The credit-adjusted market yield used in the valuation at the reporting date was 1.8 per cent (30 June 2021: 1.4 per cent).

D2. Finance expense	6 months ended 31 Dec 2021 unaudited $ million	31 Dec 2020 unaudited $ million
Interest on borrowings (excluding capital bonds and lease liability)	**13.6**	13.9
Interest on capital bonds	**12.8**	12.8
Interest on lease liability	**1.8**	1.8
Total interest on borrowings	**28.2**	28.5
Other interest and finance charges	**0.7**	0.5
Time value of money adjustments on provisions	**2.2**	2.0
Capitalised finance expenses	**(0.5)**	(0.7)
Total	**30.6**	30.3

D3. Dividends	6 months ended 31 Dec 2021 Imputation unaudited	Cents per share unaudited	$ million unaudited	6 months ended 31 Dec 2020 Imputation unaudited	Cents per share unaudited	$ million unaudited
Dividends declared and paid during the period						
Prior period final dividend	**80%**	**8.80**	**91.8**	80%	8.675	89.9
Less shares issued under the dividend reinvestment plan			**-**			(17.3)
Cash dividend paid			**91.8**			72.6
Dividends declared subsequent to reporting date						
Current period interim dividend	**80%**	**8.70**	**90.8**	80%	8.60	89.8

E. Risk management

E1. Derivatives	31 Dec 2021 unaudited $ million	30 Jun 2021 audited $ million
Electricity swaps and options and electricity power purchase agreements ('PPA')	**(57.3)**	(136.5)
Oil price swaps	**(4.9)**	(3.2)
Interest rate swaps	**10.2**	(9.6)
Cross-currency interest rate swaps ('CCIRS')	**36.6**	35.9
Foreign exchange contracts	**1.4**	5.2
Coal price swaps	**0.9**	8.0
Other derivatives	**2.3**	0.9
Total	**(10.8)**	(99.3)
Current assets	**77.0**	320.1
Non-current assets	**68.9**	160.5
Current liabilities	**(75.9)**	(404.3)
Non-current liabilities	**(80.8)**	(175.6)
Total	**(10.8)**	(99.3)

The process and method of valuing derivatives is outlined in note E3.

E2. Change in fair value of financial instruments	6 months ended 31 Dec 2021 unaudited $ million	6 months ended 31 Dec 2020 unaudited $ million
CCIRS	**(5.2)**	(6.5)
Interest rate swaps	**(6.4)**	(3.4)
Fair value interest rate risk adjustment on borrowings	**11.9**	10.2
Fair value hedges – gain (loss)	**0.3**	**0.3**
Cash flow hedges – hedge ineffectiveness – gain (loss)	**-**	**0.1**
Electricity swaps and options and PPAs	**41.5**	(12.9)
Other derivatives	**(4.8)**	2.4
Derivatives not designated as hedges – gain (loss)	**36.7**	**(10.5)**
Total change in fair value of financial instruments	**37.0**	**(10.1)**

E3. Fair value measurement

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 the 2021 Annual Report.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels at the date the change in circumstances occurred. There were no transfers between levels one, two and three during the period (31 December 2020: nil).

Level two and three items carried at fair value

All derivatives disclosed in E1 other than electricity swaps and options and PPAs are considered level two. The $57.3 million electricity swaps and options and PPAs net liability comprises a $1.2 million asset classified as level two and a $58.5 million liability classified as level three (30 June 2021: $7.4 million liability and $129.1 million liability respectively). Emission units held for trading, recorded in inventory, are level two instruments. The carrying value of the units as at 31 December 2021 was $9.1 million (30 June 2021: $14.4 million). Generation assets, recorded in property, plant and equipment, are considered to be level three. The carrying value of generation assets as at 31 December 2021 was $3,219.4 million (30 June 2021: $3,273.2 million).

Valuation of level two items carried at fair value

The fair values of level two derivatives and emission units held for trading are determined using discounted cash flow models. The key inputs in the valuation models are the same as those disclosed in the 2021 Annual Report.

