

PRODUCT RULING - BR Prd 14/02

This is a product ruling made under s 91F of the Tax Administration Act 1994.

Name of the Person who applied for the Ruling

This Ruling has been applied for by the Minister of State Owned Enterprises and the Minister of Finance, in their capacity as holders of all of the issued shares in Genesis Energy Limited (Genesis) on behalf of Her Majesty the Queen in Right of New Zealand (the Crown).

Taxation Law

All legislative references are to the Income Tax Act 2007 unless otherwise stated.

This Ruling applies in respect of s CC 3.

This Ruling does not consider or rule on the tax consequences (if any) arising from the sale or disposition of any Shares acquired under the Arrangement.

The Arrangement to which this Ruling applies

The Arrangement is the transfer of fully paid ordinary shares in Genesis (the Shares, which include IPO Shares and the Loyalty Bonus Shares each as defined below) by the Crown to New Zealand Applicants pursuant to an Investment Statement and a Prospectus relating to the Initial Public Offering (IPO) of Ordinary Shares in Genesis (the Offer Documents).

Further details of the Arrangement are set out in the paragraphs below.

1. Genesis is a New Zealand incorporated company. Genesis commenced operations in 1999, when the Crown separated Electricity Corporation of New Zealand into three state-owned enterprises. Genesis produces electricity, using its power station assets and has a 31% interest in the Kupe oil and gas field. Genesis sells electricity, gas and LPG to retail and business customers through two retail brands.
2. All shares in Genesis are currently held by the Crown. The Crown is intending to sell up to 49% of the ordinary Shares in Genesis under the IPO.
3. The purchase price payable to the Crown for each Share under the IPO will be determined under a front-end book-build process. Application will be made to list all of the Shares in Genesis on the Australian and New Zealand stock exchanges.
4. New Zealand Applicants under the Retail Offer will acquire Shares from the Crown under the IPO (the IPO Shares) on the date of completion of the IPO (the Allotment Date) pursuant to the terms of the IPO. New Zealand Applicants who continue to hold those IPO shares in the same registered name for a period of 12 months will be entitled to be transferred additional Genesis shares from the Crown (the Loyalty Bonus Shares) based upon a ratio of one Loyalty Bonus Share for every 15 IPO Shares held by that New Zealand Applicant, up to a maximum of 2,000 Loyalty Bonus Shares.

5. In submitting an application form for IPO Shares, New Zealand Applicants under the Retail Offer are automatically applying for Loyalty Bonus Shares to which they may become entitled under the terms of the Offer Document.
6. The date upon which the Loyalty Bonus Shares will be allotted to eligible New Zealand Applicants is intended to be within 5 business days from 12 months after the Allotment Date (Measurement Date).
7. New Zealand Applicants pay the same amount per share as all other purchasers under the IPO. This amount (the Final Price) is payable on completion of the Offer. No further consideration (in addition to the price paid by New Zealand Applicants when applying for their Shares) is payable by New Zealand Applicants who receive Loyalty Bonus Shares. There is no partial refund to New Zealand Applicants if they do not receive the Loyalty Bonus Shares.
8. The Prospectus contains the following statement:

For the purposes of the financial arrangement rules, the Crown confirms that the Final Price is the lowest price it would have accepted for the Shares on the basis of payment in full on the Allotment Date.
9. No promise to hold the IPO Shares for the required period of time is given by the New Zealand Applicants; they are free to dispose of their IPO Shares at any time. The recipients of the Loyalty Bonus Shares are determined solely by reference to those of the New Zealand Applicants who have held their IPO Shares until the Measurement Date. The Crown promises to transfer one Loyalty Bonus Share to a New Zealand Applicant on a future date for each 15 IPO Shares that the New Zealand Applicant held continuously until the Measurement Date, up to a maximum of 2,000 Loyalty Bonus Shares, with that value determined based on the Final Price.
10. A New Zealand Applicant is defined in the Offer Document as an applicant who provides, in conjunction with their application to acquire Shares, a New Zealand IRD number, a New Zealand bank account, a New Zealand address and a declaration that the applicant is:
 - in the case of an individual, a New Zealand citizen or permanent resident; or
 - in the case of a New Zealand incorporated company, incorporated in New Zealand and the majority of its ultimate beneficial owners are New Zealand citizens or permanent residents; or
 - in the case of a trust, established in New Zealand and the majority of its ultimate beneficiaries are New Zealand citizens or permanent residents; or
 - in the case of any other legal entity, it is incorporated or established in New Zealand and the majority of its ultimate beneficial owners, beneficiaries or members are New Zealand citizens or permanent residents.
11. The documents describing the Arrangement are the Investment Statement dated 13 March 2014 and the Prospectus dated 13 March 2014.

How the Taxation Law applies to the Arrangement

The Taxation Law applies to the Arrangement as follows:

- (a) The New Zealand Applicants will not derive income under s CC 3 as a result of acquiring Loyalty Bonus Shares under the Genesis Energy Limited Initial Public Offering.

The period or income year for which this Ruling applies

This Ruling will apply for the period beginning on 13 March 2014 and ending on 13 March 2017.

This Ruling is signed by me on the 13th day of March 2014.

Fiona Heiford
Manager (Taxpayer Rulings)