

Governance

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) and has retail bonds listed on the New Zealand Debt Market (NZDX). The company's listing is under the trading code 'CEN'.

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

Distribution Policy

Contact's Distribution Policy is to maintain or grow distributions on a year-to-year basis while targeting an average distribution equivalent to approximately 80 per cent of net surplus over time.

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 2009, there were no 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 **2009 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 Managing Director; 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 Managing Director. 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. 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, 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 Managing Director establish the agenda for each Board meeting. Each month, as a standing item, the Managing Director 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 Managing Director 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 comprises a balance 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 changed during the financial year. On 16 March 2009, David Baldwin and Sue Sheldon were appointed to the Contact Board, and effective from 30 June 2009, Tim Saunders retired from the Contact Board.

Accordingly, from 30 June 2009, the Board comprises seven members as follows:

Grant King	Chairman and Origin Energy associate
Phillip Pryke	Deputy Chairman and Independent Director
David Baldwin	Managing Director and Origin Energy associate
Bruce Beeren	Origin Energy associate
John Milne	Independent Director
Karen Moses	Origin Energy associate
Sue Sheldon	Independent Director

Biographies of the current directors are set out on the company's website.

Independence of directors

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 officer 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 from the company (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 Sue Sheldon each held (and still hold) no 'Disqualifying Relationship' in relation to Contact and are therefore each independent directors. The Board also confirmed that until his retirement on 30 June 2009, Tim Saunders held no 'Disqualifying Relationship' in relation to Contact and was therefore an independent director.

This is because none of these directors fall 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 from the company, 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. David Baldwin is not considered to be an independent director because he is an executive of Contact and is also an associated person of substantial security holder Origin Energy New Zealand Limited. Grant King, Bruce Beeren, Karen Moses and David Baldwin were therefore not independent directors as at 30 June 2009.

Residence of directors

The NZSX Listing Rules and Contact's constitution require at least two directors to be ordinarily resident in New Zealand. David Baldwin, John Milne and Sue Sheldon satisfy this requirement (as did Tim Saunders up until his retirement on 30 June 2009).

Election and re-election of directors

The NZSX Listing Rules and Contact's constitution require that directors who have been appointed to fill a casual vacancy during a financial year must stand for election at the next Annual Meeting. Accordingly, David Baldwin and Sue Sheldon will stand for election at the 2009 Annual Meeting.

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, Grant King and Bruce Beeren will retire and stand for re-election at the 2009 Annual Meeting. (Karen Moses and Tim Saunders retired and were re-elected at the October 2007 Annual Meeting, and Phillip Pryke and John Milne retired and were re-elected at the October 2008 Annual Meeting.)

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.

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 or standing for election at the next Annual Meeting every year. In accordance with this practice, in July 2009:

- Contact undertook a formal assessment of the Board and the Board committees, and
- the Board reviewed the performance of Grant King, Bruce Beeren, David Baldwin and Sue Sheldon, being those directors required to retire and stand for re-election, or stand for election, at the 2009 Annual Meeting.

Board committees

The Board has four formally constituted committees – the Board Audit Committee, the Health, Safety and Environment Committee, the Nominations Committee and the Remuneration 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 (Chair), John Milne, Tim Saunders (until 30 June 2009) and Sue Sheldon (from 19 March 2009) meets to evaluate and approve various related party transactions with Origin Energy, which, in the financial year ended 30 June 2009, included gas processing arrangements, LPG prices and the related party transactions process.

In addition, Contact formed a Due Diligence Committee to oversee the due diligence process for the March 2009 retail bond issue. John Milne (Chair) and Bruce Beeren were members of the Due Diligence Committee.

Board Audit Committee

At the end of the financial year, the Board Audit Committee (BAC) comprised John Milne (Chair), Bruce Beeren, Tim Saunders (until 30 June 2009) and Sue Sheldon (from 16 March 2009). John Milne is a qualified Chartered Accountant, Sue Sheldon is a Fellow 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 on matters such as new accounting policies and adopting the financial statements for public release. The **Board Audit Committee Charter** is set out on the company's website.

The Managing Director 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

At the end of the financial year, the Health, Safety and Environment (HSE) Committee comprised Karen Moses (Chair), Phillip Pryke, John Milne and Tim Saunders (until 30 June 2009). Prior to 31 December 2008, the HSE Committee comprised all members of the Board.

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. These matters relate to those activities that 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 those 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.

Nominations Committee

At the end of the financial year, the Nominations Committee comprised Grant King (Chair), Phillip Pryke, Tim Saunders (until 30 June 2009) and Sue Sheldon (from 19 March 2009). The Nominations Committee's primary purpose is to ensure that the Board is comprised of individuals who are best able to discharge the responsibilities of Directors, and it also attends to other matters put to it, including director performance assessment and Managing Director appointment.