Valuation of level three items carried at fair value

Valuation method and process

The method and process used to value level three generation assets and derivatives is consistent with that disclosed in the 2021 Annual Report.

Valuation of electricity swaps and options and PPAs

The valuation is based on a discounted cash flow model. The key inputs and assumptions in the model are: the callable volumes, strike price and option fees outlined in the agreement, the wholesale electricity price path ('price path'), 'day one' gains and losses, and the discount rate. The options are deemed to be called when the price path is higher than the strike prices after taking into account obligations relating to the specific terms of each contract. No calling is required for the swaps and there are no option fees. The price path is the significant unobservable input in the valuation model. Refer to B1 for information in relation to the method and judgements used to determine the price path.

	31 Dec 2021 unaudited	30 Jun 2021 audited
Price path	$78 per MWh to $139 per MWh over the period from 1 January 2022 to 28 February 2045.	$81 per MWh to $190 per MWh over the period from 1 July 2021 to 4 March 2041.
Impact of increase/decrease in price path on fair value	A 10% increase would decrease the liability by $64.9 million. A 10% decrease would increase the liability by $55.4 million.	A 10% increase would increase the liability by $5.9 million. A 10% decrease would decrease the liability by $6.2 million.
Discount rate	0.8% - 5.8%	0.2% - 4.85%

E3. Fair value measurement (continued)

Reconciliation of level three electricity swaps and options and PPAs	6 months ended 31 Dec 2021 unaudited $ million	Year ended 30 Jun 2021 audited $ million
Opening balance	**(129.1)**	4.0
Electricity revenue	**20.9**	47.4
Change in fair value of financial instruments	**33.0**	(90.0)
Total gain (loss) in the income statement	**53.9**	(42.6)
Total gain (loss) recognised in other comprehensive income	**36.8**	(220.2)
Settlements	**(7.0)**	155.4
Sales	**(13.1)**	(25.7)
Closing balance	**(58.5)**	(129.1)

The change in fair value of financial instruments includes an unrealised gain of $34.8 million (30 June 2021: $87.4 million loss).

Deferred 'day one' gains (losses)

There is a presumption that when derivative contracts are entered into on an arm's length basis, and no payment is received or paid on day one, the fair value at inception would be nil. The contract price of non-exchange traded electricity derivative contracts and PPAs are agreed on a bilateral basis, the pricing for which may differ from the prevailing derived market price for a variety of reasons. In these circumstances, an adjustment is made to bring the initial fair value of the contract to zero at inception. The adjustment is called a 'day one' gain (loss) and is deferred and amortised, based on expected call volumes over the term of the contract. The following table details the movements and amounts of deferred 'day one' gains (losses) included in the fair value of level three electricity swaps and options:

	6 months ended 31 Dec 2021 unaudited $ million	Year ended 30 Jun 2021 audited $ million
Opening balance	**100.7**	118.4
New derivatives	**24.4**	-
Amortisation of existing derivatives	**(11.6)**	(17.7)
Closing balance	**113.5**	100.7

F. Other

F1. Related party transactions

The majority shareholder of Genesis is the Crown. The Group transacts with Crown-controlled and related entities independently and on an arm's length basis for the following goods and services: royalties, emissions obligations, scientific consultancy services, electricity transmission, postal services, rail services and energy-related products (including electricity derivatives). All transactions with Crown-controlled and related entities are based on commercial terms and conditions and relevant market drivers.

During the period the Crown received $47.0 million dividends (31 December 2020: $46.1 million) of which $47.0 million was paid in cash (31 December 2020: $37.2 million) and none was paid in shares (31 December 2020: $8.9 million). The Group is also subject to the Emission Trading Scheme (ETS) which requires the Group to acquire and surrender emission units either directly to the Crown or to third parties who ultimately remit the units to the Crown. Refer to note A2 for information on the amount expensed in relation to the ETS. The amount payable in relation to ETS at 31 December 2021 was $126.0 million (30 June 2021: $80.5 million). There were no other individually significant transactions with the Crown during the period (31 December 2020: nil).

