

## **Dear Shareholder**

**I believe we will look back on this year as a turning point, strongly positioning Contact for the future. We have seen change, delivered new initiatives and in November 2015 we will proudly celebrate 20 years in business as Contact. While some things change, our focus remains on the fundamental drivers that set our company apart.**

*Contact*<sup>®</sup>

2015 has been a year of significant activity. Our ownership has changed and the Board will be refreshed as a result. We have integrated Te Mihi geothermal power station and our new customer service and billing system into our business, improving our performance while remaining competitive. We played an important role in the ongoing operation of the Tiwai Aluminium Smelter and announced the closure of the Ōtāhuhu power station. On top of this we made great strides in improving our safety performance and culture. All this, while operating in one of the most competitive retail electricity markets in the world.

#### Performance for the year ended 30 June 2015

# \$133<sub>m</sub>

Profit for the year,  
down 43 per cent

# \$363<sub>m</sub>

Free cash flow<sup>1</sup>,  
up 21 per cent

# 76<sub>cps</sub>

Total shareholder  
distributions,  
up 192 per cent

- Free cash flow is a non-generally accepted accounting practice (non-GAAP) measure of the cash generating performance of the business and represents cash available to fund distributions to shareholders and growth capital expenditure. Free cash flow is equal to cash flows from operating activities less stay in business capital expenditure interest costs and transition costs included within other significant items.
- EBITDAF and underlying earnings after tax are non-GAAP profit measures. EBITDAF is earnings before net interest expense, tax, amortisation, change in fair value of financial instruments and other significant items. Underlying earnings after tax is statutory profit excluding significant items that do not reflect the ongoing performance of the Group. The CEO monitors EBITDAF and underlying earnings after tax as key indicators of Contact's performance and believes they assist investors in understanding the performance of the core operations of the business. Reconciliations of EBITDAF to underlying earnings after tax and from underlying earnings after tax to Group statutory profit is provided in Note 2 of Contact's audited financial statements, on page 57.

#### 2015 a year of transition

Much of this year's efforts have been focused on the successful integration of Te Mihi power station and our new customer service and billing system which were implemented at the end of the 2014 financial year (FY14). While both projects have created challenges, we are now positioned with a diverse generation portfolio that reduces cost and increases flexibility, and have a retail system that can support our business into the future.

Uncertainty about the continued operation of the Tiwai Aluminium Smelter has hung over the market for some time, and our contract with Meridian to support their agreement with Tiwai is important for the whole energy sector as well as the communities of Southland.

In August 2015, we underwent another change as Origin Energy sold its 53 per cent shareholding in Contact. As a result of these changes I was confirmed as a permanent employee of Contact, and 3 members of our Board resigned from their positions. We have commenced the process of finding suitable replacements for departing directors, including Bruce Beeren, who will retire at the next annual general meeting. As part of this process we will appoint a chairman from the new directors and fill the remaining positions, taking into consideration the existing directors' skills and also the changing nature of the energy business and the way in which customers want to interact with us.

#### Intense competition in the market has impacted on our earnings, however, free cash flow improvements allowed increased distributions for shareholders

Our profit for the year was \$133 million; \$101 million (43 per cent) lower than the prior corresponding period due to continued margin pressure in the retail electricity business, an unfavourable movement in the fair value of financial instruments and transition costs from the Retail Transformation project and associated activities. This was partially offset by a reduction in tax expense including a \$16 million tax adjustment for depreciation on powerhouses.

Our underlying earnings<sup>2</sup> after tax were \$161 million, \$66 million (29 per cent) lower than FY14 reflecting lower retail margins reducing EBITDAF<sup>2</sup> and increased depreciation and interest costs following the completion of our significant capital programme. Free cash flow<sup>1</sup> was \$363 million, up \$64 million (21 per cent) due to natural gas inventory movements and favourable retail collections more than offsetting the reduction in EBITDAF.

In May 2015, the Contact Board of Directors announced a revised distribution policy to pay an average ordinary dividend equivalent to 100 per cent of underlying earnings after tax. In line with this policy the Board resolved that the final distribution to shareholders for financial year 2015 (FY15) would be 15 cents per share which will be unimputed following Contact's imputation credit balance being reduced to zero after the sale by Origin Energy. With no near-term opportunities for capital investment it was pleasing that total dividends for the year were 76 cents per share, including a 50 cents per share special dividend in June 2015. The Board has also announced its intention to conduct a share buy-back programme commencing in the first half of financial year 2016 (FY16).

#### Competing strongly in an intense retail market

New Zealand's retail electricity market remains amongst the most competitive in the world. While we were able to keep our volume of electricity sold flat, the downward pressure of discounting and the high market churn of customers resulted in the earnings from our customer business not being as strong as we would have wanted.

Any system build and change like the size and scale of our SAP customer service and billing system implementation comes with its challenges and, yes, it's fair to say we have encountered a number ourselves as we have stabilised and integrated our new system into the day to day running of the business. The problems we have encountered were not a complete surprise when you consider we consolidated 20 legacy computer systems

into one and migrated the millions of data points of half a million customers. However, with this behind us we now have a world-class platform that we can build the future customer business from.

#### **Increase in renewable energy and the closure of Ōtāhuhu power station**

In the generation and trading business, cost of energy was stable at \$35 per megawatt hour as total generation increased 3 per cent to offset additional purchases. The generation from Te Mihi geothermal power station and reduced thermal generation resulted in Contact's percentage of generation from renewable fuel increasing from 69 per cent to 76 per cent.

In August this year we made the announcement that we were closing Ōtāhuhu power station. Closing a power station is never a decision that is taken lightly, and our decision came after extensive analysis of the needs of the current and future market. Over the past 5 years significant extra renewable generation has come on line, including our own Te Mihi geothermal power station. This renewable generation has been displacing thermal (gas or coal-fired) generation meaning that our combined-cycle gas-fired power stations were only utilised at 24 per cent of their capacity in FY15.

Prior to our decision to close, we called for tenders on the remaining hours of operation left in Ōtāhuhu to test whether there was demand in the market for thermal generation. There was no interest and therefore we made the final decision to close the power station. We are supporting the people whose roles are impacted by this decision, looking for internal opportunities as well as assisting them in looking for roles outside of Contact.

We have also announced plans to complete a major maintenance programme that will ensure we are able to provide an additional 24,000 hours of efficient baseload generation from our Taranaki combined-cycle gas-fired power station after the closure of Ōtāhuhu.

#### **Significant improvement in our health and safety performance**

Safety remains our number one priority. In FY15, we saw a 55 per cent reduction in our Total Recordable Injury Frequency Rate (TRIFR), which we use to measure our safety performance. Our TRIFR, calculated as total recordable injuries for employees per million hours worked, was 1.9 in FY15, representing 7 people hurt. This was below our target TRIFR of 3.2 for the year, and represents a significant improvement since 2011. We are not satisfied with injuries to 7 of our people during a total of 3.7 million hours worked, and continue to focus on our safety culture and improve our safety performance.

In FY15, we launched an integrated safety programme to help improve our process safety performance and capability, and simplify our safety processes. This will be a major programme of work for Contact, and will help us to improve our critical process safety controls.

We believe that everyone should expect to go home from work in the same condition that they arrived in, and to help us achieve this goal we have focused on advancing our generative safety culture, while pursuing our target of zero harm.

#### **Taking care of the resources that come under our control**

We continue to manage our impact on the natural environment through compliance with the 220 resource consents across our operational sites. We have reduced our Emissions Trading Scheme (ETS) obligations by 33 per cent in the last calendar year. Water quality and access, and biodiversity continue to be high priorities for us as the ongoing competing interests and values of water and ecosystems hold centre stage for New Zealand. Contact is working on developing a strategy for how we will care for and manage these resources which are critical to the sustainability of our business.

#### **Building strong relationships with our communities based on trust**

We pride ourselves on our ability to build and maintain strong relationships with our stakeholders, particularly in the communities within which we operate. In FY15 we invested \$559,000 into initiatives that supported a range of community and social outcomes.

We continue to engage with our tangata whenua partners towards ensuring that we are recognising and providing for the unique relationship that exists between tangata whenua and their tāonga (treasures).

As we are still early on in the sustainability journey, we have yet to create a set of targets for each of our focus areas. However we have aspirational priorities that we elaborate on throughout this report.

#### **Looking forward**

After a year of mixed results, improvements across all areas of the business are expected in FY16. The completion of maintenance outages at the geothermal power stations will see increased availability with generation expected to exceed 3,300 gigawatt hours (GWh) in FY16.

In the retail business, our customer service and billing system provides a platform for efficiency and innovation in a highly competitive market. While retail margins are expected to remain under pressure, I expect a reduction in the cost to serve our customers in FY16 that will provide a positive contribution to profits above the increase in interest and depreciation costs from the retail system. We will continue to review our pricing and product offerings to ensure that customers are provided with profitable services that they value.

Despite the announcement of gas and coal-fired power stations closing, thermal generation will continue to play an important role in the future of New Zealand electricity generation. Contact is well positioned to support this transition through the Ahuroa gas storage facility and if required a pipeline of thermal peaking developments.

Lastly, I have no doubt of the challenges in the years ahead, but I am excited and confident that as we enter our 21st year Contact will continue to prosper.

*Dennis Barnes*

**Dennis Barnes**  
Chief Executive Officer



We are one of New Zealand's largest listed companies but we operate with the same genuine concern for our customers and communities as the smallest.

We are integral to our customers' lives – and our customers are integral to us.

This Annual Report is dated 3 September 2015 and is signed on behalf of the Board by:



**Phil Pryke**  
Director



**Sue Sheldon**  
Director

# Contents

Page 1

CEO review

Page 6

Our Board

Page 7

Our Leadership Team

Page 9

Contact at a glance

What makes us tick? 10

Ngā tikanga 11

Generation portfolio 12

New Zealand from head to toe 14

Our business model 16

About our customers 18

Page 21

Our 7 material themes

Every dollar counts 23

Steering the way to a reliable,  
renewable, safe supply 24

Valuing our customers 26

Safety first, last and always 28

Building high flying teams 30

Getting on board  
with our communities 32

Looking after our ecosystems 34

Governance 38

Remuneration Report 44

Statutory Disclosures 47

Financial Statements 51

Independent Auditor's Report 70

Sustainability Reporting 71

Corporate Directory 80

# Our Board



1

## 1. Phil Pryke

Interim Chairman and Independent Non-Executive Director

### Term of office

Appointed director 8 November 1995, last re-elected 2012 annual meeting.

### Board committees

Chairman of the Nominations Committee and Remuneration Committee and member of the Health, Safety and Environment Committee and Risk Committee.

Phil Pryke has been involved with Contact since its establishment in 1995 and was the chairman of the Board until October 2004.

Phil is a board member of Goodman Group, a director of North Ridge Partners Pty Limited, Tru-Test Corporation Limited, and Goodman (NZ) Limited. His previous roles include vice president, global sales and client solutions – Asia Pacific at Electronic Data Systems (EDS), chief executive of Nextgen Networks and chief executive officer of Lucent Technologies Australia Pty Limited. Phil has management and governance experience in a diverse range of industries including the energy sector, fishing, financial services, health, and technology industries. He holds a Bachelor of Economics degree from the University of Sydney.

## 2. Bruce Beeren

Independent Non-Executive Director

### Term of office

Appointed director 1 October 2004, last re-elected 2012 annual meeting.

### Board committees

Member of the Board Audit Committee, Remuneration Committee and Risk Committee.

With over 40 years' experience in the energy industry, Bruce's previous roles include chief executive officer of VENCORP, the Victorian gas system operator, and several senior management positions at Origin Energy and AGL, including chief financial officer. He is a director of Equipsuper Pty Limited, The Hunger Project Australia Pty Limited and Veda Group Limited. He is also a former director of Origin Energy Limited, ConnectEast Group, Coal & Allied Industries Limited, Envestra Limited and Veda Advantage Limited. Bruce has degrees in science and commerce and a Master of Business Administration from the University of New South Wales. He is a fellow of CPA Australia and the Australian Institute of Company Directors.

## 3. Whaimutu Dewes

Independent Non-Executive Director

### Term of office

Appointed director 22 February 2010, last re-elected 2013 annual meeting.

### Board committees

Chairman of the Health, Safety and Environment Committee and member of the Board Audit Committee, Nominations Committee, Remuneration Committee and Risk Committee.

Whaimutu Dewes is of Ngāti Porou and Ngāti Rangitahi descent and lives in Rotorua. He is the chairman of Aotearoa Fisheries Limited and is a non-executive director on the Treasury Board. His former directorships include the Housing New Zealand Board, Television New Zealand Limited and the AMP New Zealand Advisory Board, and he was deputy chairman of Sealord Group between 1992 and 2008. Whaimutu has also held senior management roles at Fletcher Challenge and the Department of Māori Affairs. Whaimutu has a Master's degree in public administration and degrees in arts and law.

## 4. Sue Sheldon CNZM

Independent Non-Executive Director

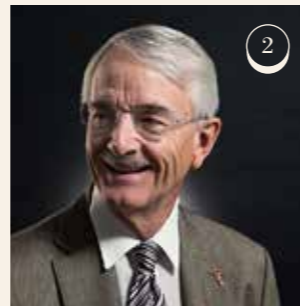
### Term of office

Appointed director 16 March 2009, last re-elected 2014 annual meeting.

### Board committees

Chairman of the Board Audit Committee, member of the Health, Safety and Environment Committee, Nominations Committee and Risk Committee.

Sue Sheldon is a professional company director. She is the chairman of Freightways Limited and Paymark Limited. Her former directorships include chairman of Chorus Limited, deputy chairman of the Reserve Bank of New Zealand and Christchurch International Airport Limited, a former director of Smiths City Group Limited and former chairman of the board of trustees of the National Provident Fund. Prior to moving into a professional director role, Sue practised as a chartered accountant. She is a former president of the New Zealand Institute of Chartered Accountants and was made a Companion of the New Zealand Order of Merit in the Queen's Birthday Honours List in 2007 for services to business.



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# Our Leadership Team



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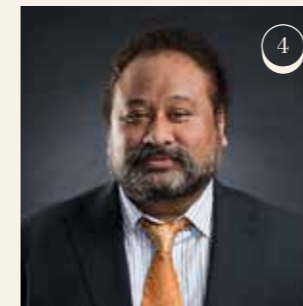
“Our commitment to sustainability is premised on our belief that we are an intergenerational company whose success relies on thriving New Zealand ecosystems, on communities that are diverse and flourishing and on good business decisions led by our tikanga that achieves the aspirations of our shareholders. These beliefs drive us today and for tomorrow.”



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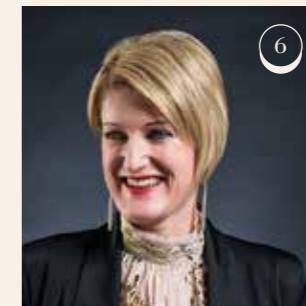
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7

## 1. Dennis Barnes

Chief Executive Officer

## 2. Graham Cockcroft

Chief Financial Officer

## 3. Mark Corbitt

General Manager, Information and Communication Technology

## 4. Venasio-Lorenzo Crawley

Chief Customer Officer

## 5. James Kilty

Chief Generation and Development Officer

## 6. Tania Palmer

General Manager, Health, Safety and Environment

## 7. Nicholas Robinson

General Manager, Corporate Affairs

## 8. Annika Streefland

General Manager, People and Culture

## 9. Catherine Thompson

General Counsel

## Contact at a glance

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**We have 562,000 customer connections and we help to keep the lights burning, the hot water flowing and the BBQs fired up for homes and businesses across the country. We're one of New Zealand's largest electricity generators and retailers.**

## What makes us tick?

It's people, and how we can make their lives more comfy, safe and rewarding. We supply electricity, natural gas and LPG to a wide spectrum of customers, with a focus on delivering great value, products and service across the board. To help us do that, and respond more efficiently to changing market conditions, we've built a more flexible portfolio by investing in new power generation assets and gas storage in recent years.



Generation by type for the year ended 30 June

Generation type	2015	2014
Hydro (GWh <sup>1</sup> )	4,119	4,056
Geothermal (GWh)	3,074	2,332
Thermal (GWh)	2,321	2,865
<b>Total</b>	<b>9,514</b>	<b>9,253</b>

1. Gigawatt hours.



Customer connections by energy type as at 30 June

Energy type	2015	2014
Electricity	430,000	437,500
Natural gas	61,500	63,000
LPG	70,500	67,000
<b>Total</b>	<b>562,000</b>	<b>567,500</b>

## Our purpose is to help New Zealanders live more comfortably with energy

What we believe in, our compass or our 'tikanga', guides how we bring our purpose to life. It's our set of beliefs, and values expressed as a series of principles and commitments

### OUR PRINCIPLES

These provide guidance for making decisions every day

- 01. We conduct ourselves and our business with due care and in accordance with relevant laws and regulations. We have an overriding duty to ensure the health and safety of our employees, and to minimise the health, safety and environmental impacts on our customers and the communities in which we operate.
- 02. We will add value to the resources that come under our control.
- 03. The value we create will be distributed to stakeholders, recognising the need to ensure the sustainability of our business, and its impact on the environment and the communities in which we operate.
- 04. We encourage diversity and expression of ideas and opinions but require alignment with Contact's Principles, Commitments and Values and the policies established to implement them.
- 05. When faced with choices, we make decisions knowing they will be subject to scrutiny. We should be able to demonstrate the soundness of our decisions to all stakeholders.