In the 2009 financial year, the Nominations Committee considered 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 and considered Board composition issues (including processes for the appointment of Sue Sheldon as a director and David Baldwin as Managing Director). In July 2009, the Nominations Committee considered the assessment of Grant King, Bruce Beeren, David Baldwin and Sue Sheldon's performance as directors ahead of their standing for election/re-election at the October 2009 Annual Meeting. The **Nominations Committee Charter** is set out on the company's website.

Remuneration Committee

At the end of the financial year, the Remuneration Committee comprised Phillip Pryke (Chair), Grant King, Tim Saunders (until 30 June 2009) and Bruce Beeren (from 19 March 2009). The Remuneration Committee's primary purposes are to review directors' fees, the Managing Director's remuneration package and performance, and the policy for remuneration of senior management, with a view to ensuring that the interests of employees and shareholders are aligned. These reviews form the basis of recommendations to the Board.

The Remuneration Committee met twice during the financial year and has met 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 Managing Director and Contact employees, including the level of directors' fees, employee short term incentives and the long term incentive scheme for senior and key employees. Details of director and executive remuneration arrangements are set out in the remuneration report section of this Annual Report. The **Remuneration Committee Charter** is set out on the company's website.

Attendance at meetings

During the financial year ending 30 June 2009, 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	Due Diligence
Grant King	13	N/A	1	2	1	N/A	N/A
Phillip Pryke	13	N/A	3	2	1	3	N/A
David Baldwin	13	4	3	2	1	3	4
Bruce Beeren	13	4	1	1	N/A	N/A	4
John Milne	13	4	3	N/A	N/A	3	4
Karen Moses	13	N/A	3	N/A	N/A	N/A	N/A
Sue Sheldon	4	1	N/A	N/A	N/A	N/A	N/A
Tim Saunders	13	4	2	1	1	3	N/A

Note: David Baldwin and Sue Sheldon were appointed to the Board on 16 March 2009. In respect of David Baldwin, the above table includes attendances as an observer on all committees, and as an observer on the Board prior to 16 March 2009.

Distribution plans

Profit distribution plan

Contact implemented a profit distribution plan in February 2009, which took effect from the 2009 interim distribution in March 2009.

Under the profit distribution plan, instead of distributing profits in the form of fully imputed dividends in cash, all shareholders receive distributions in the form of Contact shares (as a non-taxable bonus issue), but have the opportunity to have those shares, or a portion of them, bought back by Contact for cash as a fully imputed taxable dividend. This means that shareholders have the choice between retaining bonus shares and receiving cash, or a combination of both.

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

Share top up plan

Contact operated a share top up plan until February 2009, when it was terminated following the implementation of the profit distribution plan. The share top up plan provided shareholders holding 5,000 or fewer shares who were resident in New Zealand or Australia and who were not directors or associated persons of directors of Contact with the opportunity to acquire additional shares funded by their regular dividend payments.

During the financial year ended 30 June 2009, Contact provided financial assistance in connection with the ongoing costs associated with the share top up plan until it was terminated. The **disclosure document** which was sent to shareholders in September 2009 sets out the details of the financial assistance provided in connection with the plan 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 22 July 2009 (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.

Exercise of NZX disciplinary powers

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 regular basis.

Contact's **Annual** and **Half Year Reports** are posted on Contact's website. The annual financial statements are audited and this year the 31 December 2008 half year financial statements were also 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 Managing Director and Acting Chief Financial Officer have provided the Board with written confirmation that the company's financial statements for the year ended 30 June 2009 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and that they comply with New Zealand Equivalents to 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 **BAC Charter** 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 2009 was \$691,000. In addition, Contact paid \$186,000 to KPMG for a statutory audit as at 31 December 2008 in relation to the retail bond issue.

Contact also engaged KPMG to perform other assurance services. The amount payable in respect of the additional assurance services was \$63,104, comprising work relating to assurance procedures over a commercial model, and due diligence work relating to the retail bond issue.

Credit rating

As at the date of this Annual Report, Standard & 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.

The \$550 million unsubordinated, unsecured fixed rate bonds issued by Contact in March 2009 were assigned an initial rating of BBB by Standard & Poor's.

Donations

During the financial year ended 30 June 2009, in addition to the numerous sponsorships detailed in the **Sustainability Report**, Contact made donations amounting to \$93,573. No subsidiaries made any donations during the financial year ended 30 June 2009.

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.

There were no political donations made during 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 its committees 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. Regular reports on the company's risks are presented to the Board. 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.

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 Managing Director 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

Contact's Securities Trading 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, or pass on material information, 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), and
- 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 2009:

(a) Security dealings of directors

Contact directors disclosed the following transactions in Contact securities in the financial year ended 30 June 2009. Note that all dealings are in ordinary shares unless otherwise specified.

