

# Governance

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## Contact Energy Limited is a limited liability company registered under the New Zealand Companies Act 1993.

Contact's company registration number is 660760. The company is listed on, and its shares are quoted on, the New Zealand Stock Market (NZSX). The company's listing is under the trading code 'CEN'.

Contact's **Constitution** is available on the company's website.

### Dividend Policy

Contact's **Dividend Policy** is to maintain or grow dividends on a year-to-year basis while targeting an average net surplus payout of approximately 80 per cent over time.

Further information on Contact's **Dividend Policy** is available on the company's website.

### Ethics

Contact's **Code of Ethics** sets out the ethical and behavioural standards expected of the company's directors, officers, employees and contractors.

Contact has established internal procedures to monitor compliance with the Code of Ethics. Every six months, a report is provided to the Board Audit Committee highlighting any matters raised by staff under the Code of Ethics. In the financial year ended 30 June 2008, there were no significant issues to report in relation to the Code of Ethics.

A copy of the **Code of Ethics** is available on the company's website.

### Health, safety and environment

Health, safety and environment (HSE) is a key priority at Contact and is an integral factor in assessing management's achievement of annual goals, which are measured against key performance indicators. Contact's **Health and Safety Policy** and **Environmental Policy** are available on the company's website.

For further information on Contact's HSE performance, see the **2008 Sustainability Report**, available on the company's website.

### Whistleblowing Policy

Contact's **Whistleblowing Policy**, available on the company's website, facilitates the disclosure and impartial investigation of any serious wrongdoing. This policy advises employees of their right to disclose serious wrongdoing, and sets out Contact's internal procedures for receiving and dealing with such disclosures. The policy is consistent with, and facilitates, the Protected Disclosures Act 2000.

### Role of the Board of Directors

The Board is responsible for setting the strategic direction of Contact, with its ultimate goal being to protect and enhance the value of Contact's assets and business in the interests of the company and for all of its shareholders. The Board's role includes approving the budget and strategic plan; approving major investments; monitoring financial performance of the company, including approval of half year and annual financial statements; appointing and reviewing the performance of the Chief Executive Officer; and ensuring the integrity of corporate governance.

The Board has delegated certain of its powers to sub-committees of the Board, and the day-to-day management of the company to the Chief Executive Officer. The ambit of these delegations is documented in the **Board Committee Charters**, the company's Delegated Authorities Policy, and by relevant minuted resolutions of the Board.

The Board has a statutory obligation to reserve to itself responsibility for certain matters, such as the payments of distributions and the issue of shares. It also reserves responsibility for significant matters, including those described above, such as the approval of business plans and budgets and the incurring of significant obligations.

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In addition, under the Companies Act 1993 and the NZSX Listing Rules, Contact is required to seek the approval of its shareholders prior to entering into certain types of transactions.

The Board's role, responsibilities, operation, composition, delegations and committees are set out in Contact's **Board Charter**, which is available on the company's website.

### **Operation of the Board**

The Board meets regularly on a formal scheduled basis and otherwise as required. The Chairman and the Chief Executive Officer establish the agenda for each Board meeting. Each month, as a standing item, the Chief Executive Officer prepares a report to the Board that includes disclosure of performance against key HSE benchmarks and a summary of the company's operations, together with financial and other reports. In addition, the Board receives regular briefings on key strategic issues from management, either as part of the regularly scheduled Board meetings, or in separate dedicated sessions.

New directors appointed to the Contact Board receive induction training. This training primarily involves written and oral presentations by the Chief Executive Officer and senior management team on the key strategic and operational business issues facing Contact.

### **Compliance with NZX Best Practice Code and other guidelines**

Contact complies fully with the corporate governance principles set out in the *NZX Corporate Governance Best Practice Code*.

Contact also complies with all of the principles in the Securities Commission's *Corporate Governance in New Zealand Principles and Guidelines*.

One of the Securities Commission's corporate governance principles is that there should be a balance of independence, skills, knowledge, experience, and perspectives among a Board's directors so that the Board works effectively. Contact considers that it complies with this principle for a number of reasons, including because:

- the members of its Board hold substantial and diverse business and energy-industry experience
- the Board currently comprises an equal number of independent directors and Origin Energy-associated directors
- the Chairman does not hold a casting vote
- the Board regularly assesses its performance to ensure that constructive working relationships are maintained.

The Securities Commission includes as a guideline relating to this principle that the Chairman should be an independent director. Contact departs from this guideline because its Chairman, Grant King, is not an independent director. Despite this departure, for the reasons set out above, Contact is satisfied that it complies with the Commission's principle.

A **table** summarising Contact's compliance with the *NZX Corporate Governance Best Practice Code* and the Securities Commission's *Corporate Governance in New Zealand Principles and Guidelines* is available on the company's website.

## Board composition

The composition of the Board has remained the same throughout the financial year. As at 30 June 2008, the Board comprises six members as follows:

Grant King	Chairman and Origin Energy Associate
Phillip Pryke	Deputy Chairman and Independent Director
Bruce Beeren	Origin Energy Associate
John Milne	Independent Director
Karen Moses	Origin Energy Associate
Tim Saunders	Independent Director

**Biographies** of the current directors are set out on the company's website and in the **2008 Sustainability Report**.

The NZSX Listing Rules and Contact's **Constitution** require Contact to have a minimum of two independent directors. In order to be an independent director, a director must not be an executive of the company, or have a "Disqualifying Relationship". Having a "Disqualifying Relationship" includes (but is not limited to):

- being an associated person of a substantial security holder of the company (in Contact's case, the Origin Energy group of companies), other than solely as a consequence of being a director of Contact; or
- having a relationship (other than the directorship itself) with the company or a substantial security holder of the company by virtue of which the director is likely to derive, in the current financial year of the company, a substantial portion of his or her annual revenue (excluding dividends and other distributions payable to all shareholders).

The Board has confirmed that, at the end of the financial year, Phillip Pryke, John Milne and Tim Saunders each held (and still hold) no "Disqualifying Relationship" with Contact, and are therefore each independent directors.

This is because none of these directors falls within the definition of "Disqualifying Relationship" and, in particular, none of these directors is an associated person of a substantial security holder of the company, nor has any relationship with the company or a substantial security holder of the company by virtue of which they derive any revenue, other than their respective Contact directorships and shareholdings.

Grant King, Bruce Beeren and Karen Moses are not considered to be independent directors by virtue of being associated persons of substantial security holder Origin Energy New Zealand Limited. Grant King, Bruce Beeren and Karen Moses were therefore not independent directors as at 30 June 2008.

The NZSX Listing Rules and Contact's **Constitution** require at least two directors to be ordinarily resident in New Zealand. John Milne and Tim Saunders satisfy this requirement.

