

Financial assistance disclosure

Under section 79 of the Companies Act 1993, Contact is required to make the following disclosures to all shareholders.

Directors' Share Scheme

At Contact's 2004 Annual Meeting, shareholders approved the provision of financial assistance by Contact for the purposes of a directors' restricted share scheme ("Directors' Share Scheme") to improve the alignment of directors' and owners' 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 restricted Contact shares.

The qualifying directors participating in the Directors' Share Scheme during the financial year ending 30 June 2009 were Phillip Pryke, Bruce Beeren, John Milne and Tim Saunders (from 30 June 2008), Grant King and Karen Moses (from 1 November 2008) and Susan Sheldon (from 1 April 2009). Details of the number of shares acquired under the Directors' Share Scheme during the financial year ended 30 June 2009 and the consideration paid are set out in Contact's 2009 Annual Report, which is available at www.contactenergy.co.nz/annualreports.

Due to Tim Saunders' retirement from the Contact Board, as from 17 August 2009 his participation in the Directors' Share Scheme ceased, his trust was wound up and all shares held by the trustee were distributed to him pursuant to the rules of the trust.

Contact provides ongoing financial assistance in connection with the acquisition of Contact shares under the Directors' Share Scheme. The financial assistance will take the following form:

- Payment to the trustee of the Directors' Share Scheme (currently New Zealand Permanent Trustees Limited) of one third of the pre-tax base remuneration of those directors participating in the Directors' Share Scheme for the purposes of the trustee acquiring Contact shares on-market for the benefit of the director or the director's share receiving entity. The directors or director entities currently participating in the Directors' Share Scheme and therefore receiving the financial assistance are Bruce Beeren, Karen Moses, Pryke Pty Limited in respect of Phillip Pryke, the trustees of the John Milne Trust and the trustees of the Maureen Milne Trust in respect of John Milne, the trustee of the Fabco Trust in respect of Grant King, and the trustees of the Fifeshire Trust in respect of Susan Sheldon. If any existing or new director (or director entity) joins the Directors' Share Scheme during the next 12 months, the financial assistance will be provided to him/her in the same manner.
- Payment of the ongoing operating costs of the trust (trustee and brokerage fees). The operating costs incurred during the financial year were approximately \$10,000 (excluding GST). Although the exact amount of ongoing operating costs cannot be quantified in advance, Contact estimates that such costs will be approximately \$15,000 (excluding GST) per annum. These costs will be disclosed in or together with each subsequent financial assistance disclosure.

On 13 August 2009 the Contact Board resolved to continue to provide this financial assistance. The full text of the Board resolution is set out later in this document.

Employee long term incentive schemes

LTI Scheme

Contact's employee long term incentive scheme ("LTI Scheme") became effective from 1 July 2006. The LTI Scheme comprises a Restricted Share Plan and a Share Option Plan. See Contact's Annual Report, available at www.contactenergy.co.nz/annualreports, for further details. Under the Restricted Share Plan, Contact issues restricted ordinary shares to a trustee (currently New Zealand Permanent Trustees Limited), who holds the shares on trust for the participants. If the relevant hurdles are met at the end of the measurement periods, some or all of the shares will "vest" in the participant in accordance with the Restricted Share Plan rules.

The qualifying participants in the LTI Scheme as at 30 June 2009 were David Baldwin, Susan Baas, Steve Bielby, John Cumming, Jason Delamore, Frank Geoghegan, Phil Hawkey, Luc Hennekens, Kim Josling, Liz Kelly, James Kilty, Jo McKirdy, Ted Montague, John Rickerby, Ian Scherger, Murray Stanley, David Thomas, Mark Trigg and John Woods. Pursuant to the Restricted Share Plan, beneficial ownership of shares held by employees who ceased to be participants was transferred to the trustee into an unallocated pool, for allocation to participants at a future date.

The Board intends to extend participation in the LTI Scheme to approximately 40 additional senior and key employees of the company in the next allocation of restricted shares. The Board has decided to expand the current LTI Scheme to these additional individuals, in order to acknowledge not only their present worth to the business, but their potential to add significant future value. This will bring the total number of participants under the LTI Scheme in the 2010 financial year to approximately 60 employees.

The consideration for which the shares are issued is the "allocation price", which for restricted shares issued in the year ended 30 June 2009 was the weighted average market price of ordinary Contact shares traded on the NZSX over the 20 business days prior to the effective grant date. Payment by each participant of the allocation price is to be funded by way of an interest free loan from the company. Those loans must be repaid by the participating employee upon receipt of an equivalent bonus from the company to the participant if and when the shares vest in the participant.