Director	Date of transaction	Consideration per security*	Number of securities acquired (disposed of)	Nature of relevant interest
G King	12/06/09	\$5.81	4,781	Restricted shares acquired on trust under the Contact GA King Director Remuneration Share Trust
P Pryke	27/08/08	\$8.44	1,935	Restricted shares acquired on trust under the Contact PJ Pryke Director Remuneration Share Trust
	03/10/08	\$7.70	1,624	
	24/02/09	\$5.86	2,140	
	03/04/09	\$6.00	2,083	
	27/08/08	NCBO	(1,694)	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
	27/08/08	NCBO	1,694	
	03/10/08	NCBO	(1,695)	
	03/10/08	NCBO	1,695	
	25/02/09	NCBO	(1,547)	
	25/02/09	NCBO	1,547	
	01/04/09	NCBO	(1,653)	
	01/04/09	NCBO	1,653	
	31/03/09	\$5.66	894	Acquisition of bonus issue shares pursuant to the Profit Distribution Plan (2009 interim distribution)
	31/03/09	\$5.66	769	
	02/04/09	NCBO	(894)	Transfer of bonus issue shares acquired pursuant to the Profit Distribution Plan (2009 interim distribution) from Contact PJ Pryke Director Remuneration Share Trust to Pryke Pty Limited, as beneficiary of Contact PJ Pryke Director Remuneration Share Trust
	02/04/09	NCBO	894	
D Baldwin	16/03/09	N/A	88,342 restricted ordinary shares	Initial disclosure on appointment as Managing Director: beneficial interest in, and conditional entitlement to become legal and beneficial owner of, ordinary shares under Contact's employee long term incentive scheme (Restricted Share Plan)
	16/03/09	N/A	525,547 options to acquire ordinary shares	Initial disclosure on appointment as Managing Director: options to acquire ordinary shares under Contact's employee long term incentive scheme (Share Option Plan)

* NCBO means no change in beneficial ownership.

Director	Date of transaction	Consideration per security*	Number of securities acquired (disposed of)	Nature of relevant interest	
B Beeren	27/08/08	\$8.44	1,291	Restricted shares acquired on trust under the Contact BG Beeren Director Remuneration Share Trust	
	06/10/08	\$7.50	1,111		
	24/02/09	\$5.86	1,426		
	03/04/09	\$6.00	1,389		
	25/02/09	NCBO	(1,032)	Transfer of unrestricted shares from Contact BG Beeren Director Remuneration Share Trust to Bruce Beeren	
	25/02/09	NCBO	1,032		
	01/04/09	NCBO	(1,102)		
	01/04/09	NCBO	1,102		
	31/03/09	\$5.66	238	Acquisition of bonus issue shares pursuant to the Profit Distribution Plan (2009 interim distribution)	
	31/03/09	\$5.66	21		
	02/04/09	NCBO	(238)	Transfer of bonus issue shares acquired pursuant to the Profit Distribution Plan (2009 interim distribution) from Contact BG Beeren Director Remuneration Share Trust to Bruce Beeren	
	02/04/09	NCBO	238		
	J Milne	27/08/08	\$8.44	644 + 645	Restricted shares acquired on trust under the Contact JHG Milne Director Remuneration Share Trust
		03/10/08	\$7.70	542 + 541	
24/02/09		\$5.86	712 + 713		
03/04/09		\$6.00	694 + 694		
27/08/08		NCBO	(564) + (565)	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	
27/08/08		NCBO	564 + 565		
03/10/08		NCBO	(565) + (565)		
03/10/08		NCBO	565 + 565		
25/02/09		NCBO	(515) + (516)		
25/02/09		NCBO	515 + 516		
01/04/09		NCBO	(551) + (551)		
01/04/09		NCBO	551 + 551		
31/03/09		\$5.66	280 + 280	Acquisition of bonus issue shares pursuant to the Profit Distribution Plan (2009 interim distribution)	
31/03/09		\$5.66	694		
31/03/09		\$5.66	378		
31/03/09		\$5.66	47		
02/04/09		NCBO	(280) + (280)	Transfer of bonus issue shares acquired pursuant to the Profit Distribution Plan (2009 interim distribution) 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	
02/04/09		NCBO	280 + 280		
06/04/09		NCBO	(47)	Transfer of bonus issue shares acquired pursuant to the Profit Distribution Plan (2009 interim distribution) from beneficially held shares into family trust, of which Mr Milne is a trustee	
06/04/09		NCBO	47		
30/04/09		NCBO	(2,415)	Transfer of beneficially held shares into family trust, of which Mr Milne is a trustee	
30/04/09		NCBO	2,415		
31/03/09	\$1.00	70,000 bonds	Acquisition of bonds as trustee and beneficiary of family trusts and as spouse of registered holder		
31/03/09	\$1.00	50,000 bonds			
31/03/09	\$1.00	30,000 bonds			

* NCBO means no change in beneficial ownership.