### OUR COMMITMENTS

These define the sustainable outcomes that we always strive to achieve for our key stakeholders

- 01. Deliver market-leading performance for shareholders by identifying, developing, operating and growing value-creating businesses.
- 02. Create value for our customers by understanding their needs, and delivering relevant and competitive energy solutions to meet these needs, both today and into the future.
- 03. Create a rewarding workplace for our people by valuing everyone's contribution, encouraging personal development, recognising good performance, and fostering equality of opportunity.
- 04. Respect the rights and interests of the communities in which we operate by listening to them, understanding and managing the environmental, economic and social impacts of our activities.
- 05. Respect the rights and interests of our business partners, by working collaboratively to create valued and rewarding partnerships.

# Our generation portfolio

All our customers, big and small, need a reliable energy supply – so we’ve developed one of the most flexible generation fleets in New Zealand. Our geothermal, hydro and thermal plants have the country covered no matter what the weather’s like with a reliable, safe energy supply.

①  
**3,074 GWh**  
in geothermal energy generated in FY15



②  
**4,119 GWh**  
in hydro energy generated in FY15



③  
**2,321 GWh**  
in thermal energy generated in FY15

### 1. Geothermal

Fluid from highly pressurised, natural geothermal systems is brought to the surface by wells that vary in depth from a few hundred metres to 2.5 km. At the surface this fluid is separated into 2 streams, one of steam and the other of water. The steam is used in a turbine to generate electricity and the hot geothermal water is either injected back into the ground or drained away.

### 2. Hydro

Hydroelectric power plants convert the potential energy contained in water into electricity. The water is stored in lakes behind dams, and passed through turbines which harness the kinetic energy of water that is then converted into mechanical, and then electrical energy.

### 3. Thermal

Thermally generated power converts the chemical energy in fuels (gas, coal or oil) to electricity. The main means of generating electricity from fossil fuels are conventional steam, gas turbine, combined cycle or cogeneration plants.

### 4. Gas storage

Our Ahuroa gas storage facility consists of a near depleted gas reservoir, to which additional wells and compressors have been added. This enables gas to be injected into the reservoir during periods in which it is not needed. When needed the gas can be extracted from the reservoir and used in Contact’s gas-fired power stations.





# New Zealand from head to toe

## NORTH ISLAND

Name	Output	Commissioned	Type	Location	Capacity (MW) <sup>1</sup>	2015 Generation (GWh)	2014 Generation (GWh)
Ahuroa	-	2011	Gas storage facility	Taranaki	Ability to store and extract gas as conditions require	Can store up to 17 PJ <sup>2</sup> of gas – enough to run our Stratford peakers for 12 months at full capacity	
Ohaaki	Geothermal	1989	Flash steam	Waikato	50	327	269
Ōtāhuhu B <sup>3</sup>	Thermal	1999	Combined-cycle turbine	Auckland	400	1,326	1,698
Poihipi	Geothermal	1996	Flash steam	Waikato	55	298	433
Stratford	Thermal	1998	Combined-cycle turbine	Taranaki	377	329	691
Stratford	Thermal	2011	Peaker, gas turbine	Taranaki	210	477	273
Te Huka	Geothermal	2010	Binary cycle	Taupō	28	204	174
Te Mihi	Geothermal	2014	Flash steam	Taupō	166	1,159	218
Te Rapa	Thermal	1999	Open-cycle turbine cogeneration	Waikato	44	189	201
Wairākei	Geothermal	1958, 2005	Flash steam/binary cycle	Taupō	132	1,086	1,239
Whirinaki	Thermal	2004	Diesel fuel, open-cycle turbine	Hawke's Bay	155	-	1

## SOUTH ISLAND

Name	Output	Commissioned	Type	Location	Capacity (MW) <sup>1</sup>	2015 Generation (GWh)	2014 Generation (GWh)
Clyde	Hydro	1992	Conventional	Otago	432	2,300	2,244
Roxburgh	Hydro	1956-1962	Conventional	Otago	320	1,819	1,812

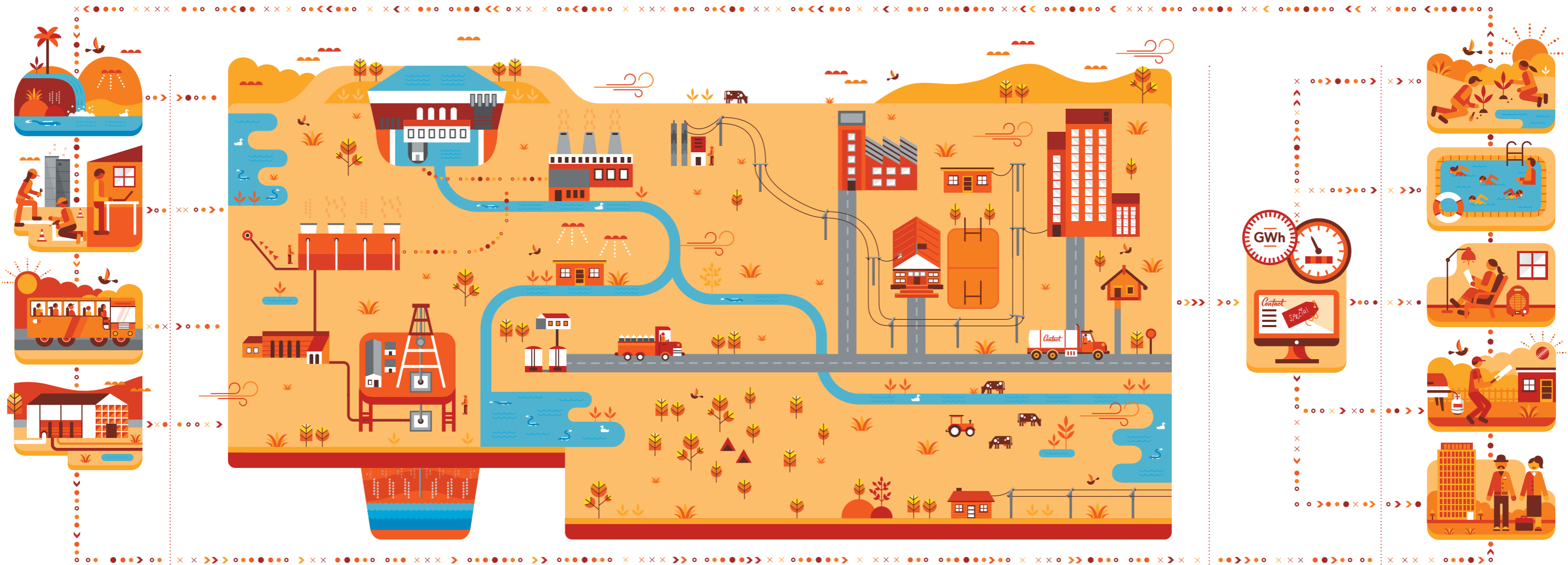
1. Megawatts.  
2. Petajoules.  
3. Closes September 2015.

## LEGEND

-  Head office
-  Power stations
-  Offices
-  Gas storage facility
-  LPG sales and distribution
-  LPG franchises
-  Lake Hāwea control structure



# Our business model



## INPUTS

We rely on a range of inputs that help our business to run reliably and safely, enabling us to deliver on our purpose of helping New Zealanders to live comfortably with energy. From natural inputs like water, gas and land, through to our people, communities, capital, and manufactured inputs like our power stations.

## SOURCE

Rain and snow-melt fill hydro storage lakes; drilling extracts geothermal fluid and steam. One of the most significant parts of our supply chain is gas and diesel which we purchase from producers, and manage through fixed term gas contracts, such as our contract with Maui.

## GENERATE

We vary the output and combination of generation plants used to meet energy demand peaks and changing weather conditions. We also have the ability to store and use gas from our Ahuroa gas storage facility.

## WHOLESALE

We sell the electricity we generate on the wholesale electricity market and also purchase the electricity needed for sales to our customers. We also trade a range of financial instruments to manage our risks.

## DISTRIBUTE

Electricity is transported from generators by Transpower and then by local lines distribution companies to customers. Gas is sourced by producers and transported by gas network companies. Transmission and network operation, maintenance and enhancement costs are passed through to customers in their bills. Contact delivers bottled LPG to customers via our fleet of delivery trucks.

## SELL & SERVE

As a retailer we sell electricity, gas and LPG products and services to residential, small business, commercial and industrial customers to meet their energy needs.

## OUTPUTS

Through our business we produce a range of outputs such as the 9,514 GWh of electricity that we generated in FY15 and our range of products that we develop for the retail market, like our 'No Strings' offer.

## OUTCOMES

From helping our customers keep their lights on and the BBQs fired up, through to our environmental mitigation programmes. From the 122,218 swimming lessons we've helped deliver through our community investment over the last 5 years, to our share price. These outcomes are the felt impacts of our business, and why we seek to better understand and deliver on our tikanga, principles and commitments.

## Our residential customers

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The world is shifting, and New Zealand is no longer a country that leads a '9-to-5' life. So we've made it our job to make our offers and services as efficient and flexible as we can, so that our customers can live their lives the way they choose to. We offer helpful services like SmoothPay, and we are one of New Zealand's largest online retailers with 228,000 customers signed up to Contact's online services.

# 21.5%

We supply 21.5 per cent of the New Zealand electricity and natural gas market

## Our business customers

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We know that small to medium sized enterprises (SMEs) have their own needs and we go all out to ensure that our products and services are made to fit. We also know that behind every business is a team of real people, and so that's how we treat them, with the same care, respect and great service as we provide all our customers.

# 58k

We had more than 58,000 SME electricity customer connections in FY15, a 3 per cent increase on the year prior

## Our commercial & industrial customers

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We're in the wheelhouse of some of New Zealand's largest companies, providing the complete energy solutions they need to make their businesses shine on local, national, and global stages. Through our Energy Solutions service, we help these businesses identify and secure energy cost-savings and efficiencies that aid their commercial strategies.

# 50%

In FY15, our commercial and industrial customer connections accounted for 50 per cent of our total electricity and natural gas sales volume

## Our 7 material themes

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**It's never just been about the numbers. We've always reported on more than financial performance and this year we've adopted the Global Reporting Initiative's G4 Sustainability Reporting Guidelines. We talked to our stakeholders about business sustainability and developed 7 themes to tackle the key issues.**

## Focusing on what matters most

At Contact, we strive to operate in a way that balances our economic, environmental, cultural and social responsibilities. We seek to understand and deliver on what our customers want and to supply them with their energy needs. To do this, we have to take into account how our activities impact and influence New Zealand and ensure that this effect is as positive as possible.

This year, in our 2015 Annual Report, we've extended our commitment to broad based reporting by adhering to a global benchmark for sustainability focused reporting.

To ensure our annual report aligns with internationally developed and mutually agreed metrics for the measurement of non-financial performance, we've developed this report in accordance with the 'core' option of Global Reporting Initiative (GRI) G4 Sustainability Guidelines.

This is Contact's first annual report assured against these guidelines and the external assurance report from Deloitte is on page 78. We do not have a policy on the assurance of non-financial or sustainability data, but are working towards developing this over coming years as we continue to further integrate and improve how we report on Contact's activities.

The sustainability measures reported in this annual report cover the operations of Contact Energy Limited and its subsidiaries Rockgas, Contact Wind and Contact Aria within New Zealand for the period 1 July 2014 to 30 June 2015.



### 1

## Every dollar counts

We make sure every dollar works as hard as it possibly can, so we've maintained a focus on smart investments for the future and careful control of costs.

In the past 4 years we've negotiated lower cost and more flexible gas contracts, changed our maintenance contracts, reduced head count, absorbed cost increases associated with our new assets and inflationary cost increases, and sold a number of assets we didn't require. We've also completed a major programme of investment into building a more flexible and lower cost power generation business, and a state of the art customer service and billing system to support our retail business.

As we've not increased the energy portion of our customers' bills in the past 2 years, it is critical that we continue to focus on

managing the costs of the business to ensure we can provide them with competitively priced products and deliver profits for our shareholders. In FY16, we are expecting the investment we have made in our customer service and billing system will allow us to reduce the cost to serve our customers and deliver a better service to them. The supply side of the business will continue to focus on efficiency and availability. New gas contracts will reduce costs and allow us to fully utilise our diverse and flexible fuel and asset portfolio.

In February 2015, we announced we were reviewing opportunities to utilise our geothermal expertise to invest in international markets. When we concluded that there were no material investment opportunities available at this time, and with no near-term plans for capital expenditure on the horizon, we paid a special dividend of 50 cents per share, totalling \$367 million, to our shareholders. At the same time we revised the company's

distribution policy to target an average ordinary dividend equivalent to approximately 100 per cent of underlying earnings after tax. In the event that free cash flow exceeds ordinary dividends, Contact will make additional distributions.

We remain focused on creating long-term value for our stakeholders into the future.

18%

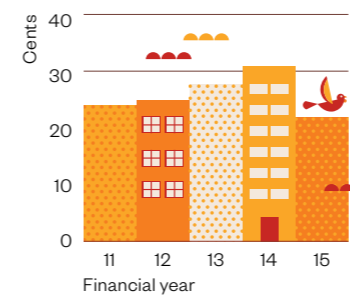
Total shareholder return for FY15

\$363m

Free cash flow

\$525m

EBITDAF

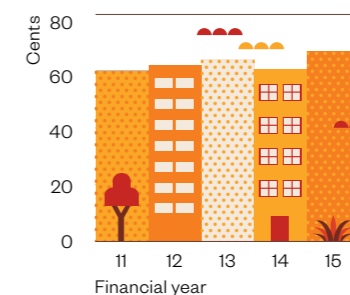


#### Underlying earnings per share

Measures performance of the underlying business by dividing underlying earnings after tax by the weighted average number of shares on issue during the year, removing any significant items not related to the ongoing performance of the business.

#### 2015

The drop from FY14 is due to a reduction in EBITDAF and increased depreciation and interest costs following the completion of the significant capital programme.

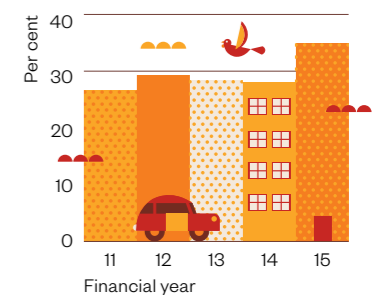


#### Operating cash flow per share

Measures cash available to fund distributions to shareholders and growth capital expenditure. This is calculated as operating cash flow divided by the weighted average number of shares on issue over the year.

#### 2015

Operating cash flows improved by \$44 million due to favourable natural gas inventory movements and retail collections more than offsetting the reduction in EBITDAF.



#### Gearing - net debt ratio

Gearing demonstrates the degree to which our activities are funded by owners' versus creditors' funds. It's calculated as net debt divided by net debt plus shareholders' equity, adjusted for the net effect of fair value of financial instruments after tax.

#### 2015

Contact's gearing ratio increased by 7 per cent in FY15, primarily due to the timing of the \$367 million special dividend in June 2015.

2

# Steering the way to a reliable, renewable, safe supply

**Our power stations harness the power of steam, water and gas to ensure there's enough energy available to meet the needs of our customers, while keeping costs competitive.**

As a company we are committed to renewable energy generation, and we're proud that 76 per cent of our electricity generated in FY15 was harnessed from renewable sources including our hydro generation stations in the South Island, and our geothermal power stations in the greater Taupō region in the North Island. This is up from 69 per cent in the previous financial year, which is largely due to our 166 megawatt (MW) Te Mihi geothermal power station being successfully integrated into our operations since May 2014.

To support our integrated retail position in the market we've developed a generation portfolio that's flexible and diverse. We have invested in new generation assets and gas storage in recent years, and together this enables us to respond efficiently to changing electricity market conditions.

We have geothermal, hydro and thermal operations, which mean when the weather doesn't play ball we can generate power from other sources to ensure that we meet the energy needs of our customers.

Our thermal operations, which run on gas, enable us to generate electricity at relatively short notice ensuring that we can always generate enough power to meet our market commitments. We also have our Ahuroa gas storage facility in Taranaki which enables us to better balance our gas purchases and usage. Although thermal generation is more expensive and adds to our cost of energy, it's an essential tool to balance our supply against the inherent unreliability of renewables operated by all market participants. Having Ahuroa enables us to store gas which means we can keep the costs of thermal generation as low as possible.