During the period since the last financial assistance and substantial security holder disclosure notice was given to shareholders, one issue and allocation of restricted ordinary shares occurred:

Date of issue	Number of restricted ordinary shares issued	Number of restricted ordinary shares reallocated from unallocated pool	Allocation price (per share)
11 November 2008	104,712	19,247	\$8.6039

Further restricted ordinary share issues are expected to take place in the next 12 months.

Accordingly, within the next 12 months, Contact will provide financial assistance in connection with the LTI Scheme. The financial assistance will take the following form:

- ⊙ Interest free loans to the participants and, to the extent necessary, the trustee, of the LTI Scheme to enable them to acquire shares under the Restricted Share Plan. The total amount of the loans made to participants and the trustee under the LTI Scheme during the period since the last financial assistance disclosure document was given to shareholders is \$1,066,530.84 and \$496,960.45 respectively. The total amount of the loans that is outstanding under the LTI Scheme is \$2,259,636.27 (\$1,762,675.82 for participants and \$496,960.45 for the trustee). Contact is unable to determine the precise amount of any additional loans for further share issues or allocations within the next 12 months as it is dependent upon, among other things, the number of employees participating, the level of those employees' entitlements, the number of shares to be allocated, and the market price of the shares preceding the date on which such shares are allocated or deemed allocated. However, the total amount of the loans and numbers of restricted ordinary shares issued is expected to be significantly greater than the corresponding amount in the preceding 12 month period, given that participation in the LTI Scheme is intended to extend by a further approximately 40 participants to approximately 60 participants. If any further existing or new employee joins the LTI Scheme during the next 12 months, the financial assistance will be provided to him/her in the same manner. The total amount of the loans and numbers of restricted ordinary shares issued and allocated will be disclosed in or together with each subsequent financial assistance disclosure.
- ⊙ Payment of bonuses to the participants in order to repay outstanding loans to the extent that the performance hurdles are satisfied and shares become transferable to participants under the Restricted Share Plan. The first test date for restricted ordinary shares occurs on 1 October 2009. Should the performance hurdles be satisfied, up to 57,629 restricted ordinary shares may be transferable to participants, in which case bonuses of up to \$686,939.50 may be payable to participants to repay their outstanding loans. Contact is unable to determine the precise amount of any bonuses to be paid within the next 12 months as it is dependent upon the extent to which the performance hurdles may be satisfied as at the test date. However, the total number of restricted ordinary shares vesting and the amount of the bonuses paid will be disclosed in or together with each subsequent financial assistance disclosure.
- ⊙ Payment of the operating costs of the LTI Scheme. The operating costs incurred during the financial year were approximately \$23,000 (excluding GST). Although the exact amount of ongoing operating costs cannot be quantified in advance, Contact estimates that such costs will be approximately \$35,000 - \$45,000 (excluding GST) per annum, including the expected costs for the intended additional participants. If the number of participants in the LTI Scheme increases further, the operating costs of the LTI Scheme will also increase. The actual costs incurred will be disclosed in or together with each subsequent financial assistance disclosure.

On 13 August 2009, Contact's Board resolved to continue to provide this financial assistance to employees participating in the Restricted Share Plan and the trustee and for the operating costs of the LTI Scheme. The full text of the Board resolution is set out later in this document.

David Baldwin was appointed Managing Director of Contact on 16 March 2009. NZX has granted Contact an exemption from Listing Rule 7.6.4 to allow Mr Baldwin, as a director, to continue to receive financial assistance pursuant to the terms of the LTI Scheme. See Contact's Annual Report, available at www.contactenergy.co.nz/annualreports, for further details.

Legacy LTI Scheme

The LTI Scheme that applied up to 1 July 2006 (the "Legacy LTI Scheme") was established in August 2004 to increase the alignment between participants in the Legacy LTI Scheme and shareholders, and to reward participants for creation of shareholder wealth. The qualifying participants in the Legacy LTI Scheme as at 30 June 2009 were John Bole, Stephen Cross, Ross O'Neill and David Thomas.

In the period since Contact last provided financial assistance disclosures to shareholders, no hurdles were satisfied and therefore no shares were purchased on-market for the benefit of participants, and no brokerage fees were incurred. However, there will be a six-monthly reassessment of performance in relation to a hurdle that was not met in a previous measurement period and if that hurdle is met, up to 5,119 shares may be purchased on-market and vest with the participants.

Therefore, within the next 12 months, Contact may, if the performance hurdles are met, provide financial assistance in connection with the acquisition of Contact shares under the Legacy LTI Scheme. The financial assistance will take the following form:

- ⊙ The purchase of up to 5,119 shares on-market for the benefit of each participant. The exact number of shares or price or prices to be paid for shares acquired cannot be quantified in advance as it depends on whether the hurdles are met and the share price at the date of purchase (if any). However, the total amount of the price and number of shares purchased will be disclosed in or together with each subsequent financial assistance disclosure.
- ⊙ Payment of the ongoing operating costs of the Legacy LTI Scheme, specifically brokerage costs. Although the exact amount of operating costs cannot be quantified in advance, it is estimated that such costs will be approximately \$2,000 (excluding GST) per annum. These costs will be disclosed in or together with each subsequent financial assistance disclosure.