The NZSX Listing Rules and Contact's **Constitution** also require a minimum of one-third of directors (other than one executive director and any directors appointed to fill a casual vacancy) to retire at each Annual Meeting and, if appropriate, stand for re-election. The directors required to resign are those who have been in office longest since their last election. Accordingly, Phillip Pryke and John Milne will retire and stand for re-election at the 2008 Annual Meeting. (Grant King and Bruce Beeren retired and were re-elected at the October 2006 Annual Meeting, and Karen Moses and Tim Saunders retired and were re-elected at the October 2007 Annual Meeting.) No directors were appointed to fill a casual vacancy during the financial year.

## Conflicts of interest

Where any Contact director has a conflict of interest or is otherwise interested in any transaction, that director is generally required to disclose his or her conflict of interest to the company, and thereafter will normally not be able to participate in the discussion, nor vote in relation to the relevant matter. The company maintains a register of disclosed interests.

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## Board assessment

Contact's Board follows a practice of reviewing the performance of the Board as a whole and the Board committees every two years, and of reviewing the performance of those directors standing for re-election at the next Annual Meeting every year. In accordance with this practice, in June 2007, Contact undertook a formal assessment of the Board and the Board committees. In July 2008, the Board reviewed the performance of Phillip Pryke and John Milne, being those directors required to retire and stand for re-election at the 2008 Annual Meeting.

## Board committees

The Board has four formally constituted committees – the Board Audit Committee, the Remuneration Committee, the Nominations Committee and the Health, Safety and Environment Committee. Copies of the **Charters** for these committees are available on the company's website.

Other committees of the Board are formed as and when required. For example, an Independent Directors' Committee comprising Phillip Pryke, John Milne and Tim Saunders meets to evaluate and approve all related party transactions with Origin Energy, which, in the financial year ended 30 June 2008, included the acquisition of Swift's New Zealand assets and the potential implications for Contact of BG Group's proposal to acquire Origin Energy.

## Remuneration Committee

At the end of the financial year, the Remuneration Committee comprised Phillip Pryke (Chair), Grant King and Tim Saunders. The Remuneration Committee's primary purposes are to review directors' fees, the Chief Executive Officer's remuneration package and performance, and the policy for remuneration of senior management, in order to ensure that they best advance the business objectives of the company. These reviews form the basis of recommendations to the Board. The Remuneration Committee met four times during the financial year, and a further time since the end of the financial year to assess and make recommendations to the Board about a variety of remuneration issues that relate to directors, the Chief Executive Officer and Contact employees, including the level of directors' fees, employee short-term incentives and the employee long-term incentive scheme. Details of director and executive remuneration arrangements are set out in the Remuneration section of this Annual Report. The **Remuneration Committee Charter** is set out on the company's website.

## Nominations Committee

At the end of the financial year, the Nominations Committee comprised Grant King (Chair), Phillip Pryke and Tim Saunders. The Nominations Committee's primary purpose is to ensure Contact has formal and transparent processes for the nomination and appointment of directors to the Board, and it also attends to other matters put to it, including director performance assessment and Chief Executive Officer appointment. The Nominations Committee did not meet during the financial year, but met in July 2008 to consider the assessment of Phillip Pryke and John Milne's performance as directors ahead of their standing for re-election at the October 2008 Annual Meeting. The **Nominations Committee Charter** is set out on the company's website.

## Board Audit Committee

At the end of the financial year, the Board Audit Committee (BAC) comprised John Milne (Chair), Tim Saunders and Bruce Beeren. John Milne is a qualified Chartered Accountant and Bruce Beeren is a fellow of CPA Australia. All members of the committee are non-executive directors.

The BAC's purpose is to oversee Contact's financial policies and to monitor the quality of financial reporting and financial management. The BAC is responsible for approving the annual internal audit work programme, monitoring the roles, responsibilities and performance of external and internal audit and making recommendations to the Board. The **Board Audit Committee Charter** is set out on the company's website.

The Chief Executive Officer attends each quarterly BAC meeting at the invitation of the BAC. At the conclusion of each meeting and at any other time the BAC requires, the BAC meets separately with the head of internal audit, Contact's external auditors and the Chief Financial Officer without any other members of management being present.

### Health, Safety and Environment Committee

The Health, Safety and Environment (HSE) Committee was established in December 2006 and as at 30 June 2008 comprised all members of the Board. Karen Moses is the HSE Committee's Chair.

The HSE Committee meets at least three times per year, and its role is to assist the Board to fulfil its responsibilities in relation to HSE-related matters arising out of the activities of Contact and its related companies, as those activities affect employees, contractors, communities and the environment in which the company operates. The HSE Committee is responsible for, among other matters, periodically reviewing the company's **Health and Safety Policy** and **Environmental Policy**, monitoring the company's compliance with these policies, reviewing and recommending to the Board targets for HSE performance and assessing performance against those targets, and reviewing HSE-related incidents and considering appropriate actions to minimise the risk of recurrence. The **HSE Committee Charter** is set out on the company's website.

### Attendance at meetings

During the financial year ending 30 June 2008, the Board met 13 times. The table below sets out attendance at meetings for all directors.

Director	Board attendance (scheduled and special purpose)	Committee attendance				
		BAC	HSE	Remuneration	Nominations	Independent Directors'
Grant King	13	N/A	3	4	N/A	N/A
Phillip Pryke	12	N/A	3	4	N/A	3
Bruce Beeren	12	4	2	N/A	N/A	N/A
John Milne	12	4	2	N/A	N/A	3
Karen Moses	13	N/A	3	N/A	N/A	N/A
Tim Saunders	11	4	2	4	N/A	3

### Share top up plan

The share top up plan provides shareholders holding 5,000 or fewer shares with the opportunity to acquire additional shares funded by their regular dividend payments. Participation in the plan is available to all shareholders who are resident in New Zealand or Australia, who hold 5,000 or fewer shares and who are not directors or associated persons of directors of Contact. The shares required for the share top up plan are purchased on behalf of the participating shareholders by ABN AMRO Craigs. No transaction fee is charged to those shareholders who elect to participate.

The plan first applied to the final dividend paid in respect of the financial year ended 30 September 2003. As at 30 June 2008, around 37,900 shareholders had taken up the opportunity to participate in the plan.

More detail about the plan, including a full description of its **terms and conditions**, is available on Contact's website.

During the financial year ended 30 June 2008, Contact provided financial assistance in connection with the ongoing costs associated with the plan. A **disclosure document** relating to the financial assistance to be provided over the next 12 months was sent to shareholders in September 2008 and is available on the company's website.

### Current NZX waivers

A summary of all **waivers** granted and published by NZX within or relied on by Contact in the 12-month period preceding 23 July 2008 (being two months before the date of publication of this Annual Report) is available on Contact's website. This summary will remain on Contact's website for at least 12 months following publication of this Annual Report.

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### Exercise of NZX disciplinary powers

On 29 May 2008, NZX Regulation issued a trading halt on Contact shares, pending the release of an ASX announcement concerning the proposal of BG Group plc to acquire Origin Energy Limited, Contact's major shareholder. The trading halt was lifted on 30 May 2008. Apart from this, NZX did not exercise any of its powers under Listing Rule 5.4.2 in relation to Contact during the financial year.

### Financial reporting

Contact undertakes twice-yearly financial reporting and also provides a suite of **operational data** on a quarterly basis.