Making sure that our generation assets are safe and reliable is key in ensuring we are able to generate electricity year round. Such reliability is assured through the application of modern good practice and prudent operations and maintenance processes. We evaluate the reliability of our generation assets by internationally accredited standard measures and our key measure is plant availability over a 39 month period across our generation asset base.

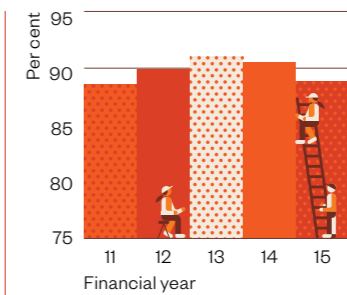
In FY15, risks around the future of Tiwai Smelter, the largest single electricity user in New Zealand, brought a high level of uncertainty to the electricity market. In August this year, Meridian announced that it had re-signed its contract with New Zealand Aluminium Smelters to provide Tiwai Smelter with price certainty in relation to 572 MW of electricity. Contact also announced that we had entered into a financial hedge contract with Meridian in relation to 80 MW for Tiwai for a minimum of 4 years, and a maximum of 14, commencing on 1 January 2017.

In August we also announced that we will be closing the Ōtāhuhu B power station from the end of September 2015. Our decision to close Ōtāhuhu B is a result of the growth in renewable electricity generation, such as the new Te Mihi geothermal power station, which has effectively replaced Ōtāhuhu in Contact's portfolio. Before we announced the closure we also sought expressions of interest for the purchase of generation from the Ōtāhuhu station, and the outcome did not support continued operation of the plant.

Our team at Ōtāhuhu has worked hard in recent years to adapt the operation of the station to better meet the changing needs of the market, and to ensure its safe operation through a 3-year period of uncertainty. We acknowledge their great work, and will continue to support them through the closure process, including looking at redeployment opportunities where suitable roles are available.

At the same time, we also announced our plans to complete a major maintenance project that will ensure we are able to provide an additional 24,000 hours of efficient base load generation from our Taranaki combined-cycle gas-fired power station.

Our focus for the future is on improving process safety and simplifying the way we work. We also seek greater efficiencies and economies in taking advantage of our flexible portfolio. The short term forecast energy demand is relatively flat, however, with thermal plants being retired, we believe with our recent investments we are positioned to play a part in meeting the demand of the New Zealand energy market.

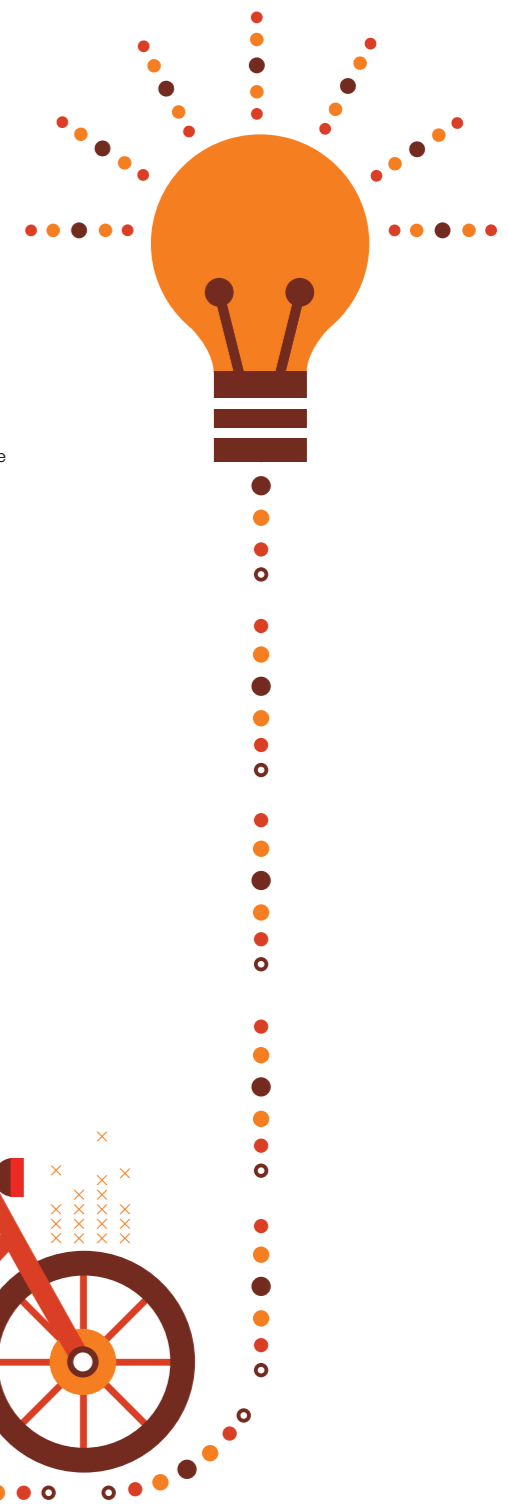


### Plant availability

The rolling availability factor calculates the total availability of the generation portfolio over a 39-month historical time period. The time period selected removes the effect of seasonality and known standard maintenance cycles to provide a comparable measure of performance across years.

### 2015

In FY15 our plant availability decreased due to a few isolated technical issues. These are well understood and not expected to repeat and therefore we anticipate an improvement in availability going forward.



3

# Valuing our customers

**It's personal. We're in the homes and businesses of hundreds of thousands of New Zealanders and we go all out to help them live more comfortably with energy. We're continually getting to know them better to give them what they need.**

Our customers are vital to the ongoing success of our business. As one of New Zealand's largest energy retailers, we sell energy to 562,000 customer connections<sup>1</sup> and we aim to provide each and every one of them with great service, great products and great value. To do this we need to make sure that we have the right offerings and services in the market,

as well as the right systems in place to help us deliver them to our customers.

In FY15 our focus has been on developing a new customer strategy for our retail business, while embedding our new customer service and billing system. These initiatives, supported by the wider investment we've made in recent years into ensuring a safe and reliable supply of energy, have positioned us well for the future, and enable us to continue to offer reliable and competitive products and services to our customers.

However, the last year has been challenging, and in the past 12 months our customer connections decreased by 1 per cent overall.

There are a number of factors that contributed to this. We're operating in a highly competitive electricity retail market where no material growth is expected,

technological advances are moving at a rate the industry hasn't kept pace with, consumer behaviour is shifting, and increased competitor intensity has seen an increase in people's willingness to 'shop around' for the best deal and discounted offers. This has contributed to a high level of customer switching across the industry.

The combination of the range of joining deals, discounts and incentives offered by all retailers to entice new customers, coupled with customers choosing to move retailers more often, has increased costs for Contact.

In addition to this, the bedding in of our new customer service and billing system, which was switched on in mid-2014, has taken time to embed and impacted on some of our customers who experienced delayed bills and longer wait times to

have their calls answered and requests responded to by our customer services team. These are not the customer service standards to which we strive and, as a direct result, we saw a significant increase in the number of Contact customer complaints referred to the Electricity and Gas Complaints Commissioner (EGCC). We have since addressed the issues with our new customer service and billing system and can report that the number of complaints we received in June 2015 was down 80 per cent from the peak in the middle of 2014. Less than 1.5 per cent of our customers are now facing billing delays, meaning more than 550,000 Contact accounts are receiving their bills on time and via the method of their choice each month.

This year we also faced criticism over the pricing differential between our prepaid and pay monthly products. Contact has

since completed a pricing review and has recently announced that it has lowered its prepaid prices to align with those available on our pay monthly products.

Against this backdrop, we began developing a new customer strategy that will see us continuing to adapt to better suit our customers' needs and expectations.

When it came to learning more about our customers we started by listening better to understand exactly what it is they want. At the same time, we started looking more closely at other industries, and considering how our customers experience those products and services.

Overall, it's about giving our customers more value and more choice to select which products and services best suit them.

This strategy is in the early stages of implementation, and will be further rolled out over FY16 and beyond.

We have a wide range of indicators that we use to measure our performance, service and customer experience and, with the support of our new customer service and billing system, we are well positioned to continue to meet the current and future needs of our customers.



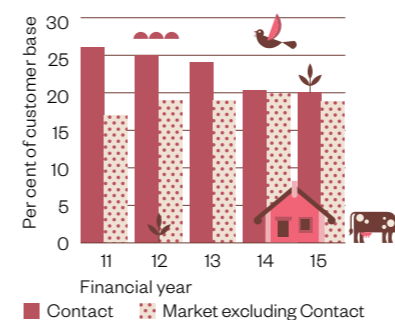
## KEEPING THE LIGHTS ON FOR ALL NEW ZEALANDERS

All New Zealanders should have the ability to access the energy they need to live comfortably, regardless of their financial circumstances. For Contact, 'access to energy' is about finding helpful and valuable solutions for consumers who are willing, but currently unable, to pay for the energy they need.

Contact complies with the Electricity Authority guidelines for vulnerable and medically dependent customers. Over the past year, along with a number of other electricity retailers, we have signed a set of voluntary practice benchmarks for how we manage these types of accounts. We are working with government, social

services and industry to ensure there is a higher and more consistent level of respect and service provided to vulnerable people and families.

In the coming year, our access to energy approach will include reviewing the low-user fixed charge tariff, which we believe needs to change to reflect the shifting energy dynamics in New Zealand, as well as to better support those customers who are most vulnerable to energy costs. We will continue to develop and progress this stream of work into FY16, including developing ways to measure our performance in this area.

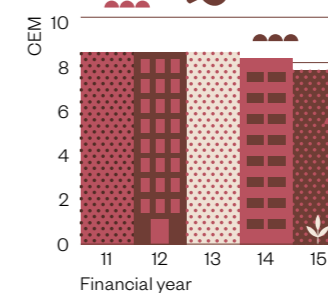


### Loyalty and customer switching

Our performance relative to other retailers is shown by comparing the percentage of customers who switch away from Contact each year, compared with the industry (excluding Contact).

### 2015

While the market saw losses decrease slightly this year, Contact's loss rate remained stable with the prior year and higher than the market during the stabilisation of the new retail system. In the last 6 months of FY15, Contact's churn levels returned to be in line with the market.

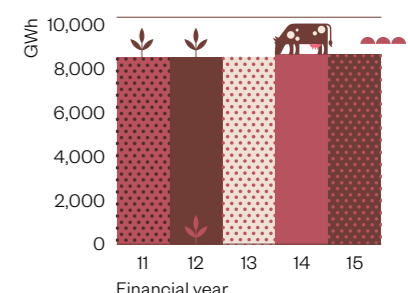


### Customer experience

We independently survey a sample of customers who have called or emailed us to determine how satisfied they are with their experience. Customers score their experience between 1 (poor) and 10 (excellent) across a range of topics with the results feeding into an overall annual customer experience measure (CEM).

### 2015

The CEM decrease to 7.7 is due to effects of the bedding in of our new customer service and billing system, which led to increases in call volumes and call wait times. Similarly the time taken to respond to emails significantly increased and our CEM relating to our email service channel decreased to 6.4.



### Electricity sales volume

In an integrated business like Contact's, the energy volume sold to customers is a key component in ensuring stable earnings. Volume needs to be carefully managed against the risks associated with selling too much load and not being able to cover demand during high price periods.

### 2015

Total retail electricity sales were in line with FY14 at 8,392 GWh with an increased share of the growing small business market and cooler temperatures driving an increase in residential usage per customer. This more than offset a reduction in customer numbers and lower commercial and industrial sales.

1. See our customer connections by energy type on page 10, and by account type on page 74.

4

# Safety first, last and always

Safety comes first in everything we do. Whether it's delivering an LPG cylinder to a customer, managing a power station outage or checking the office for potential injury risks, the business we're in can be hazardous, so safety is central.

Here at Contact we're actively working towards building a 'generative' safety culture, where safety is a natural part of our DNA and where putting safety first, constant learning, improving our defences and protecting New Zealand's unique natural environment are just part of a normal day in the office for every single one of our people. As a result, over the last few years our safety performance has continuously improved.

To help us achieve this, we've focused on providing enabling leadership, and ensuring that we're leading our people by example and engaging them to take ownership of our safety environment.

Our overarching Health, Safety and Environment (HSE) management system sets out our commitments to our



people, contractors who we partner with, customers, communities and the environment we operate in. It also outlines expectations and requirements to drive continual improvement, and guides us on how to identify and manage our risks and hazards, supported by verification and audit programmes.

In FY15 we launched an improvement programme to improve our process safety. As part of this wider work-programme, which aims to ensure our assets are safe to run, we are looking at simplifying our systems, making them easy to understand while still ensuring they remain effective and front of mind for our people.

We also carried out an HSE Cultural Maturity survey, which has provided a benchmark on where we sit culturally, and enabled us to hear from our people on the felt impact of the way we manage safety. We will use this to measure ourselves every few years. The insight gained from the survey continues to help guide small but consistent changes in the way we lead safety at Contact and we believe that these small changes will contribute to larger positive impacts and sustained improvement in our performance.

Both the HSE Cultural Maturity survey and other measures, including Total Recordable Injury Frequency Rates (TRIFR) and Observation Frequency Rate (OFR), allow us to measure our safety performance in both qualitative and quantitative forms. We are able to break that data down by a range of indices including by gender, and whether injuries were sustained by permanent employees or contractors. This allows for depth to our learning, and enables us to target improvements to enhance our safety defences.

Our TRIFR for FY15 was 1.9, exceeding our target of 3.2 – a 55 per cent improvement on FY14. We had 7 people injured in FY15. Of these 7 injured, 1 was female and the rest were male, and 2 of these 7 injuries were sustained by our contractors.

In FY15 we had no recorded incidences of occupational disease, and our lost time case rate was 0.3, equating to 1 case, where one of our male employees suffered a strain.

Our absentee rate for FY15 was 3.8 per cent for our female employees, and 2.1 per cent for our male employees<sup>1</sup>.

We've had zero fatalities in Contact's almost 20 years of operation, and every day our people work together to ensure that all those on our sites get home fit and well to their families.

We outsource some of our work to partners, for example LPG franchises, metering services, and bulk LPG fuel, and work proactively with them on health and safety issues. We receive and monitor relevant health and safety statistics from these partners, and are working towards including them in our future reporting as our relationships with our partners develop further.

Over the last year we have influenced and supported change outside Contact through engagement with government stakeholders on proposed changes to the legislation, as well as participating in external organisations' governance committees on key HSE issues. We have also proactively championed our approach to safety by sharing our journey with others through conferences and other forums, and we continue to work closely with our contracting partners to support change and learning.

We know that having a safe business correlates to a successful and profitable business, and we will continue to foster a culture that ensures the safety of Contact's people, its customers, its assets, and its business as a whole.

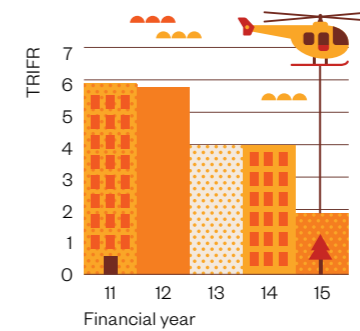
1. This has been calculated as a percentage of absentee days against scheduled work availability, and does not include contractors.

## MAKING SURE OUR ASSETS ARE SAFE TO RUN

Being in a business where we deal every day with very hot steam, electricity, gas (both LPG and natural gas), and large machinery means we have to know exactly how well we are managing these hazards to ensure our assets are safe to run.

In FY15 we launched a safety improvement programme which will help us monitor and measure how well our systems are performing at keeping these hazards away from our people, assets and the environment. It also includes a framework for ensuring that our assets are well maintained, that we have a clear and effective management system, and that our people can use them to complete activities in a safe way.

We know that the best solutions often lie with the people who deal with this stuff every day, so to deliver results that are effective and embedded across the business, the improvement programme is strongly focused on engaging our people and delivering the programme in a way that aligns with our goal of a generative safety culture.

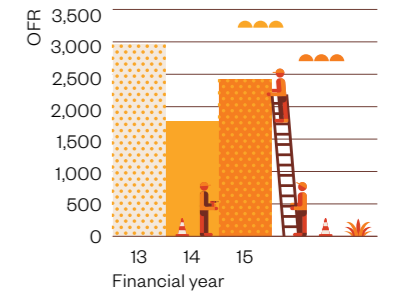


**Total Recordable Injury Frequency Rate (TRIFR)**

TRIFR enables us to track our progress against our safety targets. It looks at how many people are hurt when working for us, contractors as well as our own people. TRIFR is calculated by dividing the number of incidents that resulted in medical treatment, restricted work or time off work by the hours worked, and multiplying this by 1 million. Our TRIFR statistic does not include our outsourced work to partners.

**2015**

In FY15 we worked over 3.7 million hours on Contact sites with 7 injuries. We have seen a good improvement this year with a TRIFR of 1.9 against a target of 3.2, using the world standard 1 million hours as a multiplier. Note that some New Zealand businesses use a multiplier of 200,000 to calculate TRIFR. Using this multiplier, our TRIFR for 2015 is 0.37.