Director	Date of transaction	Consideration per security*	Number of securities acquired (disposed of)	Nature of relevant interest
K Moses	12/06/09	\$5.81	2,390	Restricted shares acquired on trust under the Contact KA Moses Director Remuneration Share Trust
S Sheldon	16/03/09	N/A	540	Initial disclosure on appointment as director of shares held in a trust for which Ms Sheldon is an independent trustee
	31/03/09	\$1.00	10,000 bonds	Acquisition of bonds by trust for which Ms Sheldon is an independent trustee
T Saunders	27/08/08	\$8.44	1,288	Restricted shares acquired on trust under the Contact TEC Saunders Director Remuneration Share Trust
	03/10/08	\$7.70	1,083	
	24/02/09	\$5.86	1,425	
	03/04/09	\$6.00	1,389	
	27/08/08	NCBO	(1,129)	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
	27/08/08	NCBO	1,129	
	03/10/08	NCBO	(1,130)	
	03/10/08	NCBO	1,130	
	25/02/09	NCBO	(1,031)	
	25/02/09	NCBO	1,031	
	01/04/09	NCBO	(1,102)	
	01/04/09	NCBO	1,102	
	31/03/09	\$5.66	498	Acquisition of bonus issue shares pursuant to the Profit Distribution Plan (2009 interim distribution)
	31/03/09	\$5.66	239	
	31/03/09	\$5.66	13	
02/04/09	NCBO	(498)	Transfer of bonus issue shares acquired pursuant to the Profit Distribution Plan (2009 interim distribution) from Contact TEC Saunders Director Remuneration Share Trust to TEC Saunders Family Trust as beneficiary of Contact TEC Saunders Director Remuneration Share Trust	
02/04/09	NCBO	498		
11/03/09	\$5.56	10,000	On-market disposal of shares	

* NCBO means no change in beneficial ownership.

(b) Directors' interests in transactions

General disclosures

As at 30 June 2009, the following directors had made the following general disclosures in the interests register of the company. Notices given or adjusted during the financial year ended 30 June 2009 are marked with an asterisk (*). Each such director will be regarded as interested in all transactions between Contact and the disclosed entity.

G King

Origin Energy Limited and Group companies	Managing Director/Shareholder/Employee
Energy Supply Association of Australia Limited (resigned in November 2008)*	Director/Chairman
Australian Petroleum Production and Exploration Association	Councillor

P Pryke	
ComTel Corporation Limited*	Director/Chairman
Co-Investor Capital Partners Pty Limited	Director/Shareholder
Frog Hollow Limited	Director/Shareholder
Goodman (NZ) Limited	Director
Goodman Property Aggregated Limited	Director
New Zealand Deer Farms Limited	Director/Shareholder
Novotech Pty Limited (resigned as director in October 2008)*	Director
Pauatahanui Projects Limited	Director/Shareholder
Pryke Pty Limited	Director/Shareholder
Tru-Test Corporation Limited*	Director
Tru-Test Pty Limited	Alternate Director
D Baldwin	
Origin Energy Limited*	Employee
B Beeren	
Origin Energy Limited and Group companies	Director/Shareholder and former Employee/Executive Director
Coal & Allied Industries Limited	Director
Equisuper Pty Limited	Director
ConnectEast Group*	Director
J Milne	
The New Zealand Wine Company Limited (including various wholly owned subsidiaries) (resigned as a director in October 2008)*	Director/Shareholder
The He Huarahi Tamariki Trust	Chairman/Trustee
Wellington City Council Audit and Risk Management Subcommittee	Independent Member
K Moses	
Origin Energy Limited and Group companies (appointed to Origin Energy Limited directorship March 2009)*	Director/Employee/Shareholder
Australian Energy Market Operator (Transitional) Limited*	Director
CSIRO, Energy and Transport Sector Advisory Council	Committee Member
UNSW, Australian School of Business Advisory Council*	
Energy and Water Ombudsman (Victoria) Limited	Director
Victorian Energy Networks Corporation (ceased operation in June 2009)*	Director
S Sheldon CNZM	
Christchurch International Airport Limited*	Deputy Chairman
Electronic Transaction Services Limited*	Director
FibreTech New Zealand Limited*	Chairman
Freightways Limited*	Director
National Provident Fund Board of Trustees*	Chairman
Reserve Bank of New Zealand*	Director
Sue Sheldon Advisory Limited*	Director
Smiths City Group Limited and subsidiaries*	Director
Wool Industry Network Limited*	Chairman
Wool Grower Holdings Limited*	Director
T Saunders	
Global Corporate Credit Limited (resigned as a director in February 2009)*	Director
L.E.K. Consulting Australasian Advisory Board	Advisory Board Member

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 2009 amongst directors of a portion of the \$1,500,000 remuneration pool (that pool having been approved by shareholders at the 2008 Annual Meeting). See page 40 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 2009, Contact's Board authorised the renewal of the Directors and Officers and Statutory Liability Insurance covers as at 31 March 2009 until 31 December 2009 and certified, in terms of section 162 of the Companies Act 1993, that this cover is fair to the company.