Contact's **Annual** and **Half Year Reports** are posted on Contact's website. The annual financial statements are audited. In accordance with the Companies Act 1993, Contact does not automatically mail printed copies of the Annual and Half Year Reports to shareholders. A notice will be posted to shareholders when the Annual Report is available each year, and shareholders can request, free of charge, a hard copy of the Annual Report or the next Half Year Report and subsequent reports within 15 working days of receiving that notice.

The Chief Executive Officer and Chief Financial Officer have provided the Board with written confirmation that the company's financial statements for the year ended 30 June 2008 have been prepared in accordance with New Zealand Generally Accepted Accounting Practices, and that they comply with New Zealand Equivalents of International Financial Reporting Standards and other appropriate financial reporting standards, as appropriate for profit-oriented entities.

### Auditor independence

The Board Audit Committee (BAC) is responsible for considering and making recommendations to the Board regarding any issues relating to the appointment, dismissal or resignation of the external auditor.

The Board prohibits the external auditor from consulting to Contact on matters that could be regarded as compromising audit independence.

The BAC requires the external auditor to confirm annually that it has complied with all professional regulations relating to auditor independence. Specifically, the external auditor is required to confirm its commitment to strict procedures to ensure that:

- the external auditor, its partners and current audit team do not have any financial interest in Contact
- the superannuation fund of the partners or staff of the external auditor does not hold any direct financial interest in Contact
- there are no business interests between Contact and the external auditor
- no fee paid by Contact to the external auditor is paid on a contingency basis.

In addition, the senior external audit partner and peer review partner must rotate after a maximum of five years, with suitable succession planning in place.

The BAC is responsible for determining whether potential engagements of the external auditor are appropriate, documenting decisions and recommending to the Board accordingly.

The Chief Financial Officer is responsible for the day-to-day relationship with the external auditor, while individual business units have a direct responsibility for their relationship with the external or internal auditor, ensuring provision of timely and accurate information and full access to company records.

### Auditors

The amount payable by Contact and its subsidiaries to KPMG as audit fees in respect of the financial year ended 30 June 2008 was \$683,000. Contact and its subsidiaries did not engage KPMG for any other services during the year ended 30 June 2008.

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### Credit rating

As at the date of this Annual Report, Standard and Poor's long-term credit rating for Contact was BBB Stable. As at the date of this Annual Report, Fitch's long-term credit rating for Contact was BBB+ Stable.

### Donations

During the financial year ended 30 June 2008, in addition to the numerous sponsorships detailed in the **Sustainability Report**, Contact made donations amounting to \$56,000. No subsidiaries made any donations during the financial year ended 30 June 2008.

Donations are made on the basis that the recipient is not obliged to provide any service such as promoting Contact's brand and are separate from Contact's sponsorship activity. Contact made no political party donations in the financial year.

### Risk management

Contact's Risk Management Framework aligns with recognised best practice (Australian/New Zealand Standard for Risk Management AS/NZS 4360:2004). An Executive Risk Management Committee is responsible for monitoring the ongoing effectiveness of Contact's risk management activities and provides assurance to the Board and Board Audit Committee (BAC) that there is an effective framework in operation over risk-related activities. The Executive Risk Management Committee monitors trends in the company's risk profile and considers papers on how the business manages or mitigates key risk exposures. Contact recognises the importance of effective risk management to its business success and aims to continually improve its risk profile and risk management capability.

### Internal audit

Contact has an independent in-house internal audit function (Internal Audit) that provides objective assurance over the effectiveness of the internal control framework.

The **Internal Audit Charter** is included in the Board Audit Committee Charter available on the company's website. Internal Audit assists Contact to accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and governance processes. Internal Audit adopts a risk-based audit approach driven from the company's Risk Management Framework. This allows the internal audit process to become more relevant to the business, by directing attention to risks that threaten the achievement of strategic and operational goals.

Internal Audit also assists external audit by reporting findings from the Internal Audit programme so the external auditors may independently assess the degree of reliance they are able to place on the control environment when providing their opinion on the financial statements.

On a day-to-day basis, Internal Audit reports to the General Counsel and Company Secretary. Internal Audit has the autonomy to report significant issues to the Chief Executive Officer and the Board Audit Committee or, if considered necessary, the Chairman. The BAC oversees the audit programme and provides Internal Audit with the mandate to perform the agreed audit programme. Internal Audit has unlimited access to all other departments, records and systems of the Contact Group and to the external auditors and other third parties as it deems necessary.

### Securities Trading Policy

In February 2008, Contact's Board approved an amended securities trading policy following changes to New Zealand securities legislation. The policy applies to all directors, officers, employees and contractors of Contact and its subsidiaries ("directors and employees"). Under the policy, directors and employees must not trade Contact securities, or advise or encourage others to trade or hold Contact securities, if they are in possession of material information that is not publicly available. In addition:

- directors and employees may not trade during the period between 1 January and the date of the announcement of Contact's half year results to NZX (inclusive) or during the period between 1 July and the date of the announcement of Contact's full year results to NZX (inclusive)
- directors and specified employees must adhere to further additional obligations prior to any trade of Contact securities.

### Entries recorded in the interest register

The following interest register entries were recorded for the company and its subsidiaries during the financial year ended 30 June 2008:

#### (a) Share dealings of directors

Contact directors disclosed the following transactions in Contact shares in the financial year ended 30 June 2008:

Director	Date of transaction	Consideration per share*	Number of shares acquired/disposed of	Nature of relevant interest	
P Pryke	29/08/07	\$9.40	1,201	Restricted shares acquired on trust under the Contact PJ Pryke Director Remuneration Share Trust	
	05/10/07	\$9.4190	1,195		
	25/02/08	\$7.69	1,473		
	04/04/08	\$8.47	1,329		
	29/08/07	NCBO	(2,497)	Transfer of unrestricted shares from Contact PJ Pryke Director Remuneration Share Trust to Pryke Pty Limited, as beneficiary of Contact PJ Pryke Director Remuneration Share Trust	
	29/08/07	NCBO	2,497		
	02/10/07	NCBO	(2,400)		
	02/10/07	NCBO	2,400		
	25/02/08	NCBO	(1,611)		
	25/02/08	NCBO	1,611		
	01/04/08	NCBO	(1,631)		
	01/04/08	NCBO	1,631		
	B Beeren	29/08/07	\$9.40	802	Restricted shares acquired on trust under the Contact BG Beeren Director Remuneration Share Trust
		05/10/07	\$9.4190	797	
25/02/08		\$7.69	980		
04/04/08		\$8.47	886		
J Milne	29/08/07	\$9.40	400 + 401	Restricted shares acquired on trust under the Contact JHG Milne Director Remuneration Share Trust	
	05/10/07	\$9.4190	399 + 398		
	25/02/08	\$7.69	489 + 490		
	04/04/08	\$8.47	443 + 442		
	29/08/07	NCBO	(625) + (624)	Transfer of unrestricted shares from Contact JHG Milne Director Remuneration Share Trust to John Milne Trust and Maureen Milne Trust, as beneficiaries of Contact JHG Milne Director Remuneration Share Trust	
	29/08/07	NCBO	625 + 624		
	02/10/07	NCBO	(600) + (600)		
	02/10/07	NCBO	600 + 600		
	25/02/08	NCBO	(548) + (548)		
	25/02/08	NCBO	548 + 548		
	01/04/08	NCBO	(540) + (540)		
	01/04/08	NCBO	540 + 540		
	25/02/08	\$7.69	(6,250)	Transfer of beneficially held shares into family trust, of which Mr Milne is a trustee	
	25/02/08	\$7.69	6,250		
T Saunders	29/08/07	\$9.40	801	Restricted shares acquired on trust under the Contact TEC Saunders Director Remuneration Share Trust	
	05/10/07	\$9.4190	797		
	25/02/08	\$7.69	979		
	04/04/08	\$8.47	886		
	29/08/07	NCBO	(1,248)	Transfer of unrestricted shares from Contact TEC Saunders Director Remuneration Share Trust to TEC Saunders Family Trust as beneficiary of Contact TEC Saunders Director Remuneration Share Trust	
	29/08/07	NCBO	1,248		
	02/10/07	NCBO	(1,200)		
	02/10/07	NCBO	1,200		
	25/02/08	NCBO	(1,097)		
	25/02/08	NCBO	1,097		
	01/04/08	NCBO	(1,079)		
	01/04/08	NCBO	1,079		