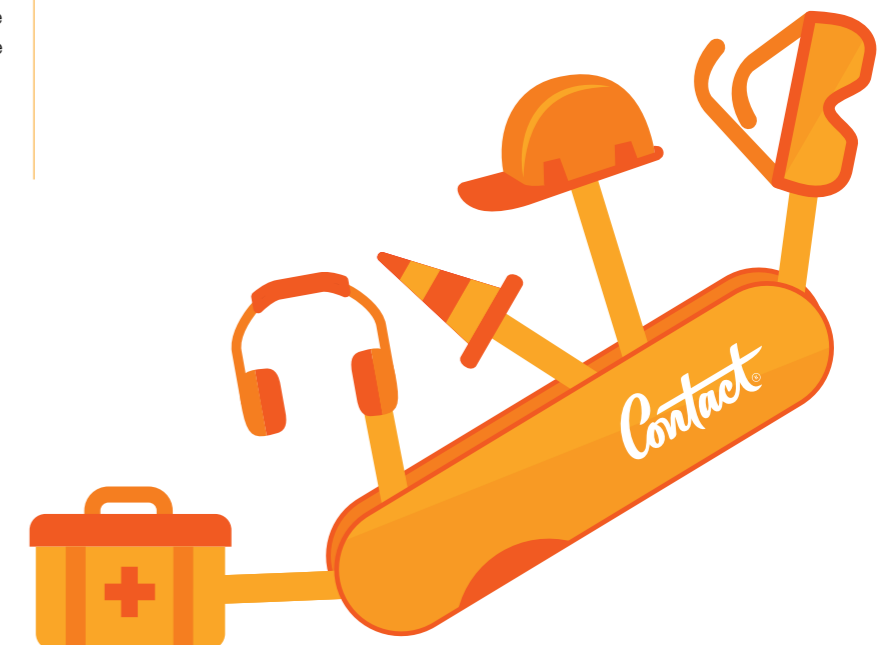


**Observation Frequency Rate (OFR)**

We encourage all of our people to speak up about safety, whether it's to highlight an observed great safety behaviour or to enquire on something that might be concerning. OFR is calculated by dividing the number of observations by hours worked, and multiplying this by one million.

**2015**

We had over 9,000 safety conversations during the year and exceeded our OFR target (2,437 against a target of 1,700) and this included a large number that took place during our power station outages.





## 5 Building high flying teams

Our people are our lifeblood. We want everyone at Contact to feel connected, supported and well skilled, to aim high and to achieve their best. It's about people feeling motivated to make a difference. It's about how we talk about Contact at home and in our communities. It's about being able to attract the right people and keeping them here. We want our people to be truly engaged, to keep building a better and better company.

At Contact, our focus is on building the capability of our people in order to achieve our company priorities. We believe that living our tikanga is a key driver of this, alongside diversity, learning and development, being a good employer and creating a positive and supportive workplace.

We use engagement as a measure of how we're performing for our people, and to gauge how they are feeling about their roles here at Contact. Each year we hold a formal engagement survey that provides us with a useful benchmark and areas of focus for the following 12 months and beyond. This year we ran a shorter 'Pulse' engagement survey and, disappointingly, saw a drop in our overall score. It was, however, pleasing to see an increase in sentiment in the generation side of our business, and it showed that our people felt more empowered to contribute to innovation through our co-creation pilot, 'Bounce'.

In FY15 we also undertook a Capability Needs Assessment, which enabled our people and culture specialists to assess the capability we currently have against the technical, behavioural and leadership capability we're going to need to make sure Contact keeps performing and achieving its strategic priorities into the future. We'll now identify and prioritise initiatives to develop those capabilities throughout FY16.

To enhance our capability, Contact offers its people a range of training and development opportunities, with significant uptake from across the organisation, with Contact employees engaged in an average of 10<sup>1</sup> hours of learning and development each.

Of course, a lot of learning is generated 'on the job' with new projects, secondments or a move to a new role. Last year 67 per cent of our permanent hires to roles were placed internally. We are very committed to new learning experiences and have improved this statistic year-on-year. One of the people capability initiatives now taking place is a part of the safety improvement programme, where we are focusing on a programme to support leadership, technical and behavioural aspects that combine towards creating a generative safety culture.

We like to make sure that we have people who possess a range of different skills, talents, experiences and backgrounds including gender, age and ethnicity. This in turn creates the diversity of thought to allow us to solve problems, innovate and collaborate to make better decisions. While we have a good mix of this at Contact, we are also working towards developing a strategy to increase diversity in our organisation.

44 per cent of our employee workforce at Contact last year were women, and 14 per cent of our people identified with an ethnic group other than New Zealand European.



We are proud to have a diverse Leadership Team and Board<sup>2</sup>. Diversity is central to achieving greater diversity of thought and we recognise it can't stand alone. Allowing people to feel like they are adding value and making a difference increases the engagement of our employees, and an 'inclusive' culture is at the heart of this. At the end of the day, this is about living our tikanga, principles, commitments, purpose and behaviours.

Our focus will remain on embedding diversity and inclusion into everything we do, as well as attracting more diversity to Contact. In particular we want to increase the number of senior females, Māori, Pacific Island, Asian and other ethnicities in our communities that represent differing age groups and ability.

At the end of FY15, Contact's employee workforce was made up of 1,066 people<sup>1</sup>. 52 per cent were aged between 30 and 50 years old, while 8 per cent were aged 60 years and older. Our Generation and Development business unit and other areas of Contact hold a great deal of knowledge and expertise. We are focused on ensuring our leaders are actively mitigating risk around their own succession plans and that of their technical experts by ensuring relevant information sharing takes place, documentation is up to date and training is in place around systems, tools, and processes. It is also by the passing on of knowledge and behavioural aspects through coaching/mentoring and developing people and teams to ensure any transition to retirement is managed for the long term.

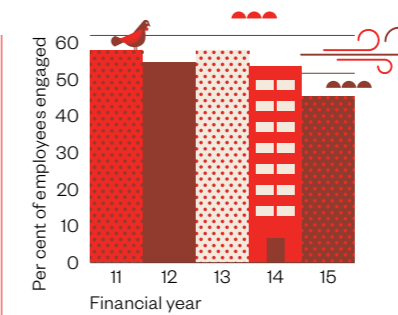
At Contact, we believe that being fair to our people also begins with our tikanga, which sets the foundation for people to grow and feel supported both personally and professionally during their time with Contact. We provide flexibility in our working practices wherever possible to ensure employees feel that they



can balance their life and career. We recognise great performance, and our rewards strongly reflect this.

Our focus for the future remains on continuing to create an environment where all our people feel acknowledged and supported, both with their individual careers and team success. It is about creating leaders at all levels across the business so ensuring our tikanga is embedded and lives and breathes in what we do every day.

1. See page 75 for more information.
2. For information on the diversity of our Leadership Team, see page 75. For more information on our Board see their profiles on page 6, or see the Governance section on pages 38-43.

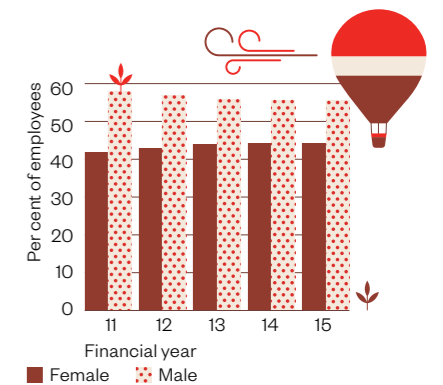


### Employee engagement

Each year we conduct an independent AON Hewitt survey to assess our progress on employee engagement and to identify areas for development.

### 2015

Our overall engagement score decreased to 44 per cent in FY15, down from 52 per cent in 2014. We are committed to improving and increasing our levels of engagement in the years ahead.



### Gender diversity

We believe the inclusion of a diverse range of perspectives and ideas is a key ingredient for success for any business. This graph shows the progress we've made against gender diversity over the last 5 years. For more detailed information about the diversity of our workforce please see page 75.

### 2015

We continued our trend of increasing female representation across Contact, including at senior levels. In FY15 almost 44 per cent of people working at Contact were women, and 14 per cent identified with an ethnic group other than New Zealand European.

## BOUNCING IDEAS AROUND WITH OUR PEOPLE

What do a Contact mobile app, a product designed specifically to help families with new babies, and a geothermal-powered brewery all have in common? Well, not only are they innovative ways of thinking about how we do things here at Contact, they're also all ideas that came straight from the minds of our people.

Over the past 12 months we've been focused on embracing innovation and diversity of thought – so we wanted to give all of our people the chance to be heard, and to share their big and small thoughts and ideas with the rest of the organisation.

In early 2015, Contact kick-started Bounce, a pilot co-creation programme designed to encourage diversity of thought, drive innovation, and increase internal engagement on ideas. For us, co-creation is about creating an inclusive environment that encourages all of our people, from all parts of the business, to collaborate on ideas they believe will help improve, grow or even transform the way we do things at Contact.

Put simply, we believe that if we open up the ideation and problem solving process to be more collaborative, encouraging the perspective of individuals from differing levels and teams, we often find a better way forward.

We used an online platform as a means to connect people, to share ideas, and to collaborate on those ideas across the business. It was an environment where 'the crowd' voted, and a place where constructive feedback could be provided. The best ideas rose to the top by a process of review and voting.

Overseen and implemented by a group of managers from across the organisation as part of their own professional development journey, Bounce not only achieved its intended outcomes, it also resulted in a number of great ideas and initiatives being progressed through the business for implementation.

## 6 Getting on board with our communities

We have a diversity of communities we connect with throughout our business. We take our time to understand the nitty gritty of their issues and their needs so we can create true partnerships that last. It's not only rewarding, it's vital to the ongoing success of our business.

We manage multiple relationships with a diverse set of stakeholders across all parts of our business. Whether it's a customer, a shareholder, a supplier or one of our neighbours, at Contact we actively work towards building positive and enduring relationships with our stakeholders. Why? Because the nature of our business means our operations impact on others, and what others do sometimes impacts on us. It's about making our communities comfortable with us and our operations.

We take a consultative and open approach and aim to be a leader in the energy industry. While at times engagement with our stakeholders is driven by consenting processes, changes in regulation or business strategy, we also strive to be a good neighbour and to play our part as a member of the communities within which we operate.

### \$559k

invested in communities

While many of our people across the business are charged with working with our communities, we also have a Community Relations team who proactively engages with the stakeholders around our operations. Our approach is to work with communities and local stakeholders to develop an understanding of what their aspirations and needs are, and then provide support where we think we can offer greatest benefit, while working within our tikanga.

In some places, such as in and around Central Otago or in Taupō, we've got to know the people and our local stakeholders over time and have worked with them to look at how we can support positive community outcomes.

The Contact Swim Well Taupō programme, Taranaki 'Connector' bus service, the Contact Epic Community Fund for the Hāwea District, and Te Takere Youth Space in Levin are examples of initiatives that we've worked with the communities to help support.

In the last few years we've also started developing community engagement plans. Contact has 4 existing engagement plans for Ōtāhuhu, Levin, Ohaaki and Taupō, which accounts for 29 per cent of our operational sites by region. We are currently developing a plan for Stratford, and continue to provide community investment at both a regional and national level. Last year we invested \$559,000 into national and regional organisations and communities across New Zealand.<sup>1</sup>

Because of the nature of our operations, sometimes relationships can be tested. That's when we rely on our values, principles, commitments, and tikanga and an overarching philosophy to be a good neighbour to guide us through tricky situations. For example, in this last year our neighbours had serious concerns

about noise from our Te Mihi power station, and we received a number of complaints from 7 of our neighbours, so the local team worked with our affected neighbours to address their concerns. We worked hard to find the source of the noise, to measure it, and to develop a plan of attack to reduce it, and its impact on our neighbours. While carrying out the technical work to investigate this type of issue takes time, we knew that our operations were creating an issue outside of our consents that was causing them a problem, and sought to find a solution that addressed our neighbours' concerns in the interim. This was more than a resource consent issue to us, this was about looking after our relationships for the long-term benefit of both our neighbours and our operations.



1. This figure includes our support of the Ākina Foundation's Launchpad, an acceleration programme to support the growth of social enterprise in New Zealand.

### WORKING WITH TANGATA WHENUA – THE POWER OF PARTNERSHIPS

Building on the success of our Ohaaki Mitigation Agreement with Ngāti Tahu, which was critical in the re-consenting of the Ohaaki power station, we've started developing an overarching iwi engagement plan to guide our approach to building partnerships with tangata whenua (Māori indigenous people) around our operation sites. Our aim is to build positive and enduring relationships with tangata whenua to support both our ongoing operations,

the role of tangata whenua as kaitiaki, or stewards, of natural resources within their specific tribal domains, and their cultural, social and commercial aspirations.

While we currently have formal relationships with 4 iwi, we are working to develop additional relationships with a range of tangata whenua groups, particularly those with close association to the lands and resources Contact uses to generate electricity for all New Zealanders.



7

# Looking after our ecosystems

New Zealand is rich with natural resources and intricate ecosystems – and we aim to keep it that way. Contact’s committed to delivering energy in a sustainable way, keeping a close eye on the land and all its critters.

We use natural resources such as water, steam and gas to generate the electricity we sell, meaning that our business impacts on these resources and the environments around them. We believe that it is our responsibility to look after the resources that we use, and we work towards this for the well-being of all New Zealanders, and for the sustainability of our business.

To deliver on this, we carefully monitor the impacts our operations have on the environment, and work to reduce and mitigate these. We begin with our resource consents granted under the Resource Management Act 1991 to guide our activities. These consents outline our obligations to mitigate the impact of our operations on the natural environment. Ensuring that we comply with our resource consents is critical to the sustainability of our business. Not only does compliance mean that we are operating within the law, resource consents embody a clear

expectation from the wider community and the local council as to how we should manage these resources.

In the last 12 months, we’ve managed the requirements of 220 resource consents across the local communities in which our power stations are located, and our team is constantly monitoring across all of the consents to ensure that we are meeting our obligations. We have had no significant consent breaches in the past 12 months, although 7 minor technical breaches occurred.

We believe it’s about more than ‘just’ compliance though and, going forward, Contact wants to do more. One of our principles is a commitment to adding value to the resources that we manage, so it’s important for us to set some of our own targets so we can continue to work towards reducing our impact on the environment for the good of our company and for the communities that we share these resources with. We are working towards this, and are engaged in a number of activities to review our approach to how we interact with the natural environment, and the ecosystems that we rely on.

In FY15, for example, we took part in the New Zealand pilot of the Ecosystem Services Review (ESR) programme, which enabled us to review the natural inputs that we impact and depend on for our operations on the Clutha/Mata-Au River. With the support of experts in the field, as well as input from our stakeholders, the ESR programme highlighted the importance of healthy ecosystems to our business, expressed support for our commitment to be good custodians of natural resources, and identified ways that we can improve our water management, stakeholder engagement and communication. We are now incorporating some of this feedback into our business processes.

## BIODIVERSITY

Contact recognises the importance of the complex biodiversity that exists in and around our operational sites, and acknowledges that our operations impact on those ecosystems.

We know that we have terrestrial and aquatic, native and exotic flora and fauna which have different needs in order to flourish. Our hydro operations impact largely on biodiversity of river systems, while our geothermal operations can impact on wetlands and thermotolerant vegetation and surface geothermal features. We are a part of those thriving environments and have an impact on how well they continue to grow.

In FY15 we carried out work to restore the regionally significant Torepatutahi Wetland as part of our Ohaaki mitigation agreement. In collaboration with Ngāti Tahu, we planted 1.2 hectares of frost tolerant monocots including flax, toetoe, and carex in the wetland area, and also removed gum trees, and sprayed willow and blackberry. We have encouraged the habitat for fern bird and swamp nettle, 2 at-risk species found in the wetland. We also continue to support the ongoing maintenance and establishment of other wetlands near Reporoa and our geothermal operations.

In Stratford, we removed willows which were choking the watercourse and carried out other weed control in preparation for planting areas with native species. We also planted native species in stormwater treatment ponds at Te Mihi.

Our native fish management planning for our hydro operations includes the monitoring, transport and release of native longfin eels past our dams as well as habitat and monitoring surveys for lesser known taonga species such as kana kana (lamprey) and inanga (whitebait). We also assist with the annual introduction of salmon smolt to the Clutha/Mata-Au River for recreational fishing, and in FY15 released 175,000 smolt into the Clyde River.

## WATER

From the water running through our hydro stations at Clyde and Roxburgh, to the water we pump from the Waikato River to cool our geothermal station at Wairākei, our business relies on an ongoing supply of water.

Good quality water is an increasingly scarce resource, and in order for us to secure long term access to it we need to prove that we are good stewards of a resource shared by communities, tangata whenua, and the country as a whole. We also have a responsibility to minimise the impact of our activities on water quality and availability.