Remuneration report

Directors' remuneration

Directors' fees

The current total directors' fee pool is \$1,500,000 per annum. A total of \$852,651 was distributed in respect of the year ended 30 June 2009 as follows:

- Base director fees: \$679,445, distributed as follows:
 - Chairman (Grant King) – \$200,000 per annum, paid with effect from 1 November 2008.
 - Deputy Chairman (Phillip Pryke) – \$150,000 per annum.
 - Other non-executive directors – \$100,000 per annum each (note that Karen Moses's fees were paid with effect from 1 November 2008 and Sue Sheldon's fees were paid with effect from 16 March 2009).
 - Managing Director (David Baldwin) – Nil.
- Committee fees: \$173,206, distributed as follows:
 - \$22,500 and \$17,500 was distributed to John Milne and Bruce Beeren respectively for their additional workload as members of the Due Diligence Committee for Contact's March 2009 retail bond issue.
 - \$50,000 was distributed to John Milne in his capacity as Chair of the Board Audit Committee.
 - \$83,206 was distributed as committee fees.

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 Grant King, Phillip Pryke, Bruce Beeren, John Milne, Karen Moses, Sue Sheldon and Tim Saunders. Grant King and Karen Moses joined the Directors' Share Scheme effective from 1 November 2008 (the date they commenced receiving director fees), and Sue Sheldon joined effective from 16 March 2009. Tim Saunders's participation in the Directors' Share Scheme ceased following the final share purchase on 17 August 2009, using his director fees from the quarter ended 30 June 2009.

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 2009, 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 2009 and is available on the company's website.

The table below details the restricted shares of each of Contact's directors that became unrestricted under the Directors' Share Scheme during the financial year ended 30 June 2009.

Name	Date of acquisition	Date unrestricted	Number unrestricted	Original acquisition price
Phillip Pryke	16 November 2005	27 August 2008	1,694	\$6.67
	16 November 2005	3 October 2008	1,695	\$6.67
	21 February 2006	25 February 2009	1,547	\$7.29
	28 August 2006	1 April 2009	1,653	\$6.84
John Milne	16 November 2005	27 August 2008	1,129	\$6.67
	16 November 2005	3 October 2008	1,130	\$6.67
	21 February 2006	25 February 2009	1,031	\$7.29
	28 August 2006	1 April 2009	1,102	\$6.84
Tim Saunders	16 November 2005	27 August 2008	1,129	\$6.67
	16 November 2005	3 October 2008	1,130	\$6.67
	21 February 2006	25 February 2009	1,031	\$7.29
	28 August 2006	1 April 2009	1,102	\$6.84
Bruce Beeren	21 February 2006	25 February 2009	1,032	\$7.29
	28 August 2006	1 April 2009	1,102	\$6.84

Remuneration details of directors

Details of the total remuneration and the value of other benefits received by each director of Contact in their capacity as a director during the financial year ended 30 June 2009 are as follows:

Director	Position	Board fees		Committee fees	Total remuneration ⁵
		Cash	Restricted shares	Cash	
G King ¹	Chairman	\$88,889	\$44,444	–	\$133,333
P Pryke	Deputy Chairman	\$100,000	\$50,000	–	\$150,000
D Baldwin ²	Managing Director	–	–	–	–
B Beeren	Director	\$66,667	\$33,333	\$44,714	\$144,714
J Milne	Director	\$66,667	\$33,333	\$77,500	\$177,500
K Moses ¹	Director	\$44,445	\$22,222	\$10,000	\$76,667
S Sheldon ³	Director	\$19,630	\$9,815	\$7,842	\$37,287
T Saunders	Director	\$66,667	\$33,333	\$33,150	\$133,150
Total		\$452,965	\$226,480⁴	\$173,206	\$852,651

1 Grant King and Karen Moses received director fees with effect from 1 November 2008.

2 As an executive, David Baldwin does not receive fees in his capacity as a director. See page 42 for details of David Baldwin's remuneration.

3 Sue Sheldon became a director on 16 March 2009.

4 Due to trading period restrictions under Contact's Securities Trading Policy, purchases of restricted shares valued at \$72,314 of this total amount occurred on 17 August 2009.

5 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 senior and key employees, long term incentives.

Managing Director remuneration

David Baldwin, Managing Director of Contact, has been seconded to the role by his employer, Origin Energy Limited. During the term of the secondment, Contact will reimburse Origin Energy Limited for the cost of David Baldwin's salary and other employment benefits, except for restricted shares and options, which are provided directly by Contact. David Baldwin does not receive any director fees. The following table details the nature and amount of the remuneration earned by David Baldwin for the year ended 30 June 2009.

David Baldwin Managing Director	Remuneration paid			Equity rights (options and restricted shares) ¹				
	Fixed remuneration \$	Variable remuneration ² \$	Total \$	Number of options issued ³	Number of restricted shares issued ³	Value of equity rights issued and amortising during year ⁴ \$	Value of equity rights issued in past years amortising during year ⁴ \$	Total \$
Year ended 30 June 2009	838,856	246,000	1,084,856	220,652	31,020	143,030	395,642	1,623,528
Year ended 30 June 2008	725,000	431,375	1,156,375	98,485	17,269	81,250	268,333	1,505,958

¹ Although options and restricted shares are granted in October each year, they pertain to the at-risk component of the prior financial year's remuneration.