On 13 August 2009, Contact's Board resolved to provide this financial assistance to those participating in the Legacy LTI Scheme (subject to satisfaction of the relevant performance hurdles) and for the Legacy LTI Scheme's ongoing operating costs. The full text of the Board resolution is set out later in this document.

Board resolution

The full text of the Contact Board resolution approving the financial assistance referred to above is set out below:

Provision of financial assistance

- 1. Directors' Share Scheme:** The Company should continue to provide financial assistance as described below to participants in the directors' restricted share scheme ("the Scheme") to enable the trustee ("the Trustee", currently New Zealand Permanent Trustees Limited) of the Contact Directors' Remuneration Share Trust ("the Trust") to continue to acquire shares of the Company on trust for such participants. The financial assistance will take the form of:
 - (a) payment of one third of the pre-tax base remuneration in respect of the current and future directors participating in the Scheme or their share receiving entities to the Trustee for the purpose of the Trustee acquiring shares in the Company on trust for such directors/entities; and
 - (b) payment of the ongoing operating costs of the Trust (trustee and brokerage fees). It is estimated that such costs will be approximately \$15,000 (excluding GST) per annum.
- 2. LTI Scheme:** The Company should continue to provide financial assistance to employees participating in the Long Term Incentive Restricted Share Plan ("LTI Scheme"). The financial assistance will take the form of:
 - (a) interest free loans to the participating employees and, possibly, to the trustee (currently New Zealand Permanent Trustees Limited), to enable them to acquire shares under the LTI Scheme. The exact amount of such loans cannot be quantified in advance as it depends on, among other things, the level of employee participation, the number of shares to be allocated and the allocation price of those shares;
 - (b) payment of bonuses to participating employees to enable them to repay outstanding loans should performance hurdles be satisfied and shares become transferable to participants under the LTI Scheme; and
 - (c) payment of the operating costs of the LTI Scheme. It is estimated that such costs will be approximately \$35,000 - \$45,000 (excluding GST) per annum.
- 3. Legacy LTI Scheme:** The Company should, subject to satisfaction of the relevant performance hurdles, provide financial assistance as described below to participants in the Company's legacy (i.e., 2004) Long Term Incentive Scheme (the "Legacy LTI Scheme") who will be entitled to acquire shares following the end of specified measurement periods if the relevant performance hurdles are met. The financial assistance will take the form of:
 - (a) the purchase of the shares on-market for the benefit of each participant. The exact price or prices to be paid for shares acquired cannot be quantified in advance as it depends on the share price at the date of the purchase; and
 - (b) payment of the ongoing operating costs of the Legacy LTI Scheme, specifically brokerage costs. Although the exact amount of such operating costs cannot be quantified in advance, it is estimated that such costs will be approximately \$2,000 (excluding GST) per annum.
- 4.** Giving the financial assistance referred to at 1 to 3 above is in the best interests of the Company and is of benefit to those shareholders not receiving the assistance.
- 5.** The terms and conditions under which the financial assistance referred to at 1 to 3 above is to be given, are fair and reasonable to the Company and to those shareholders not receiving the assistance.
- 6.** The Company will, immediately after giving the financial assistance referred to at 1 to 3 above, satisfy the solvency test as defined in sections 4 and 77 of the Companies Act 1993.