Most of the water we use is returned to its source with little to no impact on its quality. At our 2 run-of-river hydro stations along the Clutha/Mata-Au River in Central Otago, we use the kinetic energy from billions of megalitres (ML) of water each year to generate electricity as it passes through the turbines, but we don’t consume the water itself – it continues down the river with little impact on quality. We also use water to keep our generators cool and safe to run, which naturally increases the water’s temperature. We manage the cooling of the water when it is returned to its environment to ensure it does not adversely impact the quality of natural water. Our generation and development teams have ensured ongoing compliance with prescribed temperature, pH, flow rate, and dissolved solid levels required by our resource consents.

At 2 of our 5 geothermal operations, some of the geothermal fluid we extract from deep underground for electricity generation is discharged to nearby rivers and streams. We work hard to balance our impact on the natural resources around us by re-injecting geothermal fluid back into the reservoir where we can.

Re-injection has its own risks including affecting the temperature and pressure levels of the geothermal resource and this needs to be balanced with the effects of putting geothermal fluid into the local waterways which can increase temperature and contaminant concentrations. The need to manage this balance guides how we operate and construct our plants. The design of our new geothermal station at Te Mihi includes 100 per cent re-injection, and the award winning Wairākei bioreactor naturally reduces the level of hydrogen sulphide discharged to the Waikato River.

The table below shows Contact’s estimated water takes and discharges in FY14 and FY15, excluding hydro, broken down by source type.

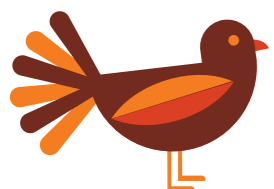
In FY15 we began a process to address the challenges that we face in balancing the needs and interests of our business and our stakeholders in relation to water. This process is ongoing, and will be a major focus for Contact over the next year as we work towards establishing our priorities and targets in relation to water. We are currently looking into preparing a water statement for Contact, and investigating the development of a stewardship plan.

### Water use

	Withdrawal use and source		Discharge and destination	
	FY15 (ML) <sup>1</sup>	FY14 (ML)	FY15 (ML)	FY14 (ML)
<b>Cooling, steam production, and generation</b>				
Rivers and streams <sup>2</sup>	435,705	467,545	442,841	468,418
Estuaries	4,179	5,003	3,457	4,358
Third party	290	179	102	99
Council supply	22	19	16	12
Third party treatment	-	-	1	1
<b>Other uses</b>				
Council supply	65	72	59	65
Groundwater	1	1	1	1
<b>Total</b>	<b>440,262</b>	<b>462,818</b>	<b>446,478</b>	<b>472,954</b>

	Withdrawal source		Discharge and destination	
	2014 (ML)	2013 (ML)	2014 (ML)	2013 (ML)
<b>Geothermal fluid<sup>3</sup></b>				
Geothermal reservoirs	99	88	61	51
Local business and geothermal areas	-	-	6	5
Rivers and streams	-	-	12	12
<b>Total</b>	<b>99</b>	<b>88</b>	<b>79</b>	<b>69</b>

1. Megalitres.  
 2. Discharge to rivers and streams is larger than the volume taken due to additional condensate (cooled steam used for power generation) or stormwater discharge. The quality of water taken for cooling is unchanged apart from temperature, or in the case of geothermal, temperature and additional condensate containing mainly hydrogen sulphide and mercury, which are managed according to resource consents.  
 3. Geothermal fluid takes and re-injections are in calendar years 2013 and 2014. Geothermal fluid discharges to rivers and streams fall within consented limits for temperature and mineral concentrations. Geothermal fluid is measured in tonnes, and was converted to mega litres based on the weight of 1 cubic metre.



7

Looking after  
our ecosystems

GREENHOUSE  
GAS EMISSIONS

We have a responsibility to reduce our greenhouse gas emissions from our operations and to contribute to reducing the impacts of those emissions on the planet. Reducing our emissions will also have positive financial and non-financial implications for our business and our current and future society.

The New Zealand Emissions Trading Scheme (ETS) has a direct financial impact on Contact's operating costs. Our costs under the ETS cover the emissions embedded in the natural gas and LPG we purchase (including that which we don't burn ourselves), SF<sub>6</sub> purchases (a synthetic compound used to keep equipment insulated against high voltages), and the geothermal steam we bring up that emits some greenhouse gases into the atmosphere. Contact purchases carbon emission units and surrenders units based on our calendar year emissions<sup>1</sup>.

Contact surrendered emission units to the Government for 1.8 million tonnes of ETS emissions for calendar year 2014 which is down 33 per cent from 2.7 million tonnes in 2013. In future, we expect the price of emission units to increase, which provides a financial incentive to make the most of renewable resources that are available.

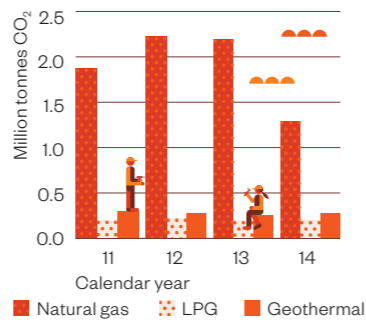
There are also climate change impacts that do not have a certain financial implication for the business, but are nevertheless issues that we monitor. We recently commissioned a study of projected changes in rainfall and hydrology in 30 years' time, and are using that and other studies to build our company's ability to adapt to long term social, environmental, and economic changes.

This year, we also measured our own direct greenhouse gas emissions, which are another way we look at our

impacts on the natural environment and on society. Our own emissions come from our consumption of fuels to generate electricity, geothermal steam emissions, and the use of vehicles for LPG cylinder delivery and other activities. Our new geothermal power station at Te Mihi, with a full year's worth of production, allowed us to burn less natural gas while generating more electricity than last year, which is beneficial on both financial and non-financial grounds. Contact's emissions fell an estimated 8 per cent, from 1,624 kilotonnes in FY14 to 1,496 kilotonnes in FY15<sup>2</sup>.

Contact's discharges to air are closely monitored at our thermal sites in accordance with their respective resource consent requirements. Concentrations of nitrogen oxide (NOx) and carbon monoxide (CO) are measured continuously at our Taranaki combined-cycle, Ōtāhuhu combined-cycle and Te Rapa gas-fired plants. The Whirinaki and Stratford peaker plants have been designed to operate with fixed concentrations of products of combustion, and therefore monitoring is not required. No material breaches of our consented air quality requirements occurred this year.

1. See Note 7 to the financial statements on page 59 for more information on our carbon emission costs.  
2. See the emissions table on page 74 for more information.



**Greenhouse gas obligations**  
This graph shows our annual carbon dioxide CO<sub>2</sub> emissions for which we have obligations under the ETS, over the last 4 calendar years. The majority of our ETS emissions came from our natural gas operations.

**2015**  
In the 2014 calendar year we surrendered \$1.5 million worth of carbon emission units to the Government for 1.8 million tonnes of ETS emissions, which is a 33 per cent reduction on the 2013 year largely due to the commissioning of Te Mihi geothermal power station in May 2014.



# Governance, Remuneration Report & Statutory Disclosures

Page 38  
Governance

Page 44  
Remuneration Report

Page 47  
Statutory Disclosures

# Governance

Contact's Board of Directors (the Board) is responsible for and committed to maintaining the highest standards of corporate governance, ensuring transparency and accountability to investors and stakeholders.

## Compliance

Contact seeks to follow best practice recommendations for listed companies to the extent that is appropriate for the size and nature of Contact's operations.

Contact believes that it complies in all material respects with the NZX Corporate Governance Best Practice Code (NZX Code).

Contact's approach to governance is reported against the 9 fundamental principles of good governance as set out in the Financial Markets Authority 'Corporate Governance in New Zealand Principles and Guidelines'.

Contact's constitution, and the Board and committee charters, codes and policies referred to in this section, are available to view at [contact.co.nz](http://contact.co.nz).

## Principle 1 – Ethical standards

Contact expects its directors, officers, employees and contractors to act legally, ethically and with integrity in a manner consistent with Contact's purpose, behaviours, principles, commitments and policies.

### Code of Conduct

The Code of Conduct sets out the ethical and behavioural standards expected of Contact's directors, officers, employees and contractors. Contact has established internal procedures to monitor compliance with the Code of Conduct. The reporting serious concerns directive supports the reporting and investigation of breaches of the Code of Conduct and serious wrongdoing in or by Contact.

### Securities trading policy

Directors and employees who are likely to have knowledge of, or access to, inside information can only buy or sell Contact securities during permitted periods and with the written consent of the General Counsel. They must not use their position of confidential knowledge of the company or its business to engage in securities trading for personal benefit or to provide benefit to any third party. Short-term trading in Contact securities while in possession of unpublished, price-sensitive information is strictly prohibited. Compliance with this policy is monitored with regular checks across our share register.

## Principle 2 – Board composition and performance

Contact's Board comprises directors with a mix of qualifications and skills, who hold substantial and diverse business, governance and energy industry experience appropriate to its existing operations and strategic direction. The Board encourages strong individual thinking and rigorous discussion and analysis when making decisions.

As at 10 August 2015, Contact's Board consists of 4 directors, 2 of whom are resident in New Zealand. The Board regularly assesses its performance to ensure that constructive working relationships are maintained. Qualifications and experience of individual directors are detailed on page 6.

## Director independence

The NZSX Listing Rules and the company's constitution require Contact to have a minimum of 2 independent directors. 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):

- any direct or indirect relationship that could reasonably influence in a material way the director's decisions, or being related (considered broadly) to a major shareholder; or
- having a relationship (other than the directorship itself) with the company or being a substantial product 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 determined that, for the purposes of NZSX Listing Rule 3.3.2, Phil Pryke, Whaimutu Dewes and Sue Sheldon are each independent directors as at 30 June 2015. Bruce Beeren became an independent director on 10 August 2015.

## Board role and responsibility

The Board charter regulates Board procedures and describes its role and responsibilities. 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 its shareholders.

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

## Delegation

The Board has delegated certain aspects of its powers to committees of the Board, and the day-to-day management of the company to the CEO. The CEO in turn delegates authority to his direct reports and senior management. These authorisation levels are subject to internal and external audit review.

## Avoiding conflicts of interest

The Board is conscious of its obligation to ensure that directors avoid conflicts of interest between their duty to Contact and their own interests. Contact maintains an interest register in which relevant transactions and matters involving the directors are recorded. See the 'Statutory Disclosures' section (page 47) of this annual report for details of directors' interest.

## Induction and Board access to information and advice

New directors appointed to the Board receive induction training. This training primarily involves written and oral presentations by the CEO and Leadership Team on the key strategic and operational business issues facing Contact.

Directors have unrestricted access to company information and briefings from senior management. Site visits provide directors with a better understanding of the company and industry issues.

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense, with the approval of the chairman.

## Nomination and appointment of directors

Procedures for the appointment and removal of directors are governed by the company's constitution. The Nomination Committee identifies and nominates candidates to fill director vacancies for the approval of the Board.

Recently appointed directors must stand for election at the next annual meeting. All directors are subject to re-election by rotation at least once every 3 years. Directors who retire each year are those who have been longest in office since their last election or, where there are more than one of equal term, by agreement.

## Evaluation of Board performance

Contact's Board follows a practice of reviewing the performance of the Board every 2 years, and of reviewing the performance of those directors standing for re-election at the next annual meeting every year. In accordance with this practice in July 2015 Contact undertook a formal assessment of the Board and the Board Audit Committee.

Subsequent to Origin Energy's divestment of its 53 per cent stake in Contact, Grant King, David Baldwin and Karen Moses resigned effective 10 August 2015. Contact has commenced the process of finding suitable replacements for departing directors including Bruce Beeren who will retire at the next annual meeting.

### Principle 3 – Board committees

Committees established by the Board review and analyse policies, strategies and performance. They examine proposals and make recommendations to the full Board. They do not take action or make decisions unless specifically mandated by their charter or by prior Board authority to do so.

The Board appoints the chairman of each committee. Members are chosen for skills, experience and other qualities they bring to the relevant committees. Each committee operates under a charter agreed by the Board.

Standing Board committees are:

- Board Audit Committee
- Health, Safety and Environment Committee
- Nominations Committee
- Remuneration Committee
- Risk Committee

In addition, the Board establishes special committees to deal on its behalf with specific issues from time to time. An Independent Directors Committee (IDC) met during the financial year to evaluate and approve various related party transactions with Origin Energy.

At 30 June 2015, the members of the IDC were:

- Phil Pryke (chairman)
- Sue Sheldon
- Whaimutu Dewes

#### Board Audit Committee

Membership is restricted to non-executive directors, with at least 3 members, and the majority must be independent.

The chairman must also be independent and must not be the chairman of the Board. All must have appropriate financial experience and at least one member must have an accounting or financial background. At 30 June 2015, the members of the Board Audit Committee were:

- Sue Sheldon (chairman)
- Bruce Beeren
- Whaimutu Dewes

Sue Sheldon is a Fellow Chartered Accountant and a former President of the New Zealand Institute of Chartered Accountants.

Bruce Beeren is a Fellow of CPA Australia and the Australian Institute of Company Directors. All members are independent directors as at 10 August 2015.

The Board Audit Committee meets a minimum of 4 times each year. The Board Audit Committee's role is to assist the Board to fulfil its responsibilities in relation to the oversight of the:

- quality and integrity of external financial reporting
- independence and performance of the external auditor
- adequacy of the internal control system for financial reporting integrity.

The CEO and the Chief Financial Officer (CFO) attend each Board Audit Committee meeting at the invitation of the Committee.

At each meeting, and at any other time the Board Audit Committee requires, it holds private sessions with each of the Head of Risk and Assurance, Contact's external auditors, the CEO and the CFO.

#### Health, Safety and Environment Committee

Membership shall comprise at least 3 members, and the majority must be independent. The members of the Health, Safety and Environment Committee were:

- |                            |                             |
|----------------------------|-----------------------------|
| At 30 June 2015            | Effective 10 August 2015    |
| • David Baldwin (chairman) | • Whaimutu Dewes (chairman) |
| • Phil Pryke               | • Phil Pryke                |
| • Whaimutu Dewes           | • Sue Sheldon               |

The Health, Safety and Environment Committee meets a minimum of 3 times each year. The Health, Safety and Environment Committee's role is to assist the Board to fulfil its responsibilities in relation to health, safety and environment 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 Contact operates. The Health, Safety and Environment Committee monitors Contact's compliance with the health, safety and environment policy, reviewing and recommending to the Board targets for health, safety and environment performance, assessing performance against those targets, and reviewing serious incidents/near misses and audit results, evaluating responses and being satisfied with the adequacy of management actions.

#### Nominations Committee

Membership shall comprise a minimum of 3 members, and the majority must be independent. The members of the Nominations Committee were:

- |                         |                          |
|-------------------------|--------------------------|
| At 30 June 2015         | Effective 10 August 2015 |
| • Grant King (chairman) | • Phil Pryke (chairman)  |
| • Phil Pryke            | • Whaimutu Dewes         |
| • Sue Sheldon           | • Sue Sheldon            |

The Nominations Committee meets as required but must meet at least once a year. The Nominations Committee's role is to ensure that the Board comprises individuals who are best able to discharge the responsibilities of directors. The committee also attends to other matters put to it, including directors' performance assessment and appointments, with recommendations to the Board.

#### Remuneration Committee

Membership is restricted to non-executive directors, with no fewer than 3 members. The members of the Remuneration Committee were:

- |                         |                          |
|-------------------------|--------------------------|
| At 30 June 2015         | Effective 10 August 2015 |
| • Phil Pryke (chairman) | • Phil Pryke (chairman)  |
| • Bruce Beeren          | • Bruce Beeren           |
| • Karen Moses           | • Whaimutu Dewes         |

The Remuneration Committee meets at least twice a year and more frequently if required. The Remuneration Committee's role is to provide advice and make recommendations to the Board on remuneration policy for employees, remuneration for the CEO and senior management, performance-based components of remuneration, and remuneration for non-executive directors.

#### Risk Committee

Membership shall comprise of at least 3 members. At 30 June 2015, all directors were members of the Risk Committee, and Karen Moses was chairman. No additional fees are being paid for this membership except to the chairman.

The Risk Committee meets at least 3 times a year, with additional meetings called as deemed necessary. The role of the Risk Committee is to assist the Board to fulfil its responsibilities in relation to the identification and control of significant risks to Contact. The Risk Committee receives and reviews reports on the risk management framework, risk capacity, tolerance and exposure limits, the enterprise-wide risk profile, significant risks, and selected risk management processes and functions.

#### Board and committee meetings

The Board normally meets at least 10 times a year or whenever necessary to deal with specific matters. The table below shows the directors attendance at the Board and committee meetings during the year ended 30 June 2015.