\* NCBO means no change in beneficial ownership.

## (b) Directors' interests in transactions

### General disclosures

As at 30 June 2008, the following directors have made the following general disclosures in the interests register of the company. Notices given or adjusted during the financial year ended 30 June 2008 are marked with an asterisk (\*). Each such director will be regarded as interested in all transactions between Contact and the disclosed entity.

<b>G King</b>	
Origin Energy Limited and Group companies	Managing Director/Shareholder/Employee
Energy Supply Association of Australia Limited	Director/Chairman
Envestra Limited (resigned as a director in July 2007)*	Director
Australian Petroleum Production and Exploration Association	Councillor
<b>P Pryke</b>	
Co-Investor Capital Partners Pty Limited	Director/Shareholder
Frog Hollow Limited*	Director/Shareholder
New Zealand Deer Farms Limited*	Director/Shareholder
Pauatahanui Projects Limited*	Director/Shareholder
Pryke Pty Limited*	Director/Shareholder
Goodman (NZ) Limited (name changed from Macquarie Goodman (NZ) Limited in June 2007)*	Director
Goodman Property Aggregated Limited (name changed from Macquarie Goodman Property Aggregated Limited in June 2007)*	Director
Novotech Pty Limited*	Director
Travel.com.au Limited (resigned as an alternate director in May 2008)*	Alternate Director
Tru-Test Pty Limited	Alternate Director
Software of Excellence International Limited (resigned as an alternate director in February 2008)*	Alternate Director
<b>B Beeren</b>	
Origin Energy Limited and Group companies	Director/Shareholder and former Employee/Executive Director
Equipsuper Pty Limited	Director
Coal & Allied Industries Limited	Director
Veda Advantage Limited (resigned as a director in July 2007)*	Director
<b>J Milne</b>	
The New Zealand Wine Company Limited (including various wholly owned subsidiaries)	Director/Shareholder
The He Huarahi Tamariki Trust	Chairman/Trustee
Wellington City Council Audit and Risk Management Subcommittee	Independent Member
<b>K Moses</b>	
Origin Energy Limited and Group companies	Director/Employee/Shareholder
Victorian Energy Networks Corporation	Director
Energy and Water Ombudsman (Victoria) Limited	Director
Centre for Engineering Leadership and Management (resigned as a director in April 2008)*	Director
<b>T Saunders</b>	
Global Corporate Credit Limited	Director
L.E.K. Consulting Australasian Advisory Board	Advisory Board Member
Northington Partners Limited (ceased December 2007)*	Consultant
Calan Healthcare Properties Limited (manager of Calan Healthcare Properties Trust) (directorship ceased August 2007)*	Director

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### *Specific disclosures*

There were no specific disclosures made during the year of any interests in transactions entered into by Contact or any of its subsidiaries.

### **(c) Use of company information**

No director issued a notice requesting to use information received in his or her capacity as a director that would not otherwise be available to the director.

### **(d) Board-approved remuneration and other benefits**

The Board passed resolutions and signed accompanying certificates to confirm the distribution for the year ended 30 June 2008 amongst directors of the \$770,000 remuneration pool (that pool having been approved by shareholders at the 2004 Annual Meeting). See page 30 for further details about the distribution approved by the Board.

### **(e) Directors' and employees' indemnity and insurance**

Contact has agreed to indemnify Contact's employees and directors, including directors of subsidiary and associated companies, against any liability or costs incurred in any proceeding, excluding actions for gross negligence, criminal liability, breach of fiduciary duty or breach of directors' duties.

Contact has paid premiums and taken out comprehensive insurance cover, including insurance policies that indemnify employees and directors, including directors of subsidiaries and associates, against various potential legal liabilities.

In March 2008, Contact's Board authorised the renewal of the Directors and Officers and Statutory Liability Insurance covers as at 31 March 2008 and have certified, in terms of section 162 of the Companies Act 1993, that this cover is fair to the company.

# Remuneration report

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## Directors' remuneration

### Directors' fees

The current total directors' fee pool is \$770,000 per annum. A total of \$769,965 was distributed in the year ended 30 June 2008 as follows:

- Chairman (Grant King) – nil.
- Deputy Chairman (Phillip Pryke) – \$150,000.
- Karen Moses – nil.
- Other Board members – \$100,000 each.
- Committee members – \$319,965 of which \$214,815 was distributed to Phillip Pryke in relation to his extraordinary workload as Chair of the Independent Directors' Committee arising from the proposed merger between Contact and Origin Energy in 2006, \$50,000 to John Milne in his capacity as Chair of the Board Audit Committee, with the balance (\$55,150) being distributed at the Board's discretion, having regard to the extent of committee work undertaken during the year.

### Directors' restricted share scheme

Contact operates a directors' restricted share scheme (Directors' Share Scheme), approved by shareholders in 2004 to improve the alignment of directors' and shareholders' interests. Instead of receiving all of their pre-tax base directors fees in cash, those directors participating in the Directors' Share Scheme receive one-third of that amount by way of Contact shares that are restricted for a period of three years or until a director ceases to hold office. Directors are not otherwise entitled to any payment in connection with their retirement or cessation of office.

The directors participating in the Directors' Share Scheme during the financial year were Phillip Pryke, Bruce Beeren, John Milne and Tim Saunders.

Under the Directors' Share Scheme, at the end of each quarter, Contact pays to a trustee on behalf of each participant one-third of the pre-tax base remuneration accrued by the participant during that quarter. The trustee uses the payment to purchase Contact shares on-market through a broker. This trading may only take place during a period that is not a specified blackout period to ensure compliance with the company's Securities Trading Policy.