Reasons for directors' conclusions

- 7. Directors' Share Scheme:** The reasons for the directors' conclusions in the resolution in respect of the Scheme are:
 - (a) giving the assistance is in the best interests of the Company, and is of benefit to those shareholders not receiving the financial assistance, because it incentivises the participating directors to help ensure that the Company performs for the benefit of all its shareholders;
 - (b) the terms and conditions are fair and reasonable to the Company and to those shareholders not receiving the assistance, because the costs of the Scheme are relatively small and are outweighed by the benefit of alignment of interests that will be achieved. In addition, the shares will be purchased on-market and therefore no dilution of existing shareholder interests will arise, the purchase is unlikely to have any impact on the share price, and any signalling effect from the purchase is likely to be minimal;
 - (c) immediately after giving the assistance, the Company will be able to pay its debts as they become due in the normal course of business and the value of the Company's assets will be greater than the value of its liabilities including contingent liabilities; and
 - (d) in respect of the reasons set out in (a) and (b) above, at the time of establishment of the Scheme the Company obtained an independent appraisal report from KPMG (prior to KPMG's appointment as Contact's auditors) which concluded that the financial assistance was fair to shareholders not receiving the assistance, and since receiving that report circumstances have not changed in any way that would materially impact on the conclusions reached.
- 8. LTI Scheme:** The reasons for the directors' conclusions in the resolution in respect of the LTI Scheme are:
 - (a) giving the assistance is in the best interests of the Company, and is of benefit to those shareholders not receiving the financial assistance, because it increases the alignment of participating employees and shareholders and rewards participating employees for the creation of shareholder wealth, and, therefore, creates incentives for the participating employees to strive to ensure that the Company performs for the benefit of all its shareholders;
 - (b) the terms and conditions are fair and reasonable to Contact and to those shareholders not receiving the assistance because the costs of providing the financial assistance are relatively small and are outweighed by the benefit of the alignment of interests that is achieved under the LTI Scheme;
 - (c) immediately after giving the assistance, the Company will be able to pay its debts as they become due in the normal course of business and the value of the Company's assets will be greater than the value of its liabilities including contingent liabilities; and

- (d) schemes of this kind are considered to be normal practice in New Zealand, with many organisations providing incentive schemes to their key employees. Such schemes are recognised as appropriate practices in ensuring key talent retention in the New Zealand market.

9. Legacy LTI Scheme: The reasons for the directors' conclusions in the resolution in respect of the Legacy LTI Scheme are:

- (a) giving the assistance is in the best interests of the company, and is of benefit to those shareholders not receiving the financial assistance, because it was designed to increase the alignment of participants and shareholders and reward participants for the creation of shareholder wealth, and therefore incentivised the participants to help ensure that Contact performed for the benefit of all its shareholders;
- (b) the terms and conditions are fair and reasonable to Contact and to those shareholders not receiving the assistance because the costs of the Legacy LTI Scheme are relatively small and are outweighed by the benefit of alignment of interests. In addition, any shares purchased will be purchased on-market and therefore no dilution of existing shareholder interests will arise, the purchase is unlikely to have any impact on the share price and any signalling effect from the purchase price is likely to be minimal;
- (c) immediately after giving the assistance, the Company will be able to pay its debts as they become due in the normal course of business and the value of the Company's assets will be greater than the value of its liabilities including contingent liabilities; and
- (d) schemes of this kind are considered to be normal practice in New Zealand, with many organisations providing incentive schemes to their senior executive staff. Such schemes are recognised as appropriate practices in ensuring key talent retention in the New Zealand market.

10. Disclosure document: In accordance with section 78(5) of the Companies Act 1993, the Company send to each shareholder of the Company a disclosure document complying with Section 79 of the Companies Act 1993 before providing the financial assistance.

Share Top Up Plan: financial assistance provided prior to termination

Contact's former Share Top Up Plan ("Plan") was established in late 2003 to provide shareholders with 5,000 or fewer shares the opportunity to acquire additional shares funded by their regular dividend payments. The Plan was terminated in February 2009 following the implementation of a Profit Distribution Plan.

In the financial assistance and substantial security holder disclosures provided to shareholders in September 2008, Contact undertook to provide the level of participation, price and number of shares acquired, and total amount of administration costs under the Plan, in or together with subsequent financial assistance disclosures.

As at 23 February 2009, immediately prior to termination of the Plan, there were approximately 34,870 shareholders participating in the Plan. During the financial year ended 30 June 2009:

- ⦿ the Plan operated once, with a dividend payment date of 23 September 2008. The number of shares that were acquired under the Plan was 689,227 and the share price was \$8.9385 per share.
- ⦿ Contact paid Computershare associated administration costs of approximately \$25,000 (excluding GST).

Substantial security holder disclosure

In accordance with section 35F of the Securities Markets Act 1988, Contact is required to provide shareholders with the following information.

As at 1 August 2009 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 shares
Origin Energy New Zealand Limited and its related bodies corporate (including Origin Energy Limited and Origin Energy Vic Holdings Limited)	Shareholder	300,956,306 ordinary shares

The total number of shares of Contact as at 1 August 2009 was 588,153,748, consisting of 585,314,624 listed ordinary shares, 2,571,104 ordinary shares held as treasury stock, and 268,020 restricted ordinary shares issued pursuant to the Contact Energy employee long term incentive scheme (the treasury stock and restricted ordinary shares are not tradeable and are not listed or quoted on the NZSX). The ordinary shares and restricted ordinary shares are voting securities, except the trustee holding the restricted ordinary shares on behalf of the participants has waived all voting rights in relation to those shares. The shares held as treasury stock are not voting securities. Accordingly, the total number of listed voting securities of Contact as at 1 August 2009 was 585,314,624.