	Board	Board Audit Committee	Health, Safety and Environment Committee	Nominations Committee	Remuneration Committee	Risk Committee	Independent Directors Committee
<b>Number of meetings</b>	<b>11</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>3</b>
Grant King <sup>1</sup>	11			1		3	
Phil Pryke	11		2	1	3	3	3
David Baldwin <sup>1</sup>	11		3			3	
Bruce Beeren	11	4			3	3	
Whaimutu Dewes	11	3	3			3	3
Karen Moses <sup>1</sup>	11	3 <sup>(2)</sup>			2	3	
Sue Sheldon	11	4	1 <sup>(2)</sup>	1		3	3

1. Ceased to be directors effective 10 August 2015.
2. Attended as an observer.

## Principle 4 – Reporting and disclosure

The Board has overall responsibility for reporting company results. The directors are committed to preparing financial statements that present a balanced and clear assessment of Contact’s financial position. To assist with this task, the Board Audit Committee monitors the effectiveness of the company’s internal financial controls.

### Financial reporting

The Board Audit Committee oversees the quality and the integrity of external financial reporting including the accuracy, completeness and timeliness of financial statements. It reviews half-year and annual financial statements, and makes recommendations to the Board concerning accounting policies, areas of significant estimation and judgement, compliance with New Zealand generally accepted accounting practice and New Zealand equivalents to international financial reporting standards, stock exchange legal requirements and the results of the external audit.

Management accountability for the integrity of Contact’s financial reporting is reinforced by certification from the CEO and the CFO. The CEO and CFO provided the Board with written confirmation that Contact’s financial statements presents a true and fair view, in all material respects, of Contact’s financial position at, and for the year ended 30 June 2015, and that operational results are in accordance with relevant accounting standards.

### Timely and balanced disclosure

Contact is committed to promoting investor confidence by providing timely, accurate, complete and equal access to information in accordance with the NZSX Listing Rules. To achieve and maintain high standards of disclosures, Contact has adopted a continuous disclosure policy, which is designed to ensure compliance with NZX continuous disclosure requirements. This policy sets guidelines and outlines responsibilities to safeguard employees against inadvertent breaches of continuous disclosure obligations.

The Company Secretary has responsibility for overseeing and co-ordinating disclosure to the market.

## Principle 5 – Remuneration

Contact’s remuneration structure is designed to attract, reward and retain high performing directors and employees who are able to enhance the company’s performance. The ‘Remuneration Report’ on pages 44 to 46 outlines in detail the remuneration framework of Contact.

## Principle 6 – Risk management

The Board has primary responsibility for ensuring Contact has an appropriate risk management framework. The Risk Committee assesses the systems and procedures that are in place to ensure that all significant risks and issues are reported to the Board.

Contact has an Enterprise Risk Management system, which is aligned to the International Standard ISO 31000, Risk Management – Principles and Guidelines. The implementation and operation of this system demonstrates that Contact is committed to the effective management of risk, which is central to the continued growth and profitability of the company.

The Enterprise Risk Management team and business unit risk specialists ensure risk management practices are applied consistently across the business and are integrated within core processes, including strategic planning, budgeting and forecasting, project delivery, contract management and capital expenditure.

The Head of Risk and Assurance is accountable for monitoring the company’s key risks. Regular reporting on risks and their mitigation is provided to the Board.

### Assurance

Contact has an independent in-house Business Assurance function that provides objective assurance of the effectiveness of the internal control framework.

Business Assurance assists Contact to accomplish its objectives by bringing a disciplined approach to evaluating and improving the effectiveness of risk management, internal controls and governance processes. Business Assurance adopts a risk-based assurance approach driven from the company’s Enterprise Risk Management system. Business Assurance also assists external audits by making available findings from the internal assurance programme for the external auditors to consider when providing their opinion on the financial statements. Led by the Head of Risk and Assurance, Business Assurance has the autonomy to report significant issues directly to the CEO, CFO and the Board Audit Committee or, if considered necessary, the chairman of the Board.

The Risk Committee oversees the assurance programme and provides Business Assurance with the mandate to perform the agreed assurance programme. Business Assurance has unrestricted access to all other departments, records and systems of Contact, and to the external auditors and other third parties as it deems necessary.

## Principle 7 – Auditors

The independence of the external auditor is of particular importance to shareholders and the Board.

The Board Audit Committee is responsible for considering and making recommendations to the Board regarding any issues relating to the appointment or termination of the external auditors.

The external auditors are prohibited from undertaking any work that compromises, or is seen to compromise, independence and objectivity.

The Board Audit Committee requires the external auditor to confirm on a 6-monthly basis that it has:

- remained independent of Contact at all times
- complied with the provisions of all applicable laws and relevant professional guidance in respect of independence, integrity and objectivity; and
- adopted a best practice approach in relation to matters of financial independence and business relationships.

The CFO 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 auditor, ensuring the provision of timely and accurate information and full access to company records.

## Principle 8 – Shareholder relations

Contact values its dialogue with institutional and private investors and is committed to giving all shareholders comprehensive, timely and equal access to information about its activities.

Contact currently keeps shareholders informed through:

- periodic and continuous disclosure to NZX
- information provided to analysts and media during regular briefings
- half year and annual reports
- the annual meeting and any other meetings called to obtain approval for Board actions as appropriate
- the company’s website.

The Board encourages full participation of investors to ensure a high level of accountability and identification with Contact’s strategies and goals. Contact’s external auditor also attends the annual meeting, and is available to answer questions relating to the conduct of the external audit and the preparation and content of the auditor’s report.

## Principle 9 – Stakeholder interests

Contact is committed to making, selling and using energy responsibly and sustainably. The company manages its business in a way that balances its economic, environmental and social responsibilities. Contact’s approach to social responsibility is based on sharing and listening.

### Diversity

Contact encourages a working environment in which diversity is recognised and where equal employment opportunities are offered to all potential and existing employees on the basis of relevant merit. While Contact has not adopted a formal diversity policy, the company’s intent is embedded in its principles, commitments and behaviours.

The gender representation on Contact’s Board and Leadership Team levels at 30 June 2015 is outlined below, alongside comparable figures for the past year.

	FY15			FY14		
	Male	Female	Total	Male	Female	Total
Board of Directors	5	2	7	5	2	7
Leadership Team	6	3	9	7	2	9

# Remuneration Report

## Directors' remuneration

The current total directors' fee pool approved by shareholders in 2008 is \$1,500,000 per annum. Directors receive fees determined by the Board on the recommendation of the Remuneration Committee. Those fees must be within the aggregate amount per annum approved by shareholders. For FY15 a 3 per cent increase (subject to rounding) was approved by the Board including fees payable to directors on the IDC.

Details of the total remuneration received by each Contact director for FY15 are as follows:

Directors	Position	Board fees	Committee fees	Total remuneration
Grant King	Chairman	\$230,000	–	\$230,000
Phil Pryke	Deputy Chairman	\$144,000	\$79,375	\$223,375
David Baldwin	Director	\$126,500	\$23,500	\$150,000
Bruce Beeren	Director	\$126,500	\$43,500	\$170,000
Whaimutu Dewes	Director	\$126,500	\$77,900	\$204,400
Karen Moses	Director	\$126,500	\$24,000	\$150,500
Sue Sheldon	Director	\$126,500	\$98,500	\$225,000
<b>Total</b>		<b>\$1,006,500</b>	<b>\$346,775</b>	<b>\$1,353,275</b>

Directors' fees exclude GST, where appropriate. In addition, Board members are entitled to be reimbursed for costs directly associated with carrying out their duties, including travel costs.

## Chief Executive Officer remuneration

### Employment arrangements

Dennis Barnes was seconded to the role of Chief Executive Officer (CEO) by his employer, Origin Energy Limited.

During the term of his secondment, remuneration paid by Contact to Dennis Barnes is processed by Contact reimbursing Origin Energy for the cost of this remuneration. An exception exists for share options, performance share rights and deferred share rights awarded under Contact's equity scheme which are provided directly by Contact.

### Remuneration

Remuneration paid by Contact to the CEO reflects the breadth and complexity of the role; references market remuneration data benchmarks; is linked to the achievement of performance goals; and aligns with the creation of sustainable shareholder value in the long term. The remuneration package paid includes a fixed remuneration component comprising cash salary and other employment benefits, and at-risk/variable remuneration comprising short-term incentives (cash and deferred share rights) and long-term incentives (share options and performance share rights).

Approximately one-third of the CEO's potential annual remuneration is paid as fixed remuneration and two-thirds is at-risk/variable remuneration. The amount of short-term incentive awarded and the level of long-term incentive allocated to the CEO is dependent on the degree to which Contact's financial, health, safety and environment (HSE), and other strategic goals are met. This is determined after the end of the relevant financial year and paid in the subsequent financial year.

The following tables detail the nature and amount of the remuneration paid to Dennis Barnes during FY15.

### Cash remuneration

	Fixed remuneration \$	Variable remuneration \$	Total cash remuneration paid \$
Year ended 30 June 2015	928,500	281,645	1,210,145
Year ended 30 June 2014	897,750	538,566	1,463,316

### Equity rights issued (options, performance share rights and deferred share rights) <sup>1</sup>

	Number of options issued during year	Number of performance share rights issued during year	Number of deferred share rights issued during year	Value of equity rights issued and amortising during year \$	Value of equity rights issued in past years and amortising during year \$	Total equity rights exercised during year \$
Year ended 30 June 2015	620,157	32,371	51,390	\$185,151	\$494,857	–
Year ended 30 June 2014	590,626	106,876	–	\$168,329	\$479,753	–

1. The allocation of equity based incentives is determined at the end of each financial year. The value of equity disclosed above is the portion of the fair value of options, performance share rights and deferred share rights allocated to the relevant reporting period. None of the equity rights allocated to Dennis Barnes became exercisable in the financial years 2014 and 2015. Details on the equity scheme are described on page 68.

## Employee remuneration

There are three components to employee remuneration – fixed remuneration, at-risk/variable remuneration and other benefits. These are designed to attract, reward and retain high-performing employees.

### Fixed remuneration

Fixed remuneration is determined based on the role responsibilities, individual performance and experience, and available market remuneration data. Contact targets fixed remuneration at the median of the market range.

### At-risk/variable remuneration

At-risk/variable remuneration recognises and rewards high-performing employees and comprises short-term incentives (cash and deferred share rights), and long-term incentives (options and performance share rights).

- **Short-term incentives (STIs)**

STIs are designed to differentiate and reward high performance with cash incentives for eligible employees, and deferred share rights through Contact's equity scheme for some higher level roles. The STIs are based on employee performance measured against key performance indicators (KPIs) which generally comprise company, business unit and individual objectives. The Board reserves the right to adjust STI awards if company targets are not met.

- **Long-term incentives (LTIs)**

Contact provides awards of options and performance share rights through Contact's equity scheme to senior and key talent employees. This aims to encourage and reward longer-term decision making and align participants' interests with that of Contact's shareholders. These are subject to performance hurdles.

### Equity scheme

At 30 June 2015 there were 99 participants in Contact's equity scheme. Further details on the equity scheme including the number of options, performance share rights and deferred share rights granted, exercised, lapsed and on issue at the end of the reporting period, see note 19 to the financial statements.

### Other benefits

Contact also offers a range of benefits. These have varying eligibility criteria and include the following: discounts for home energy, including electricity, natural gas and LPG; employer subsidised health insurance; an employee share ownership plan 'Contact Share', (details of Contact Share can be found on page 68); and additional benefits and offers from retailers and services providers.



The table at right shows the number of employees and former employees of Contact who, in their capacity as employees, received remuneration and other benefits during FY15 of at least \$100,000. At 30 June 2015, no Contact subsidiary had any employees.

The value of remuneration benefits analysed includes:

- fixed remuneration including allowance/overtime payments
- employer superannuation contributions
- short-term cash incentives relating to FY14 performance but paid in FY15. (Note, STI payments for FY15 performance which will be paid in FY16 are expected to be lower)
- the value of equity-based incentives expensed during FY15
- the value of Contact Share expensed during FY15
- redundancy and other payments made on termination of employment.

The figures do not include amounts paid post 30 June 2015 that relate to the year ended 30 June 2015.

The remuneration (and any other benefits) of the CEO, Dennis Barnes, is disclosed in the CEO remuneration section on pages 44-45.

Remuneration band	Number of employees
\$100,001-\$110,000	55
\$110,001-\$120,000	47
\$120,001-\$130,000	46
\$130,001-\$140,000	49
\$140,001-\$150,000	60
\$150,001-\$160,000	35
\$160,001-\$170,000	25
\$170,001-\$180,000	14
\$180,001-\$190,000	20
\$190,001-\$200,000	22
\$200,001-\$210,000	9
\$210,001-\$220,000	10
\$220,001-\$230,000	8
\$230,001-\$240,000	7
\$240,001-\$250,000	8
\$250,001-\$260,000	3
\$260,001-\$270,000	6
\$270,001-\$280,000	2
\$280,001-\$290,000	2
\$290,001-\$300,000	4
\$310,001-\$320,000	3
\$320,001-\$330,000	2
\$330,001-\$340,000	5
\$340,001-\$350,000	2
\$350,001-\$360,000	2
\$370,001-\$380,000	2
\$380,001-\$390,000	3
\$400,001-\$410,000	1
\$410,001-\$420,000	1
\$420,001-\$430,000	1
\$450,001-\$460,000	1
\$460,001-\$470,000	2
\$490,001-\$500,000	1
\$500,001-\$510,000	1
\$540,001-\$550,000	1
\$550,001-\$560,000	2
\$570,001-\$580,000	1
\$640,001-\$650,000	1
\$720,001-\$730,000	1
\$940,001-\$950,000	1
\$1,010,001-\$1,020,000	1
<b>Grand Total</b>	<b>467<sup>(1)</sup></b>

1. Includes 30 former employees.

## Statutory Disclosures

### Disclosures of interests by directors

The following are particulars of general disclosures of interest by directors holding office as at 30 June 2015, pursuant to section 140(2) of the Companies Act 1993. Each such director will be regarded as interested in all transactions between Contact and the disclosed entity.

#### Grant King (resigned 10 August 2015)

Origin Energy Limited and Group companies	Managing director/shareholder/employee
Business Council of Australia	Director
Australian Petroleum Production and Exploration Association	Councillor

#### Phil Pryke

GMT Bond Issuer Limited	Director
GMT Wholesale Bond Issuer Limited	Director
Goodman Funds Management Limited	Director
Goodman Limited	Director
Goodman (NZ) Limited	Director
Goodman Property Aggregated Limited	Director
North Ridge Partners Pty Limited (formerly Co-Investor Capital Partners Pty Ltd)	Director
Pryke Pty Limited	Director/shareholder
Tru-Test Corporation Limited	Director
Tru-Test Pty Limited	Director

#### David Baldwin (resigned 10 August 2015)

Australia Pacific LNG Pty Limited and Group companies	Director
Origin Energy Limited	Employee/shareholder

#### Bruce Beeren

Equisuper Pty Limited	Director
Origin Energy Limited	Shareholder and former director/employee
The Hunger Project Australia Pty Limited	Director
Veda Group Limited	Director

#### Whaimutu Dewes

Aotearoa Fisheries Limited	Chairman
Housing New Zealand Board (ceased 6 July 2015)	Director
Iwi Rakau Limited	Director
Kura Limited	Chairman
Ngati Porou Fisheries Limited	Director
Ngati Porou Forests Limited	Director
Ngati Porou Holding Company Limited	Chairman
Ngati Porou Seafoods Limited	Director
Ngati Porou Whanui Forests Limited	Director
Pupuri Taonga Limited	Director
Rakaikura Limited	Director
Real Fresh Limited	Director
Whainiho Developments Limited	Managing director/shareholder
The Treasury Board	Director

#### Karen Moses (resigned 10 August 2015)

Origin Energy Limited and Group companies	Director/shareholder/employee
SAS Trustee Corporation Board	Director
Sydney Dance Company	Director
University of New South Wales, Australian School of Business Advisory Council	Committee member

#### Sue Sheldon

Christchurch City Council	Independent Chair of Audit and Risk Management Committee
FibreTech New Zealand Limited	Chairman
Freightways Limited	Chairman
Paymark Limited	Chairman
Sue Sheldon Advisory Limited	Director

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

## Information used by directors

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.

## Indemnity and insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the company, Contact has continued to indemnify and insure its directors and officers, including directors of subsidiaries, against potential liability or costs incurred in any proceeding, except to the extent prohibited by law.

## Directors' security participation

Directors are requested to hold a minimum of 20,000 shares within 3 years of appointment or within 3 years of the commencement of fees being paid.

### Securities of the company in which each director has a relevant interest at 30 June 2015

Director	Number of ordinary shares	Number of options (including PSRs) <sup>1</sup>
Grant King	33,886	N/A
Phil Pryke	88,401	N/A
David Baldwin	1,000	577,050 <sup>(2)</sup>
Bruce Beeren	35,901	N/A
Whaimutu Dewes	20,011	N/A
Karen Moses	21,038	N/A
Sue Sheldon	21,803	N/A

1. Performance share rights.
2. David Baldwin participated in the LTI scheme during his secondment to Contact. David Baldwin retains these securities subject to exercise hurdles and vesting.