The trustee is then required to hold the shares purchased until the earlier of three years from the commencement of the quarter immediately following the quarter in which the fees were accrued, and the date of the director ceasing to hold office. On transfer by the trustee to the participant at this time, the participant is entitled to sell the shares, subject to Securities Trading Policy requirements. Throughout the time that the shares are held by the trustee, the participant is entitled to receive distributions and participate in other rights attaching or accruing to the shares, subject to any particular restrictions set out in the Directors' Share Scheme or elsewhere.

During the financial year ended 30 June 2008, Contact provided financial assistance in connection with the ongoing operation of the scheme. A **disclosure document** relating to the financial assistance to be provided over the next 12 months was sent to shareholders in September 2008 and is available on the company's website.

The table overleaf details the restricted shares of each of Contact's directors that became unrestricted under the Directors' Share Scheme during the period ended 30 June 2008.

Name	Date of acquisition	Date unrestricted	Number unrestricted	Original acquisition price
Phillip Pryke	2 August 2004	29 August 2007	2,497	\$6.0200
	24 November 2004	2 October 2007	2,400	\$6.2700
	25 February 2005	25 February 2008	1,611	\$6.8600
	3 May 2005	1 April 2008	1,631	\$6.9621
John Milne	2 August 2004	29 August 2007	1,249	\$6.0200
	24 November 2004	2 October 2007	1,200	\$6.2700
	25 February 2005	25 February 2008	1,096	\$6.8600
	3 May 2005	1 April 2008	1,080	\$6.9621
Tim Saunders	2 August 2004	29 August 2007	1,248	\$6.0200
	24 November 2004	2 October 2007	1,200	\$6.2700
	25 February 2005	25 February 2008	1,097	\$6.8600
	3 May 2005	1 April 2008	1,079	\$6.9621

### Remuneration details of directors

Details of the total remuneration and the value of other benefits received by each director of Contact during the financial year ended 30 June 2008 are as follows:

Director	Position	Board fees		Committee fees	Total remuneration <sup>2</sup>
		Cash	Restricted shares	Cash	
G King	Chairman	-	-	-	-
P Pryke	Deputy Chairman	\$100,000	\$50,000	\$214,815	\$364,815
J Milne	Director	\$66,667	\$33,333	\$50,000	\$150,000
T Saunders	Director	\$66,667	\$33,333	\$28,150	\$128,150
K Moses	Director	-	-	-	-
B Beeren	Director	\$66,667	\$33,333	\$27,000	\$127,000
<b>Total</b>		<b>\$300,001</b>	<b>\$149,999<sup>1</sup></b>	<b>\$319,965</b>	<b>\$769,965</b>

1 Due to trading period restrictions under Contact's Securities Trading Policy, purchases of restricted shares valued at \$48,750 of this total amount occurred on 27 August 2008.

2 Pursuant to Contact's constitution, directors are not entitled to any payment in connection with their retirement or cessation of office.

### Executive remuneration

There are two components to executive remuneration – fixed remuneration and at-risk/variable remuneration. The determination of fixed remuneration is based on responsibilities, individual performance and experience, and market data. At-risk/variable remuneration comprises short-term incentives and, for executives, long-term incentives.

### Chief Executive remuneration

David Baldwin, Chief Executive of Contact, has been seconded to the role by his employer, Origin Energy. During the term of the secondment, Contact will reimburse Origin Energy for the cost of David Baldwin's salary and other employment benefits, except for restricted shares and options, which are provided directly by Contact. The table following details the nature and amount of the remuneration earned by David Baldwin for the year ended 30 June 2008.

	Short-term benefits			Share-based payments				Total
	Fixed remuneration \$	Variable remuneration <sup>1</sup> \$	Total \$	Number of options issued during 2007/08 <sup>2</sup>	Number of restricted shares issued during 2007/08 <sup>2</sup>	Value of share-based payments issued during 2007/08 <sup>3</sup> \$	Value of share-based payments issued in past years amortising during 2007/08 <sup>3</sup> \$	
<b>David Baldwin</b>								
Chief Executive	725,000	431,375	1,156,375	98,485	17,269	81,250	268,333	1,505,958

- 1 Variable remuneration for the financial year is based on achieving personal goals and satisfying specific performance criteria. The short-term incentive is for performance during 2007/08. The amount was determined following the end of the financial year after performance reviews.
- 2 Contact Energy Limited equity securities.
- 3 The fair value of the options is calculated at the date of grant using a combination of Monte-Carlo simulation and binomial option pricing model. Restricted shares are valued based on the market price at date of grant adjusted for dividends that are not received until the restricted share vests. Options and restricted shares are subject to performance hurdles as described on page 38. The value disclosed is the portion of the fair value of the share-based payments allocated to this reporting period.

Movement during the reporting period in the number of options over ordinary shares and restricted shares held in Contact Energy Limited:

Restricted shares	Held at 1 July 2007	Granted as compensation	Vested during the year	Held at 30 June 2008
<b>David Baldwin</b>				
Chief Executive	40,053	17,269	–	57,322

Options	Held at 1 July 2007	Granted as compensation	Exercised	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
<b>David Baldwin</b>						
Chief Executive	206,410	98,485	–	304,895	–	–

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### Short-term incentives

Contact's variable remuneration recognises and rewards high-performing individuals whose contribution supports business goals and objectives, while meeting the goals set for the individual.

Contact's short-term incentives (STIs), known as the Performance Incentive Programme, comprise cash payments based on performance measured against key performance indicators (KPIs). For the year ended 30 June 2008, different levels of incentives were determined reflecting the nature of roles in the company. KPIs generally comprise company, team and individual targets. These targets are designed to create goals that will support an achievement and performance-oriented culture. The Performance Incentive Programme is designed to differentiate and reward exceptional, outstanding and good performance.

The Board reserves the right to adjust STI awards if health, safety and environment targets are not met.

### Long-term incentives

The principal objective of long-term incentives is to align executives' performance with shareholder interests and provide equity-based incentives that help retain valuable executives.

#### *Legacy Long-Term Incentive Scheme*

Up until 30 June 2006, because a review was pending, only a limited number of senior executives participated in the then-existing long-term incentive scheme (Legacy LTI Scheme). Upon completion of that review, a new employee long-term incentive scheme for executives was introduced for the year ended 30 June 2007 and beyond.

The first two performance hurdle measurement periods for the Legacy LTI Scheme commenced on 30 June 2007, and the final performance hurdle measurement period commenced on 30 June 2008. Following these dates, shares were purchased on-market for the benefit of the participants. In addition, there has been a six-monthly reassessment of performance in relation to hurdles that were not met for the first two measurement periods, and following this, shares were purchased on-market for the benefit of the participants.

There will also be a six-monthly reassessment of performance in relation to hurdles that were not met for the third measurement period, and therefore, within the next 12 months, Contact may provide financial assistance for both the purchase of the shares on-market and in connection with the ongoing operation of the scheme. A **disclosure document** relating to this financial assistance was sent to shareholders in September 2008 and is available on the company's website.