² 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 the relevant financial year. The amount was determined following the end of the relevant financial year after performance reviews.

³ Contact Energy Limited equity securities.

⁴ Options and restricted shares are subject to performance hurdles as described on page 48. 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 distributions that are not received until the restricted share vests. The value disclosed is the portion of the fair value of the equity rights allocated to the relevant reporting period. Options and restricted shares will only be convertible into ordinary unrestricted shares to the extent that performance hurdles are met. No options or ordinary shares vested in the 2008 or 2009 financial year.

David Baldwin has participated in Contact's long term incentive scheme for employees (LTI Scheme) since its inception. Contact relies on NZSX Listing Rule 7.3.9 to allow Mr Baldwin to continue to participate in the LTI Scheme following his appointment as Managing Director. On 23 July 2009, NZX Regulation granted a waiver in respect of NZSX Listing Rule 7.6.4(b)(iii) to allow Mr Baldwin to continue to receive financial assistance under the LTI Scheme. The full version of the **waiver** can be found on the company's website.

Movement during the reporting period in the number of options over ordinary shares and restricted shares held in Contact Energy Limited is set out in the following tables.

Restricted shares	Held at 1 July 2008	Granted as compensation	Vested during the year	Held at 30 June 2009
David Baldwin Managing Director	57,322	31,020	-	88,342

Options	Held at 1 July 2008	Granted as compensation	Exercised	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
David Baldwin Managing Director	304,895	220,652	-	525,547	-	-

Short term incentives

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

Contact's short term incentives (STIs) comprise cash payments based on performance measured against key performance indicators (KPIs). For the year ended 30 June 2009, 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 STI 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 employees.

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 was introduced for the year ended 30 June 2007 and beyond.

Following the satisfaction of performance hurdle measurements, shares were purchased on-market for the benefit of participants in the Legacy LTI scheme in August 2007 and August 2008. Those share purchases were disclosed in the **2008 Annual Report**. No further shares were purchased during the financial year.

There will be six-monthly reassessments of performance in relation to hurdles not met until 30 June 2010. 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 2009 and is available on the company's website.

Employee Long Term Incentive Scheme

In formulating the new employee long term incentive scheme (LTI Scheme) in 2006, Contact determined that a combination of share options and restricted shares was desirable to ensure incentives align senior and key employees' 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 employees – 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 reflect individual participants' performance in the preceding financial year and potential in future years.

Under the Plans, for the year ended 30 June 2009, 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 2009 are set out on page 48. 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 participant's salary) by the fair value of the share options and restricted shares.

In the year ended 30 June 2009, there were 19 participants in the LTI Scheme. The Board intends to extend participation in the LTI Scheme to approximately 40 additional senior and key employees of the company in the October 2009 allocation of share options and 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 also their potential to add significant future value. This will bring the total number of participants under the LTI Scheme to approximately 60 employees.

Share Option Plan

Under the Share Option Plan, the Board issues share options to participants 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 2009, 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 2009 are described on page 48. 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	81,245 ¹	30 November 2011	No	Nil
18,361	20 November 2006	\$7.55	1 October 2009	18,361 ²	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	176,295 ³	30 November 2012	No	Nil
22,706	1 February 2008	\$7.63	1 October 2010	7,698 ⁴	30 November 2012	No	Nil
881,769	1 October 2008	\$8.60	1 October 2011	210,850 ⁵	30 November 2013	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), 2 July 2008 (13,808 options) and 31 July 2009 (32,821 options).

2 Due to the cessation of employment of participants, all 18,361 options from this tranche lapsed pursuant to the Share Option Plan Rules on 31 December 2008.

3 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), 2 July 2008 (33,656 options), 31 December 2008 (47,457 options) and 31 July 2009 (50,455 options).

4 Due to the cessation of employment of participants, 7,698 options from this tranche lapsed pursuant to the Share Option Plan Rules on 24 December 2008.

5 Due to the cessation of employment of participants, options from this tranche lapsed pursuant to the Share Option Plan Rules on the following dates: 24 December 2008 (19,871 options), 31 December 2008 (57,065 options) and 31 July 2009 (133,914 options).

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:

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

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 2009, 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 2009 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 taxable bonus, out of which the participant must 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 nor used for security.