### Securities dealings of directors

During the year, the directors disclosed in respect of section 148(2) of the Companies Act 1993 that they acquired or disposed of a relevant interest in ordinary shares as follows:

Director	Date of transaction	Consideration per share	Number of ordinary shares acquired (disposed of)	Nature of relevant interest
David Baldwin	01/12/14	Nil	(253,609)	Lapse of options under LTI scheme
	01/12/14	Nil	(45,347)	Lapse of PSRs under LTI scheme
Whaimutu Dewes	16/07/14	Nil	(20,011) 20,011	Off-market transfer from WK Dewes to WK Dewes, JA Baillie and GW David

## Subsidiary company directors

The following people held office as directors of subsidiary companies at 30 June 2015. No director of any of Contact's subsidiaries received additional remuneration or benefits in respect of their directorships.

Company	Directors
Contact Aria Limited	Dennis Barnes Catherine Thompson
Contact Wind Limited	Dennis Barnes Graham Cockcroft Alistair Yates
Rockgas Limited	Dennis Barnes Graham Cockcroft Peter Kane

## Stock exchange listings

Contact's ordinary shares are listed and quoted on the New Zealand Stock Market (NZSX) under the company code 'CEN'. Contact's retail bonds are listed and quoted on the New Zealand Debt Market (NZDX) under the company code 'CENO20' (2014 series).

## Shareholder statistics

### Twenty largest shareholders at 17 August 2015

	Number of ordinary shares	% of ordinary shares
JP Morgan Chase Bank – NZCSD <sup>1</sup>	116,649,635	15.91
HSBC Nominees (New Zealand) Limited – NZCSD <sup>1</sup>	85,116,220	11.61
National Nominees New Zealand Limited – NZCSD <sup>1</sup>	81,000,232	11.05
Citibank Nominees (NZ) Limited – NZCSD <sup>1</sup>	45,788,938	6.24
HSBC Nominees (New Zealand) Limited – NZCSD <sup>1</sup>	42,131,055	5.74
Accident Compensation Corporation – NZCSD <sup>1</sup>	35,865,774	4.89
Cogent Nominees Limited – NZCSD <sup>1</sup>	15,142,282	2.06
Tea Custodians Limited – NZCSD <sup>1</sup>	14,600,624	1.99
BNP Paribas Nominees NZ Limited – NZCSD <sup>1</sup>	14,513,147	1.98
New Zealand Superannuation Fund Nominees Limited – NZCSD <sup>1</sup>	10,589,991	1.44
BNP Paribas Nominees NZ Limited – NZCSD <sup>1</sup>	10,223,713	1.39
FNZ Custodians Limited	9,736,398	1.33
Deutsche Securities New Zealand Limited	9,139,864	1.25
Guardian Nominees Limited No.2 Ltd – NZCSD <sup>1</sup>	8,507,404	1.16
Custodial Services Limited	8,232,236	1.12
Premier Nominees Limited – NZCSD <sup>1</sup>	6,751,722	0.92
RBC Investor Services Australia Nominees Pty Limited	6,513,954	0.89
Private Nominees Limited – NZCSD <sup>1</sup>	5,039,086	0.69
Investment Custodial Services Limited	4,615,820	0.63
Forsyth Barr Custodians Limited	4,240,797	0.58
<b>Total for top 20</b>	<b>534,398,892</b>	<b>72.87</b>

1. New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to members. As at 17 August 2015, total holding in NZCSD was 507,395,058 or 69.19% of shares on issue.

### Distribution of ordinary shares and shareholders at 17 August 2015

Size of holding	Number of shareholders	% of shareholders	Number of ordinary shares	% of ordinary shares
1 – 1,000	31,524	45.63	20,789,242	2.84
1,001 – 5,000	32,407	46.90	56,600,221	7.72
5,001 – 10,000	3,203	4.64	22,254,218	3.03
10,001 – 50,000	1,742	2.52	32,429,514	4.42
50,001 – 100,000	115	0.17	8,128,733	1.11
100,001 and over	99	0.14	593,156,944	80.88
<b>Total</b>	<b>69,090</b>	<b>100.00</b>	<b>733,358,872</b>	<b>100.00</b>

## Substantial product holders

According to notices given under the Financial Markets Conduct Act 2013, the following persons were substantial product holders of the company as at 30 June 2015:

Substantial product holder	Number of ordinary shares in which relevant interest is held	Date of notice
Origin Energy New Zealand Limited and its subsidiaries <sup>1</sup>	389,314,921	11 August 2011

1. Ceased to be a substantial product holder effective 10 August 2015.

The total number of voting securities of Contact at 30 June 2015 was 733,358,872 fully paid ordinary shares.

## Bondholder statistics

### Retail fixed rate bonds (CEN020) at 17 August 2015

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001 – 5,000	215	8.18	1,073,334	0.48
5,001 – 10,000	537	20.44	5,170,000	2.33
10,001 – 50,000	1,518	57.79	43,152,500	19.44
50,001 – 100,000	229	8.72	19,560,000	8.81
100,001 and over	128	4.87	153,044,166	68.94
<b>Total</b>	<b>2,627</b>	<b>100.00</b>	<b>222,000,000</b>	<b>100.00</b>

## Auditor fees

KPMG has continued to act as auditors of the company. The amount payable by Contact and its subsidiaries to KPMG as audit fees in respect of FY15 was \$564,723. KPMG also provided services in relation to tax compliance (\$3,850).

## Donations

In accordance with section 211(1)(h) of the Companies Act 1993, Contact records that it donated \$11,724 in FY15. 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. No political contributions were made during the year.

## NZX waivers

Details of all waivers granted and published by NZX within or relied upon by Contact during FY15 are available on the company's website [contact.co.nz](http://contact.co.nz).

## Exercise of NZX disciplinary powers

NZX did not exercise any of its powers under Listing Rule 5.4.2 in relation to Contact during FY15.

## Credit rating at 17 August 2015

Contact Energy Limited had a Standard & Poor's long-term credit rating of BBB/stable and short term rating of A-2.

The \$222 million unsubordinated, unsecured fixed rate bonds issued in March 2014 are rated BBB by Standard & Poor's.

# Financial Statements

For the year ended 30 June 2015

Page 52

Income Statement

Page 52

Statement of  
Comprehensive Income

Page 53

Statement of Changes  
in Equity

Page 54

Statement of  
Financial Position

Page 55

Statement of Cash Flows

Page 56

Notes to the  
Financial Statements

1.	About these Financial Statements	56
2.	Performance by segment	57
3.	Components of profit	58
4.	Earnings per share	58
5.	Share capital and distributions	59
6.	Inventories	59
7.	PP&E and intangible assets	59
8.	Goodwill and impairment testing	61
9.	Borrowings	62
10.	Financial instruments	62
11.	Financial risk management	64
12.	Reconciliation of profit to operating cash flows	65
13.	Receivables and prepayments	66
14.	Payables and accruals	66
15.	Provisions	66
16.	Taxation	66
17.	Operating leases	67
18.	Related parties	67
19.	Share-based compensation	68
20.	Contingent liabilities	69
21.	Subsequent events	69

Page 70

Independent Auditor's  
Report

# Income Statement

For the year ended 30 June 2015

	Note	2015 \$m	2014 \$m
Revenue and other income	3	2,443	2,446
Operating expenses	3	(1,918)	(1,859)
Other significant items	3	(24)	1
Depreciation and amortisation	7	(204)	(190)
Change in fair value of financial instruments	10	(37)	7
Net interest expense	3	(98)	(77)
<b>Profit before tax</b>		<b>162</b>	<b>328</b>
Tax expense	16	(29)	(94)
<b>Profit</b>		<b>133</b>	<b>234</b>
<b>Basic and diluted earnings per share (cents)</b>	4	<b>18.2</b>	<b>32.0</b>

# Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	2015 \$m	2014 \$m
<b>Profit</b>		<b>133</b>	<b>234</b>
<b>Other comprehensive income – items that may be reclassified to profit:</b>			
Change in cash flow hedge reserve before tax	10	12	(12)
Deferred tax relating to cash flow hedges	10	(2)	3
<b>Other comprehensive income</b>		<b>10</b>	<b>(9)</b>
<b>Comprehensive income</b>		<b>143</b>	<b>225</b>

The accompanying notes form an integral part of these financial statements.

# Statement of Changes in Equity

For the year ended 30 June 2015

	Note	Share capital \$m	Retained earnings \$m	Cash flow hedge reserve \$m	Share-based compensation reserve \$m	Total shareholders' equity \$m
Balance at 1 July 2013		1,605	1,917	4	11	3,537
Profit		–	234	–	–	234
Other comprehensive income		–	–	(9)	–	(9)
Lapsed share scheme awards		–	1	–	(1)	–
Share-based compensation expense	19	–	–	–	4	4
Dividends paid	5	–	(184)	–	–	(184)
<b>Balance at 30 June 2014</b>		<b>1,605</b>	<b>1,968</b>	<b>(5)</b>	<b>14</b>	<b>3,582</b>
Balance at 1 July 2014		1,605	1,968	(5)	14	3,582
Profit		–	133	–	–	133
Other comprehensive income		–	–	10	–	10
Lapsed share scheme awards		–	3	–	(3)	–
Share-based compensation expense	19	–	–	–	4	4
Dividends paid	5	–	(558)	–	–	(558)
<b>Balance at 30 June 2015</b>		<b>1,605</b>	<b>1,546</b>	<b>5</b>	<b>15</b>	<b>3,171</b>

The accompanying notes form an integral part of these financial statements.

# Statement of Financial Position

At 30 June 2015

	Note	2015 \$m	2014 \$m
Cash and cash equivalents		4	12
Receivables and prepayments	13	217	292
Inventories	6	64	54
Intangible assets	7	15	17
Derivative financial instruments	10	15	9
Tax receivable		19	-
Assets held for sale	7	2	2
<b>Total current assets</b>		<b>336</b>	<b>386</b>
Property, plant and equipment	7	5,078	5,180
Intangible assets	7	314	310
Goodwill	8	182	182
Inventories	6	99	114
Derivative financial instruments	10	69	3
Other non-current assets		11	11
<b>Total non-current assets</b>		<b>5,753</b>	<b>5,800</b>
<b>Total assets</b>		<b>6,089</b>	<b>6,186</b>
Payables and accruals	14	214	277
Borrowings	9	531	237
Derivative financial instruments	10	28	83
Provisions	15	8	8
Tax payable		-	19
<b>Total current liabilities</b>		<b>781</b>	<b>624</b>
Borrowings	9	1,219	1,057
Derivative financial instruments	10	53	82
Provisions	15	51	47
Deferred tax	16	792	768
Other non-current liabilities		22	26
<b>Total non-current liabilities</b>		<b>2,137</b>	<b>1,980</b>
<b>Total liabilities</b>		<b>2,918</b>	<b>2,604</b>
<b>Net assets</b>		<b>3,171</b>	<b>3,582</b>
Share capital	5	1,605	1,605
Retained earnings		1,546	1,968
Cash flow hedge reserve	10	5	(5)
Share-based compensation reserve		15	14
<b>Shareholders' equity</b>		<b>3,171</b>	<b>3,582</b>

The accompanying notes form an integral part of these financial statements.

Authorised on behalf of the Contact Energy Limited Board of Directors on 14 August 2015:


Phil Pryke  
Director

Sue Sheldon  
Director

# Statement of Cash Flows

For the year ended 30 June 2015

	Note	2015 \$m	2014 \$m
Receipts from customers		2,495	2,385
Payments to suppliers and employees		(1,970)	(1,930)
Tax paid		(45)	(53)
Liquidated damages received	3	9	43
Dividends received		1	1
<b>Net cash flow from operating activities</b>	12	<b>490</b>	<b>446</b>
Purchase of property, plant and equipment		(94)	(151)
Purchase of computer software assets		(35)	(60)
Proceeds from sale of property, plant and equipment		7	73
Interest received		1	6
<b>Net cash flow from investing activities</b>		<b>(121)</b>	<b>(132)</b>
Dividends paid	5	(558)	(184)
Proceeds from borrowings		456	670
Repayment of borrowings		(192)	(766)
Interest paid		(90)	(113)
Gas sale and repurchase arrangement (payments)/proceeds		(2)	14
Financing costs		(1)	(3)
<b>Net cash flow from financing activities</b>		<b>(387)</b>	<b>(382)</b>
<b>Net cash flow</b>		<b>(18)</b>	<b>(68)</b>
Add: cash at the beginning of the year		12	80
<b>Cash at the end of the year</b>		<b>(6)</b>	<b>12</b>
Bank overdraft	9	(10)	-
Cash and cash equivalents		4	12

The accompanying notes form an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 30 June 2015

## 1. ABOUT THESE FINANCIAL STATEMENTS

Contact includes Contact Energy Limited, its controlled entities and joint arrangements. Contact is a profit-oriented entity registered in New Zealand under the Companies Act 1993. Contact is listed on the New Zealand stock exchange and has a series of bonds listed on the debt exchange. Being an issuer of shares and debt under the Financial Markets Conduct (FMC) Act 2013, Contact is an FMC entity for reporting purposes.

These are Contact's financial statements for the year ended 30 June 2015. They are prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and also comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

The financial statements are presented in New Zealand dollars and are rounded to the nearest million (\$m), unless otherwise stated.

The measurement basis adopted in the preparation of these financial statements is historical cost, except for financial instruments measured at fair value, assets held for sale measured at fair value less costs to sell, and generation plant and equipment acquired before 1 October 2004 measured at deemed historical cost.

### Accounting policies and standards

During the year Contact changed its accounting policy for costing carbon emission units from a first-in-first-out method to weighted average cost. The change had an immaterial impact on previously reported and current financial year results. There were no other changes in accounting policy. Contact's accounting policies have been consistently applied to all years presented in these financial statements.

Contact has chosen not to early adopt NZ IFRS 15 *Revenue from Contracts with Customers* (effective for the year ending 30 June 2018) and NZ IFRS 9 *Financial Instruments* (effective for the year ending 30 June 2019). The standards are likely to have an impact on the financial statements when adopted, but the impact has not yet been assessed.

### Accounting estimates and judgements

Estimates and judgements are made in applying Contact's accounting policies. The areas of significant estimation and judgements are:

- unbilled retail revenue for electricity and gas (notes 3 and 13)
- inventory gas classification between current and non-current, and estimation of net realisable value (note 6)
- useful lives of property, plant and equipment and intangible assets (note 7)
- impairment testing of cash-generating units and capital work in progress in relation to future generation developments (note 8)
- fair value measurement of financial instruments (note 10)
- provision for impairment of receivables (note 13)
- future expenditure for restoration and environmental rehabilitation provisions (note 15).

## 2. PERFORMANCE BY SEGMENT

Contact has two operating segments reported to the Chief Executive Officer (CEO); they are split based on the different products and services provided. Contact's segments are:

- Integrated Energy: a generator of electricity and a purchaser and retailer of electricity and natural gas to customers throughout New Zealand, and
- Other: other products and services offered by Contact, which includes the sale of LPG.

The profit measures provided to the CEO to measure Contact's performance are:

- Earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items (EBITDAF), and
- Underlying earnings after tax, which is profit excluding significant items that do not reflect Contact's ongoing performance.

	Note	2015				2014			
		Integrated Energy \$m	Other \$m	Inter-segment \$m	Total \$m	Integrated Energy \$m	Other \$m	Inter-segment \$m	Total \$m
Revenue and other income		2,318	163	(38)	2,443	2,321	164	(39)	2,446
Cost of sales		(1,586)	(107)	38	(1,655)	(1,535)	(110)	39	(1,606)
Operating expenses		(248)	(15)	-	(263)	(235)	(18)	-	(253)
<b>EBITDAF</b>		<b>484</b>	<b>41</b>	<b>-</b>	<b>525</b>	<b>551</b>	<b>36</b>	<b>-</b>	<b>587</b>
Depreciation and amortisation					(204)				(190)
Net interest expense					(98)				(77)
Tax on underlying earnings					(62)				(93)
<b>Underlying earnings after tax</b>					<b>161</b>				<b>227</b>
<b>Underlying earnings per share (cents)</b>	4				<b>21.9</b>				<b>31.0</b>

The inter-segment charge for electricity and gas meters aims to have the Integrated Energy segment pay the Other segment an equivalent cost for Contact-owned meters as it would for third party owned meters.

The table below reconciles underlying earnings after tax to profit as reported in the Income Statement.