The following table details the Contact ordinary shares that were purchased and vested with each participant in the Legacy LTI Scheme in relation to each of the measurement periods.

Name	Date rights acquired	Date shares purchased for participants	Number of shares purchased	Purchase price	Rights remaining for retesting
David Thomas	August 2004	29 August 2007	569	\$9.3500	
		27 August 2008	569	\$8.4500	Nil
	December 2004	29 August 2007	2,219	\$9.3500	
		27 August 2008	2,219	\$8.4500	Nil
February 2006	27 August 2008	1,535	\$8.4500	1,535	
Ross O'Neill	August 2004	29 August 2007	569	\$9.3500	
		27 August 2008	569	\$8.4500	Nil
	December 2004	29 August 2007	2,219	\$9.3500	
		27 August 2008	2,219	\$8.4500	Nil
February 2006	27 August 2008	1,400	\$8.4500	1,400	
John Bole	August 2004	30 July 2007	677	\$9.4996	
		27 August 2008	677	\$8.4500	Nil
	December 2004	30 July 2007	2,639	\$9.4996	
		27 August 2008	2,639	\$8.4500	Nil
February 2006	27 August 2008	1,070	\$8.4500	1,070	
Stephen Cross	August 2004	30 July 2007	696	\$9.4805	
		27 August 2008	697	\$8.4450	Nil
	December 2004	30 July 2007	2,716	\$9.4805	
		27 August 2008	2,716	\$8.4450	Nil
February 2006	27 August 2008	1,114	\$8.4450	1,114	

#### *Employee Long-Term Incentive Scheme*

In formulating the new employee long-term incentive scheme for executives (LTI Scheme) in 2006, Contact determined that a combination of share options and restricted shares was desirable to ensure incentives align executives' performance with shareholders' interests, both in favourable and unfavourable sharemarket conditions.

Therefore, for the year ended 30 June 2007 and beyond, Contact introduced a new employee long-term incentive plan for participating executives – consisting of a Share Option Plan and a Restricted Share Plan (together, the "Plans"). Details of the Plans are set out below.

The Board determined that long-term incentives should be awarded to executives to reflect individual performance in the preceding financial year and potential in future years.

Under the Plans, for the year ended 30 June 2008, the Board allocated long-term incentive awards that are, by value, 50 per cent share options and 50 per cent restricted shares. Under the Plans, the share options will only be exercisable, and the restricted shares will only become unrestricted, to the extent that the relevant performance hurdles are satisfied. The performance hurdles for the share options and restricted shares in relation to the year ended 30 June 2008 are set out on pages 37 to 38. The number of share options and restricted shares awarded are calculated by dividing the value of the long-term incentive award (being a percentage of the relevant executive's salary) by the fair value of the share options and restricted shares.

## Share Option Plan

Under the Share Option Plan, the Board issues share options to executives to acquire ordinary shares in Contact at the market price determined at the effective grant date. For share options granted in the year ended 30 June 2008, the market price was the weighted average market price of Contact's ordinary shares traded on the NZSX over the 20 business days prior to the effective grant date.

As noted above, the options are exercisable subject to performance hurdles as determined by the Board. The performance hurdles for share options issued in the year ended 30 June 2008 are described on pages 37 to 38. There is a vesting period of approximately three years from the effective grant date before share options may be exercised. Following the end of that period, the performance hurdles are measured on three annual test dates. There is a two-year, two-month exercise period following the first test date during which share options may be exercised, again, to the extent that the performance hurdles are met.

The share options may also be exercised if, between the effective grant date and the exercise date, a change of control of Contact occurs. In addition, the Board may, at its discretion, permit share options to be exercised prior to the commencement of the relevant exercise period where Contact shares cease to be listed on the NZSX or other circumstances occur where such an early exercise is considered appropriate by the Board.

The share options will lapse:

- if the performance hurdles are not met by the final measurement date
- if the share options are not exercised by the lapse date
- on the date on which the participant ceases to be employed by the company (except in the case of redundancy), or
- on the death of the participant (provided however, that the Board may, in its discretion, allow the participant's successor to exercise the share options).

In the event of redundancy, the Share Option Plan will continue, except that the number of share options will be recalculated on a proportionate basis.

The share options are unlisted and are personal to the employee and therefore cannot be traded.

In May 2007, NZX Regulation granted approval under NZSX Listing Rule 8.1.4 for the issue of share options under the Share Option Plan with effective grant dates of 1 July 2006 and 20 November 2006. NZX Regulation also granted a ruling that NZSX Listing Rule 7.10 (being additional requirements for rights issues) does not apply to the granting of share options under the Share Option Plan. The full version of the **waiver and approval** can be found on the company's website.

The number of options issued and their exercise status as at the date of this report are set out in the table below.

Number of options issued	Effective grant date	Exercise price per option	First exercise date	Number lapsed	Final lapse date	Vested	Number exercisable
365,322	1 July 2006	\$7.35	1 October 2009	48,424 <sup>1</sup>	30 November 2011	No	Nil
18,361	20 November 2006	\$7.55	1 October 2009	Nil	30 November 2011	No	Nil
13,413	15 January 2007	\$8.28	1 October 2009	Nil	30 November 2011	No	Nil
490,326	1 October 2007	\$9.15	1 October 2010	78,383 <sup>2</sup>	30 November 2012	No	Nil
22,706	1 February 2008	\$7.63	1 October 2010	Nil	30 November 2012	No	Nil

1 Due to the cessation of employment of participants, options from this tranche lapsed pursuant to the Share Option Plan Rules on the following dates: 7 September 2007 (14,103 options), 30 June 2008 (20,513 options) and 2 July 2008 (13,808 options).

2 Due to the cessation of employment of participants, options from this tranche lapsed pursuant to the Share Option Plan Rules on the following dates: 3 December 2007 (6,591 options), 2 April 2008 (18,136 options), 30 June 2008 (20,000 options) and 2 July 2008 (33,656 options).

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### Restricted Share Plan

Under the Restricted Share Plan, the Board issues restricted shares to the participants at the market price determined at the effective grant date. Although the participant has beneficial title to the restricted shares, under the terms of the Restricted Share Plan:

- (i) the restricted shares are issued to a trustee to be held on trust for the participant, and
- (ii) the trustee will not exercise any voting rights attaching to the restricted shares and has forgone the right to dividends.

Legal title cannot be transferred to the participant, and therefore traded by the participant, unless and until the restricted shares become “unrestricted”.

For restricted shares issued in the year ended 30 June 2008, the market price or “allocation price” of the restricted shares was the weighted average market price of Contact’s ordinary shares traded on the NZSX over the 20 business days prior to the effective grant date. Payment of the allocation price for the restricted shares was funded by an interest-free loan from the company in an amount equal to the allocation price for the shares. **(Financial assistance disclosures** were sent to shareholders in September 2008 and are available on the company’s website).