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 issued	Number reallocated from unallocated pool (see following)	Effective grant date	Allocation price per share	First test date	Final test date	Number transferred to unallocated pool (see following)	Number released
70,890	Nil	1 July 2006	\$7.35	1 October 2009	1 October 2011	15,765	Nil
3,581	Nil	20 November 2006	\$7.55	1 October 2009	1 October 2011	3,581	N/A
2,504	Nil	15 January 2007	\$8.28	1 October 2009	1 October 2011	Nil	Nil
83,242	2,737	1 October 2007	\$9.15	1 October 2010	1 October 2012	30,913	Nil
3,091	1,156	1 February 2008	\$7.63	1 October 2010	1 October 2012	1,440	Nil
104,712	19,247	1 October 2008	\$8.60	1 October 2011	1 October 2013	29,641	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 58,200 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.

Original issue date	Number of restricted shares transferred to unallocated pool	Date of transfer to unallocated pool	Number of shares reallocated to a participant	Date of reallocation to participant
21 June 2007	2,737	7 September 2007	2,737	31 October 2007
	3,980	30 June 2008	3,980	11 November 2008
	2,679	2 July 2008	2,679	11 November 2008
	3,581	31 December 2008	Nil	N/A
	6,369	31 July 2009	Nil	N/A
31 October 2007	1,156	3 December 2007	1,156	25 February 2008
	3,180	2 April 2008	3,180	11 November 2008
	3,507	30 June 2008	3,507	11 November 2008
	5,901	2 July 2008	5,901	11 November 2008
	8,322	31 December 2008	Nil	N/A
25 February 2008	8,847	31 July 2009	Nil	N/A
	1,440	24 December 2008	Nil	N/A
11 November 2008	2,794	24 December 2008	Nil	N/A
	8,022	31 December 2008	Nil	N/A
	18,825	31 July 2009	Nil	N/A

Hurdles

Broadly, the number of unrestricted ordinary shares to which a participant is entitled under the Plans is determined by achievement of a predetermined hurdle or hurdles. For the restricted shares and share options issued in the year ended 30 June 2009, 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 2009, participants' vesting entitlements will be calculated on three test dates, being 1 October 2011, 1 October 2012 and 1 October 2013.

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 predetermined formula relative to achievement of the predetermined hurdle or hurdles. For the restricted shares and share options issued in the year ended 30 June 2009, 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 who, in their capacity as employees, received remuneration and other benefit entitlements (including redundancy payments) during the year ended 30 June 2009 of at least \$100,000. As at 30 June 2009, no Contact subsidiary held any employees.

The remuneration figures analysed include all monetary payments actually paid during the course of the year ended 30 June 2009, including the short term variable remuneration relating to the 30 June 2008 financial year. The figures do not include amounts paid post 30 June 2009 that related to the period ended 30 June 2009.

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 2009.

The remuneration (and any other benefits) of the Managing Director, David Baldwin, is disclosed in the Managing Director remuneration section on page 42.

Remuneration bands	Number of employees	
	Parent	Subsidiaries
\$100,000-\$110,000	45	-
\$110,001-\$120,000	49	-
\$120,001-\$130,000	44	-
\$130,001-\$140,000	18	-
\$140,001-\$150,000	17	-
\$150,001-\$160,000	18	-
\$160,001-\$170,000	11	-
\$170,001-\$180,000	6	-
\$180,001-\$190,000	5	-
\$190,001-\$200,000	7	-
\$200,001-\$210,000	6	-
\$210,001-\$220,000	3	-
\$220,001-\$230,000	2	-
\$230,001-\$240,000	4	-
\$240,001-\$250,000	6	-
\$250,001-\$260,000	2	-
\$260,001-\$270,000	1	-
\$270,001-\$280,000	1	-
\$280,001-\$290,000	1	-
\$310,001-\$320,000	1	-
\$340,001-\$350,000	1	-
\$360,001-\$370,000	1	-
\$370,001-\$380,000	2	-
\$440,001-\$450,000	1	-
\$450,001-\$460,000	1	-
\$490,001-\$500,000	2	-
\$540,001-\$550,000	1	-
\$550,001-\$560,000	1	-
\$560,001-\$570,000	1	-
\$580,001-\$590,000	1	-
\$620,001-\$630,000	1	-
\$730,001-\$740,000	1	-
Total	261	-

Contact subsidiaries – directors and remuneration

Other than Paul Smith, who received the Australian dollar equivalent of \$57,489 in the year ended 30 June 2009 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 2009.

Contact subsidiary	Directors
Contact Aria Limited	David Baldwin Elizabeth Kelly
Contact Australia Pty Limited	David Baldwin Elizabeth Kelly Paul Smith
Contact Operations Australia Pty Limited	David Baldwin Elizabeth Kelly Paul Smith
Contact Wind Limited	David Baldwin Mark Trigg Alistair Yates
Empower Limited ¹	David Baldwin Jason Delamore
Rockgas Limited ²	David Baldwin Mark Trigg
Rockgas Holdings Limited ²	David Baldwin Mark Trigg
Stratford Power Limited ³	Elizabeth Kelly Mark Trigg

¹ Kim Josling was a director of Empower Limited until 13 March 2009, when she was replaced by David Baldwin.