The Group has five significant electricity swap and option contracts with Meridian Energy, a Crown-controlled entity. The electricity swap and option contracts period and profile vary between the range of 12.5MW and 150MW, from the period 1 January 2011 to 31 December 2025. Additionally, the Group has two significant power purchase agreements with Mercury NZ, a Crown-controlled entity. The agreements are for variable volumes based on the production of the related site, with the latest expiry date being February 2045.

Other transactions with Crown-controlled and related entities, which are collectively but not individually significant, relate to the sale of electricity derivatives. Approximately 14.1 per cent of the value of electricity derivative assets and approximately 34.0 per cent of the value of electricity derivative liabilities held at the reporting date were held with Crown-controlled and related entities (30 June 2021: 10.3 per cent and 29.2 per cent respectively). The contracts expire at various times; the latest expiry date is February 2045.

F2. Commitments

As at 31 December 2021 the Group had $22.8 million of capital commitments (30 June 2021: $21.1 million).

F3. Contingent assets and liabilities

No new contingent assets or liabilities have arisen since 30 June 2021 and there has been no change in the contingent liabilities disclosed in the 2021 Annual Report.

F4. Arbitration decision in respect of a carbon liability dispute

In July 2021, following an arbitration process, Genesis settled a contractual dispute relating to the carbon terms of one of its long term gas supply agreements. As disclosed in the Group's 2021 Annual Report, the arbitrator's decision determined that Genesis was required to meet the carbon liability for gas supplied since 1 January 2018 up to the date the contract expires. The arbitrator's decision was final and binding. As a result an accrual for $52.9 million was recognised at 30 June 2021, comprised of $45.9 million in Trade payables and accruals and $7.0 million in Emission obligations. The Trade payable was settled during the six months ended 31 December 2021, reflected in operating cash flows, whilst the Emission obligations forms part of normal settlements.

F5. Subsequent events

The following events occurred subsequent to the reporting date:

- $90.8 million of dividends were declared on 25 February 2022 (refer to note D3);
- On 22 February 2022 Genesis finalised joint venture arrangements with FRV in relation to a new long-term agreement to develop utility-scale solar developments in New Zealand, delivering up to 500MW of solar capacity;
- On 23 January 2022 the country moved into the Red setting of the Government's Covid-19 traffic light system in response to the Omicron variant circulating in the community. The move to Red and the further spread of Omicron and other variants through the community is not expected to have a material financial impact on the business given Genesis provides an essential service and is implementing an effective response plan that is underpinned by a robust testing programme to keep Genesis staff members safe and ensure business continuity;
- On 28 January 2022 the Group's FY47 capital bond was designated as a Green Bond. The terms and conditions remain unchanged, with the next interest rate reset in June 2022.

Deloitte.

Pūrongo Arotake Motuhake

Independent Auditor's Review Report
To the shareholders of Genesis Energy Limited

The Auditor-General is the auditor of Genesis Energy Limited ('the Company') and its subsidiaries (the Group). The Auditor-General has appointed me, Bryce Henderson, using the staff and resources of Deloitte Limited, to carry out the review of the condensed consolidated interim financial statements ('interim financial statements') of the Group on his behalf.

Conclusion

We have reviewed the interim financial statements of the Group on pages 6 to 22, which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated cash flow statement for the six months ended on that date, and the notes including a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2021, and its financial performance and 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.

Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity ('NZ SRE 2410 (Revised)'). Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Interim Financial Statements section of our report.

We are independent of the Group in accordance with the Auditor General's ethical requirements relating to the audit of the annual financial statements, which incorporate the relevant independence requirements issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for the Group in the areas of trustee reporting and non-assurance services to the Corporate Taxpayer Group. These services have not impaired our independence as auditor of the Group.

In addition to these assignments, partners and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the Group. Other than these assignments and trading activities, we have no relationship with, or interests in the Group.

Directors' responsibilities for the interim financial statements

The directors are responsible, on behalf of the Group, for the preparation and fair presentation of these 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 directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the 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.

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform 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) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Bryce Henderson
for Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand
25 February 2022

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