If the performance hurdles are met, the restricted shares will be released from the trust to the participant following the relevant test date. There is a vesting period of approximately three years from the effective grant date before restricted shares that “vest” may be released from the restrictions and transferred to the participant. Following the end of that period, the exercise hurdles are measured on three annual test dates. To the extent the hurdles are met on each of these test dates, restricted shares must be released from the restrictions and transferred from the trustee to the participant.

For restricted shares that a participant becomes entitled to, the company pays a bonus, which the participant must use to repay the loan. Upon repayment of the loan, the trustee transfers legal title to the restricted shares to the participant.

The participants must transfer to the trustee their rights to any restricted shares that have not been released to the participant by the final test date. The allocation price for those restricted shares transferred to the trustee will be applied to the trustee to immediately repay the loan to the company.

The restricted shares may be released from the restrictions and transferred to the participants if, between the grant date and a test date, a change of control of Contact occurs.

The rights to the restricted shares will lapse:

- if the performance hurdles are not met by the final test date
- on the date on which the participant ceases to be employed by the company (except in the case of redundancy), or
- on the death of the participant (provided, however, that the Board may, in its discretion, allow legal title to the restricted shares to be transferred to the participant’s successors).

In the event of redundancy, the Restricted Share Plan will continue, except that the number of restricted shares will be recalculated on a proportionate basis.

While restricted, the restricted shares are unlisted and are personal to the employee and therefore cannot be traded.

In May 2007, NZX Regulation granted approval under NZSX Listing Rule 8.1.4 for the issue of restricted shares under the Restricted Share Plan with effective grant dates of 1 July 2006 and 20 November 2006. NZX Regulation also granted an ongoing waiver from NZSX Listing Rule 8.1.3 for issues of reallocated shares under the Restricted Share Plan (being those restricted shares that are not released to a participant at the final transfer date, but are instead purchased by the trustee and then reallocated to a participant). The full version of the **waiver and approval** can be found on the company’s website.

The number of restricted shares issued and their status as at the date of this report are set out in the table below.

Number of restricted shares	Effective grant date	Allocation price per share	First test date	Final test date	Number released
70,890	1 July 2006	\$7.35	1 October 2009	1 October 2011	Nil
3,581	20 November 2006	\$7.55	1 October 2009	1 October 2011	Nil
2,504	15 January 2007	\$8.28	1 October 2009	1 October 2011	Nil
83,242	1 October 2007	\$9.15	1 October 2010	1 October 2012	Nil
3,091	1 February 2008	\$7.63	1 October 2010	1 October 2012	Nil

Pursuant to the Restricted Share Plan rules, where a participant ceases employment, beneficial ownership of restricted shares is transferred to the trustee to hold on trust in an unallocated pool to be reallocated to a participant at a future date. As at the date of this report, there were 19,247 restricted shares held by the trustee in the unallocated pool. The following table sets out the movements of the unallocated pool to the date of this report.

Number of restricted shares transferred to unallocated pool	Original issue date of those shares	Date of transfer to unallocated pool	Number of shares reallocated to a participant	Date of reallocation to participant
2,737	21 June 2007	7 September 2007	2,737	31 October 2007
3,980	21 June 2007	30 June 2008	Nil	N/A
2,679	21 June 2007	2 July 2008	Nil	N/A
1,156	31 October 2007	3 December 2007	1,156	25 February 2008
3,180	31 October 2007	2 April 2008	Nil	N/A
3,507	31 October 2007	30 June 2008	Nil	N/A
5,901	31 October 2007	2 July 2008	Nil	N/A

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### Hurdles

Broadly, the number of unrestricted ordinary shares to which a participant is entitled under the Plans is determined by achievement of a pre-determined hurdle or hurdles. For the restricted shares and share options issued in the year ended 30 June 2008, the hurdle is a comparison of Contact's total shareholder return (TSR) against the average TSR of a reference group comprising the NZX50 index over the relevant period, commencing on the effective grant date.

For the restricted shares and share options issued in the year ended 30 June 2008, participants' vesting entitlements will be calculated on three test dates, being 1 October 2010, 1 October 2011 and 1 October 2012.

Contact's TSR will be determined as follows:

- (i) The volume weighted average market price of Contact ordinary shares for the three months prior to the effective grant date is subtracted from the price of the shares as determined by measuring the volume weighted average market price of the shares over the three-month period prior to the relevant test date.
- (ii) Adjusting the calculation in (i) above to reflect the assumed reinvestment of distributions (excluding imputation credits) over the period from the effective grant date to the relevant test date.

The participant's vesting entitlements will be based on a pre-determined formula relative to achievement of the pre-determined hurdle or hurdles. For the restricted shares and share options issued in the year ended 30 June 2008, these are:

- (i) zero per cent vesting, if Contact's TSR over the performance period does not exceed the 50th percentile of the TSR of those companies that are in the NZX50 at both grant date and the relevant test date
- (ii) 50–100 per cent vesting (on a sliding scale, i.e. the percentage of restricted shares released/share options exercisable increases proportionately on a straight-line sliding scale from the 50th up to the 75th percentile), if Contact's TSR is between the 50th percentile and the 75th percentile TSR of those companies that are in the NZX50 at both grant date and the relevant test date
- (iii) 100 per cent vesting, if Contact's TSR is at or above the 75th percentile TSR of those companies that are in the NZX50 at both grant date and the relevant test date.

## Employee remuneration

The following table shows the number of employees and former employees of Contact and its subsidiaries who, in their capacity as employees, received remuneration and other benefit entitlements (including redundancy payments) during the year ended 30 June 2008 of at least \$100,000.

As at 30 June 2008, no Contact subsidiary held any employees, as all the employees of Rockgas Limited (a wholly-owned subsidiary of Contact) became employees of Contact during the financial year.

The remuneration figures analysed include all monetary payments actually paid during the course of the year ended 30 June 2008. They do not include amounts paid post 30 June 2008 that related to the period ended 30 June 2008.

The value of remuneration benefits analysed includes both fixed, short-term and long-term variable/risk components of remuneration, and redundancy and other payments made on termination of employment. The value of the equity-based incentives included in the remuneration band analysis represents the portion of the grant date fair value of the equity instruments allocated to the reporting period ended 30 June 2008.

The remuneration (and any other benefits) of the current Chief Executive Officer, David Baldwin, is disclosed in the Chief Executive Remuneration section on page 32.

Remuneration bands	Number of employees	
	Parent*	Subsidiaries
\$100,001-\$110,000	40	-
\$110,001-\$120,000	30	-
\$120,001-\$130,000	16	-
\$130,001-\$140,000	14	-
\$140,001-\$150,000	6	-
\$150,001-\$160,000	4	-
\$160,001-\$170,000	5	-
\$170,001-\$180,000	10	-
\$180,001-\$190,000	4	-
\$190,001-\$200,000	3	-
\$200,001-\$210,000	3	-
\$210,001-\$220,000	5	-
\$220,001-\$230,000	4	-
\$240,001-\$250,000	1	-
\$290,001-\$300,000	2	-
\$300,001-\$310,000	2	-
\$320,001-\$330,000	1	-
\$340,001-\$350,000	1	-
\$390,001-\$400,000	1	-
\$400,001-\$410,000	1	-
\$450,001-\$460,000	1	-
\$480,001-\$490,000	1	-
\$490,001-\$500,000	1	-
\$540,001-\$550,000	1	-
\$590,001-\$600,000	2	-
\$910,001-\$920,000	1	-
<b>Total</b>	<b>160</b>	<b>-</b>

\* This includes former employees of Rockgas Limited.