² John Cumming was a director of Rockgas Limited and Rockgas Holdings Limited until 22 December 2008.

³ Kim Josling was a director of Stratford Power Limited until 13 March 2009, when she was replaced by Elizabeth Kelly.

Effective from 31 July 2009, Mark Trigg resigned as a director of Contact Wind Limited, Rockgas Limited, Rockgas Holdings Limited and Stratford Power Limited. Graham Cockroft was appointed as a director of Contact Wind Limited on 31 July 2009.

Security holder 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 3 August 2009 (including holdings within New Zealand Central Securities Depository Limited)

Origin Energy Pacific Holdings Limited	296,487,002
HSBC Nominees (New Zealand) Limited A/C State Street	23,451,830
National Nominees New Zealand Limited	23,024,228
New Zealand Superannuation Fund Nominees Limited	15,072,756
Accident Compensation Corporation	9,674,910
Citibank Nominees (New Zealand) Limited	7,999,557
Premier Nominees Limited – ING Wholesale Australasian Share Fund	6,769,380
Custodial Services Limited	5,827,956
NZGT Nominees Limited – AIF Equity Fund	5,793,463
Tea Custodians Limited	5,071,853
HSBC Nominees (New Zealand) Limited	4,669,907
FNZ Custodians Limited	3,724,884
Origin Energy Universal Holdings Limited	3,670,257
AMP Investments Strategic Equity Growth Fund	3,265,154
Asteron Life Limited	3,046,537
ANZ Nominees Limited	2,833,268
Investment Custodial Services Limited	2,783,064
Custody and Investment Nominees Limited	2,681,746
Masfen Securities Limited	2,544,863
Guardian Trust Investment Nominees (RWT) Limited	2,383,476
Total top 20 holders (excluding Treasury Stock)	430,776,091
Total other shares (excluding Treasury Stock)	154,538,533
Total issued shares¹ (excluding Treasury Stock)	585,314,624
Total Treasury Stock (held by Contact Energy Limited)	2,571,104
Total issued shares¹	587,885,728

1 Calculations exclude 268,020 restricted ordinary shares issued pursuant to Contact's employee long term incentive scheme.

Distribution of Quoted Security Holders and security holdings as at 3 August 2009

Ordinary Shares

Size of holding	Number of holders	% of holders	Number of shares ¹	% of shares
1 – 99 shares	847	1.02	22,446	0.00
100 – 199 shares	565	0.68	80,430	0.01
200 – 499 shares	14,061	16.90	5,368,663	0.92
500 – 999 shares	37,419	44.97	28,718,069	4.91
1,000 – 1,999 shares	17,703	21.27	21,037,904	3.59
2,000 – 4,999 shares	8,187	9.84	24,393,202	4.17
5,000 – 9,999 shares	2,874	3.45	18,353,359	3.14
10,000 – 49,999 shares	1,403	1.69	22,985,083	3.93
50,000 – 99,999 shares	70	0.08	4,621,363	0.79
100,000 – 499,999 shares	50	0.06	9,616,796	1.64
500,000 – 999,999 shares	7	0.01	5,228,028	0.89
1,000,000 shares and above	29	0.03	444,889,281	76.01
Total	83,215	100.00	585,314,624	100.00

¹ Calculations are based on the number of ordinary shares quoted and listed on the New Zealand Stock Market as at 3 August 2009 and exclude 2,571,104 ordinary shares held as treasury stock and 268,020 restricted ordinary shares issued pursuant to Contact's employee long term incentive scheme.

Bonds

Size of holding	Number of holders	% of holders	Number of bonds	% of bonds
5,000 – 10,000 bonds	2,974	31.44	25,096,000	4.56
10,001 – 25,000 bonds	2,977	31.47	58,987,000	10.72
25,001 – 50,000 bonds	2,321	24.53	96,001,000	17.46
50,001 – 100,000 bonds	766	8.10	67,988,000	12.36
100,001 – 500,000 bonds	360	3.80	85,353,000	15.52
500,001 – 1,000,000 bonds	32	0.34	28,658,000	5.21
1,000,001 bonds and above	30	0.32	187,917,000	34.17
Total	9,460	100.00	550,000,000	100.00

Substantial security holders

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 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	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.

Securities of the company in which each director has a relevant interest as at 30 June 2009

Director	Number of ordinary shares	Number of bonds	Number of restricted ordinary shares	Number of options
G King	4,781	Nil	N/A	N/A
P Pryke	89,282	Nil	N/A	N/A
D Baldwin	Nil	Nil	88,342	525,547
B Beeren	14,881	Nil	N/A	N/A
J Milne	89,379	150,000	N/A	N/A
K Moses	2,390	Nil	N/A	N/A
S Sheldon	540	10,000	N/A	N/A
T Saunders	30,665	Nil	N/A	N/A

Directors' statement

This Annual Report is dated 4 September 2009 and is signed on behalf of the Board by



G King
Chairman



P Pryke
Deputy Chairman