### Contact subsidiaries – directors and remuneration

Other than Paul Smith, who received \$17,620 in the year ended 30 June 2008 in his capacity as a consultant to Contact Australia Pty Limited and Contact Operations Australia Pty Limited, no other director of any of Contact's subsidiaries received additional remuneration or benefits in respect of their directorships.

The table below lists the directors of Contact subsidiary companies as at 30 June 2008.

Contact subsidiary	Directors
Contact Aria Limited <sup>1</sup>	David Baldwin Elizabeth Kelly
Contact Australia Pty Limited <sup>1,2</sup>	David Baldwin Elizabeth Kelly Paul Smith
Contact Operations Australia Pty Limited <sup>1,2</sup>	David Baldwin Elizabeth Kelly Paul Smith
Contact Wind Limited <sup>1,3</sup>	David Baldwin Mark Trigg Alistair Yates
Empower Limited	Jason Delamore Kim Josling
Rockgas Limited <sup>4</sup>	John Cumming David Baldwin Mark Trigg
Rockgas Holdings Limited <sup>4</sup>	John Cumming David Baldwin Mark Trigg
Stratford Power Limited <sup>5</sup>	Kim Josling Mark Trigg

- 1 Kim Josling was a director of Contact Aria Limited, Contact Australia Pty Limited, Contact Operations Australia Pty Limited and Contact Wind Limited until 17 September 2007, when she was replaced by David Baldwin.
- 2 David Thomas was a director of Contact Australia Pty Limited and Contact Operations Australia Pty Limited until 1 February 2008, when he was replaced by Elizabeth Kelly.
- 3 David Thomas was a director of Contact Wind Limited until 1 February 2008, when he was replaced by Mark Trigg.
- 4 Jason Delamore was a director of Rockgas Holdings Limited and Rockgas Limited until 17 September 2007, when he was replaced by David Baldwin. Ian White was a director of Rockgas Holdings Limited and Rockgas Limited until 11 April 2008.
- 5 David Thomas was a director of Stratford Power Limited until 1 February 2008.

# Shareholder information

The following information is provided in accordance with the Listing Rules of New Zealand Exchange Limited.

*20 Largest Registered holders of Quoted Equity Securities as at 1 August 2008 (including holdings within New Zealand Central Securities Depository Limited)*

Origin Energy Pacific Holdings Limited	291,769,031
HSBC Nominees (New Zealand) Limited A/C State Street	22,266,132
National Nominees New Zealand Limited	18,127,340
New Zealand Superannuation Fund Nominees Limited	12,680,329
HSBC Nominees (New Zealand) Limited	12,468,765
Accident Compensation Corporation	8,938,644
Citibank Nominees (New Zealand) Limited	7,942,507
ANZ Nominees Limited	5,604,535
Premier Nominees Ltd – ING Wholesale Australasian Share Fund	5,445,187
Custodial Services Limited	5,006,343
NZGT Nominees Limited – AIF Equity Fund	4,624,728
TEA Custodians Limited	4,506,548
Custody and Investment Nominees Limited	3,998,068
Origin Energy Universal Holdings Limited	3,600,297
ASB Nominees Limited	3,500,000
FNZ Custodians Limited	3,497,930
Asteron Life Limited	3,195,632
NZ Guardian Trust Investment Nominees Limited	2,582,998
Masfen Securities Limited	2,496,354
Guardian Trust Investment Nominees (RWT) Limited	2,364,497
<b>Total top 20 holders</b>	<b>424,615,865</b>
<b>Total other shares</b>	<b>152,018,117</b>
<b>Total issued shares<sup>1</sup></b>	<b>576,633,982</b>

<sup>1</sup> 163,308 restricted ordinary shares (not quoted or listed on the NZSX) have been issued pursuant to Contact's employee long-term incentive scheme for executives, bringing the total number of shares to 576,797,290.

### *Distribution of Quoted Security Holders and Security Holdings as at 1 August 2008*

Size of shareholding	No. of holders	% of holders	No. of shares <sup>1</sup>	% of shares
1 – 99 shares	701	0.84	17,151	0.00
100 – 199 shares	498	0.59	70,659	0.01
200 – 499 shares	14,280	17.04	5,336,545	0.93
500 – 999 shares	48,746	58.17	38,806,481	6.73
1,000 – 1,999 shares	7,834	9.35	11,383,444	1.97
2,000 – 4,999 shares	7,490	8.94	22,530,017	3.91
5,000 – 9,999 shares	2,730	3.25	17,242,547	2.99
10,000 – 49,999 shares	1,367	1.63	21,838,510	3.78
50,000 – 99,999 shares	64	0.08	4,239,845	0.74
100,000 – 499,999 shares	51	0.06	10,048,182	1.74
500,000 – 999,999 shares	7	0.01	4,537,523	0.79
1,000,000 shares and above	30	0.04	440,583,078	76.41
<b>Total</b>	<b>83,798</b>	<b>100.00</b>	<b>576,633,982</b>	<b>100.00</b>

<sup>1</sup> Calculations are based on the number of ordinary shares quoted and listed on the New Zealand Stock Market (NZSX) as at 1 August 2008 and exclude the 163,308 restricted ordinary shares issued pursuant to Contact's employee long-term incentive scheme for executives.

### **Substantial security holders**

As at 1 August 2008, the following persons had notified the company in accordance with the Securities Markets Act 1988 that they were currently substantial security holders in the company.

Substantial security holder	Nature of relevant interest	Number of listed voting securities	Class
Origin Energy New Zealand Limited and its related bodies corporate (including Origin Energy Limited and Origin Energy Vic Holdings Limited)	Shareholder	296,153,144	Ordinary shares

The total number of shares of Contact as at 1 August 2008 was 576,797,290, consisting of 576,633,982 ordinary shares and 163,308 restricted ordinary shares issued pursuant to Contact's employee long-term incentive scheme for executives (these shares are not tradeable and are not listed or quoted on the NZSX). All of these shares are voting securities, except the trustee holding the restricted ordinary shares on behalf of the participants has waived all voting rights and rights to dividends in relation to those shares. Accordingly, the total number of listed voting securities of Contact as at 1 August 2008 was 576,633,982.

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### Equity securities of the company in which each director has a relevant interest as at 30 June 2008

Director	Number of shares
G King	Nil
P Pryke	79,837
B Beeren	9,405
J Milne	82,515
K Moses	Nil
T Saunders	34,730

### Directors' statement

This Annual Report is dated 9 September 2008 and is signed on behalf of the Board by



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**G King**  
Chairman



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**P Pryke**  
Deputy Chairman