	Note	2015 \$m	2014 \$m
<b>Underlying earnings after tax</b>		<b>161</b>	<b>227</b>
Change in fair value of financial instruments	10	(37)	7
Other significant items	3	(24)	1
Tax on items excluded from underlying earnings		17	(1)
Reinstatement of tax depreciation on powerhouses	16	16	-
<b>Profit</b>		<b>133</b>	<b>234</b>

**3. COMPONENTS OF PROFIT**

	Note	2015 \$m	2014 \$m
Retail electricity		1,514	1,534
Wholesale electricity		693	641
LPG		118	116
Gas		81	83
Steam		21	20
<b>Total revenue</b>		<b>2,427</b>	<b>2,394</b>
Liquidated damages		9	43
Other income		7	9
<b>Total revenue and other income</b>		<b>2,443</b>	<b>2,446</b>
Electricity purchases		(674)	(624)
Electricity transmission, distribution and levies		(633)	(596)
Gas purchases, transmission and levies		(236)	(278)
LPG purchases		(70)	(77)
Meter costs		(36)	(32)
Emission costs		(6)	1
Labour costs		(102)	(100)
Other		(161)	(153)
<b>Total operating expenses</b>		<b>(1,918)</b>	<b>(1,859)</b>
Transition costs		(24)	(11)
Clutha land sales		-	7
Gain on restructure of gas storage operations		-	7
Asset impairments		-	(2)
<b>Total other significant items</b>		<b>(24)</b>	<b>1</b>
Interest expense		(93)	(116)
Unwind of discount on provisions	15	(6)	(4)
Interest income		1	6
Interest expense capitalised		-	37
<b>Net interest expense</b>		<b>(98)</b>	<b>(77)</b>

**Revenue and other income**

Retail electricity, natural gas and LPG revenue includes an estimate of sales for unread electricity and gas meters at the end of the reporting period – refer to note 13.

Liquidated damages were received during the year as a result of Te Mihi Geothermal Power Station outage delays and in the prior year due to delayed commissioning.

**Operating expenses**

Labour costs include contributions to KiwiSaver of \$3 million (2014: \$3 million).

Other operating expenses include fees paid to Contact's auditors (KPMG) of \$564,723 for review of the interim and audit of the year end financial statements (2014: \$675,840 which includes \$117,439 for transitional audit procedures on the SAP customer billing and service system) and \$3,850 for services in relation to tax compliance (2014: \$11,330).

**Other significant items**

Transactions are classified as other significant items, and excluded from underlying earnings, when they meet certain criteria approved by Contact's board of directors (the Board). Other significant items are determined in accordance with the principles of consistency, relevance and clarity. Transactions considered for classification as other significant items include impairment or reversal of impairment of assets; business integration, restructure, acquisition and disposal costs; and transactions or events outside of Contact's ongoing operations that have a significant impact on reported profit.

This year other significant items include transition costs incurred on the Retail Transformation project which are comprised primarily of temporary staffing, infrastructure and technology costs.

**4. EARNINGS PER SHARE**

Basic and diluted earnings per share are calculated by dividing profit by the weighted average number of shares on issue over the year. The diluted number of shares includes deferred share rights and restricted shares that are expected to vest. There is no material difference in basic and diluted earnings per share due to the small number of dilutive shares. Underlying earnings per share is calculated by dividing underlying earnings after tax by the weighted average number of shares on issue over the year.

	2015	2014
Basic and diluted earnings per share (cents)	18.2	32.0
Underlying earnings per share (cents)	21.9	31.0
Weighted average number of shares:		
– basic	733,345,281	733,305,814
– diluted	733,793,826	733,377,089

**5. SHARE CAPITAL AND DISTRIBUTIONS**

All shares have no par value and are fully paid. Shareholders are entitled to receive distributions as declared and are entitled to one vote per share at meetings.

	Note	Number	\$m
Balance at 1 July 2013		733,301,821	1,605
Share capital issued		6,941	-
<b>Balance at 30 June 2014</b>		<b>733,308,762</b>	<b>1,605</b>
Ordinary shares		733,151,706	1,605
Restricted shares			
– Contact Share	18	157,056	-

Balance at 1 July 2014		733,308,762	1,605
Share capital issued		50,110	-
<b>Balance at 30 June 2015</b>		<b>733,358,872</b>	<b>1,605</b>
Ordinary shares		733,084,168	1,606
Restricted shares			
– Contact Share	18	274,704	(1)

**Distributions**

Paid during the year ended	Cents per share	\$m
2013 final dividend	14.0	103
2014 interim dividend	11.0	81
<b>30 June 2014</b>		<b>184</b>
2014 final dividend	15.0	110
2015 interim dividend	11.0	81
2015 special dividend	50.0	367
<b>30 June 2015</b>		<b>558</b>

The Board declared a final dividend after year end of 15.0 cents per share to be paid on 15 September 2015.

**6. INVENTORIES**

Inventories are stated at the lower of cost and net realisable value (NRV). Any write-down to NRV is recognised in the Income Statement.

	2015 \$m	2014 \$m
Inventory gas	148	152
Consumables and spare parts	10	9
LPG	2	4
Diesel fuel	3	3
	<b>163</b>	<b>168</b>
Current	64	54
Non-current	99	114

The cost of inventory is determined on a weighted average basis. NRV is determined as follows:

- Inventory gas: based on a calculation that uses forecast gas requirements to operate thermal plants, the amount of gas extracted to run those plants and the forward wholesale electricity prices for generation. The forward wholesale electricity prices are derived from Australian Securities Exchange (ASX) market quoted prices.
- Consumables, spare parts and diesel fuel: the estimated recoverable amount based on their intended use.
- LPG: the estimated selling price in the ordinary course of business, less variable selling expenses.

The classification of inventory gas between current and non-current is based on expected future usage and past actual usage. Contact expects to utilise 30 per cent of inventory gas held in storage within 1 year of the end of the reporting period (2014: 20 per cent).

**7. PP&E AND INTANGIBLE ASSETS**

Property, plant and equipment (PP&E) and intangible assets are carried at cost less accumulated depreciation or amortisation and accumulated impairment losses. Generation plant and equipment acquired before 1 October 2004 is recognised at deemed historical cost less accumulated depreciation and accumulated impairment losses. Deemed historical cost is the fair value of those assets at 1 October 2004, which was the date of Contact's transition to NZ IFRS.

**Cost**

The cost of assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs incurred in bringing the assets to the location and condition necessary for their intended use.

The cost of assets constructed by Contact includes the cost of all materials and services used in construction, labour costs specifically associated with construction, resource management consent costs and directly attributable variable and fixed overheads. Net revenue attributable to assets that is earned in the period until the assets are operating in the manner intended by management is deducted from the cost of the assets.

The costs of assets constructed by Contact are recognised as capital work in progress until the assets are operating in the manner intended by management at which time they are transferred to PP&E or intangible assets.

Expenditure on existing assets is capitalised when it relates to asset replacements and improvements, or when laws, regulations or resource consent conditions require it for continued operation of the asset. All other expenditure related to existing assets is expensed as incurred.

Exploration expenditure in relation to geothermal fields is accounted for on an area of interest basis. Under this method, costs incurred in the exploration phase on an area of interest, within a geothermal field, are expensed as incurred. Costs associated with the preparation of resource consent applications and drilling geothermal exploration wells are capitalised as part of capital work in progress and subsequently expensed only if the entire area of interest is unsuccessful.

**Gas storage – cushion gas**

Contact has beneficial access to the remaining natural gas and LPG reserves (excluding condensate) in the Ahuroa reservoir. The natural gas reserves at the date of acquisition, together with some additional natural gas injections since acquisition, are referred to as cushion gas and represent the investment necessary to enable the field to be used for the storage of operational gas. Cushion gas of \$52 million (2014: \$52 million) is classified as generation plant and equipment.

**Carbon emission units**

Carbon emission units are measured at weighted average cost. Units are classified as current assets when they are expected to be surrendered to satisfy Contact's carbon emission obligation at the end of the reporting period, or the obligation is expected to be incurred within 1 year of the end of the reporting period.

### Depreciation and amortisation

Generation plant and equipment assets that are expected to be consumed on a usage basis are depreciated on an equivalent operating hours basis. Depreciation and amortisation for all other assets are recognised on a straight line basis to allocate the cost of the assets, less any estimated residual values, over their expected remaining useful lives.

Asset useful lives and residual values are reviewed annually for triggers that may indicate the need for a revised estimate. The range of depreciation and amortisation rates for each class of asset is:

Asset	Rate/Hours
Generation plant and equipment	
– Straight line	1-33%
– Equivalent operating hours	8,000 -100,000
Other buildings, plant and equipment	2-33%
Gas storage rights	3%
Computer software	6-33%
Land and capital work in progress	Not depreciated
Cushion gas and carbon emission units	Not amortised

### Assets held for sale

Assets classified as held for sale are either being actively marketed for sale following Board approval to dispose of the assets or are subject to conditional sales agreements. These assets are expected to be sold within 1 year of the end of the reporting period. All assets held for sale are land assets.

Property, plant and equipment	Generation plant and equipment \$m	Other land and buildings \$m	Other plant and equipment \$m	Capital work in progress \$m	Total \$m
<b>Cost</b>					
Balance at 1 July 2013	5,300	28	231	868	6,427
Additions	112	–	2	79	193
Transfers from capital work in progress	565	1	1	(567)	–
Transfers to assets held for sale	(3)	(1)	–	–	(4)
Disposals	(8)	(1)	(1)	–	(10)
<b>Balance at 30 June 2014</b>	<b>5,966</b>	<b>27</b>	<b>233</b>	<b>380</b>	<b>6,606</b>
Balance at 1 July 2014	5,966	27	233	380	6,606
Additions	31	–	5	43	79
Transfers from capital work in progress	81	9	15	(105)	–
Transfers to assets held for sale	(2)	(3)	–	–	(5)
Disposals	–	–	(1)	–	(1)
<b>Balance at 30 June 2015</b>	<b>6,076</b>	<b>33</b>	<b>252</b>	<b>318</b>	<b>6,679</b>
<b>Depreciation and impairment losses</b>					
Balance at 1 July 2013	(1,037)	(10)	(146)	(66)	(1,259)
Depreciation charge	(161)	(1)	(13)	–	(175)
Impairments	(2)	–	–	–	(2)
Disposals	9	–	1	–	10
<b>Balance at 30 June 2014</b>	<b>(1,191)</b>	<b>(11)</b>	<b>(158)</b>	<b>(66)</b>	<b>(1,426)</b>
Balance at 1 July 2014	(1,191)	(11)	(158)	(66)	(1,426)
Depreciation charge	(166)	(2)	(10)	–	(178)
Transfers to assets held for sale	2	–	–	–	2
Disposals	–	–	1	–	1
<b>Balance at 30 June 2015</b>	<b>(1,355)</b>	<b>(13)</b>	<b>(167)</b>	<b>(66)</b>	<b>(1,601)</b>
<b>Carrying amount</b>					
At 30 June 2014	4,775	16	75	314	5,180
<b>At 30 June 2015</b>	<b>4,721</b>	<b>20</b>	<b>85</b>	<b>252</b>	<b>5,078</b>

### Capital commitments

At 30 June 2015, Contact had \$32 million (2014: \$6 million) committed under contractual arrangements. The outflow of these commitments is \$13 million due within 1 year, \$13 million due between 2 and 5 years and \$6 million due more than 5 years from the reporting period end.

### Restrictions

Under the Treaty of Waitangi Act 1975, the Waitangi Tribunal has the power to recommend, in appropriate circumstances, that some of the land and interests in land purchased from the Electricity Corporation of New Zealand and now owned by Contact be resumed by the Crown in order that it be returned to the Māori claimants. In the event that the Waitangi Tribunal's initial recommendation is confirmed and the land is to be returned, compensation will be paid to Contact under the provisions of the Public Works Act 1981.

### Significant intangible assets

The carrying amount of computer software and capital work in progress includes \$264 million (2014: \$265 million) in relation to the integrated SAP system that Contact has developed.

This has a remaining useful life of 14 years.

Intangible assets	Computer software and capital work in progress \$m	Gas storage rights \$m	Carbon emission units \$m	Total \$m
<b>Cost</b>				
Balance at 1 July 2013	264	35	18	317
Additions	79	–	4	83
Disposals	(2)	–	(1)	(3)
<b>Balance at 30 June 2014</b>	<b>341</b>	<b>35</b>	<b>21</b>	<b>397</b>
Balance at 1 July 2014	341	35	21	397
Additions	29	–	1	30
Disposals	–	–	(2)	(2)
<b>Balance at 30 June 2015</b>	<b>370</b>	<b>35</b>	<b>20</b>	<b>425</b>
<b>Amortisation</b>				
Balance at 1 July 2013	(55)	(2)	–	(57)
Amortisation charge	(14)	(1)	–	(15)
Disposals	2	–	–	2
<b>Balance at 30 June 2014</b>	<b>(67)</b>	<b>(3)</b>	<b>–</b>	<b>(70)</b>
Balance at 1 July 2014	(67)	(3)	–	(70)
Amortisation charge	(25)	(1)	–	(26)
<b>Balance at 30 June 2015</b>	<b>(92)</b>	<b>(4)</b>	<b>–</b>	<b>(96)</b>
<b>Carrying amount</b>				
At 30 June 2014	274	32	21	327
<b>At 30 June 2015</b>	<b>278</b>	<b>31</b>	<b>20</b>	<b>329</b>
Current	–	–	15	15
Non-current	278	31	5	314

## 8. GOODWILL AND IMPAIRMENT TESTING

The carrying amounts of non-financial assets including PP&E and intangible assets are reviewed at the end of each reporting period for any indicators of impairment. If an impairment indicator exists, the recoverable amount of the asset, or cash-generating unit (CGU) to which it relates where it does not generate largely independent cash flows, is estimated. Goodwill is tested annually for impairment regardless of impairment indicators. An impairment loss is recognised when the carrying amount exceeds the estimated recoverable amount.

Contact has three CGUs: Generation, Retail and LPG. The Retail CGU has goodwill of \$179 million and the LPG CGU has \$3 million, which is unchanged from the prior year. The recoverable amount of the Generation CGU is estimated annually because it is a significant CGU. Capital work in progress related to future generation developments of \$129 million (2014: \$128 million) is not allocated to a CGU but is assessed annually for impairment.

No impairments were recognised in the current year. In the prior year all impairments recognised (refer note 3) related to assets held for sale and are based on the assets' fair value less costs to sell.

Key assumptions in the value in use calculations of the recoverable amount for Contact's CGUs are:

Assumption	Method of determination
Discount rate (post-tax)	Between 8 and 10 per cent
Terminal growth rates	Estimate of future growth based on historical consumer price index (CPI) average growth rates
Operating costs	Actual operating costs adjusted for expected market movements and impacts

### Retail and LPG CGUs

Assumption	Method of determination
Period of cash flows	5 years of estimated future cash flows
Customer numbers and churn	Actual customer numbers profiled using historical data on churn, expected market trends and competition for customers
Gross margin per customer	Actual gross margin per customer adjusted for expected market movements and competition for customers
Cost of purchased electricity	ASX market quoted prices adjusted for Contact's best estimate based on analysis of expected demand and cost of new supply

### Generation CGU

Assumption	Method of determination
Period of cash flows	10 years of estimated future cash flows
Generation required and mix of generation	Management's strategy for generation and historic average weather patterns
Amount received for generated electricity	ASX market quoted prices adjusted for Contact's best estimate based on analysis of expected demand and cost of new supply
Gas price	Contracted gas prices otherwise Contact's best estimate of future prices



### 9. BORROWINGS

Borrowings are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method. Debt designated in fair value hedge relationships (refer note 10) is adjusted for the change in fair value of the hedged risk.

	Maturity	Coupon	2015 \$m	2014 \$m
Bank overdraft	< 3 months	Floating	10	-
Commercial paper	< 3 months	Floating	100	60
Bank facilities	Various	Floating	639	223
Finance lease liabilities	Various	Various	25	27
USPP notes – US\$103m	Mar 2015	5.31%	-	183
Wholesale bonds	Apr 2017	7.86%	100	100
USPP notes – US\$40m	Mar 2018	5.55%	71	71
USPP notes – US\$25m	Apr 2018	7.13%	43	43
Wholesale bonds	May 2018	4.80%	50	50
Retail bonds – CENO20	May 2019	5.80%	222	222
Wholesale bonds	May 2020	5.28%	50	50
USPP notes – US\$56m	Dec 2020	3.46%	70	70
USPP notes – US\$22m	Dec 2023	4.19%	28	28
USPP notes – US\$51m	Dec 2023	4.09%	64	64
USPP notes – US\$58m	Dec 2025	4.33%	73	73
Export credit agency facility	Nov 2027	Floating	90	97
USPP notes – US\$23m	Dec 2028	4.44%	29	29
USPP notes – US\$30m	Dec 2028	4.50%	38	38
<b>Total borrowings at face value</b>			<b>1,702</b>	<b>1,428</b>
Unamortised discount			(8)	(9)
<b>Total borrowings at amortised cost</b>			<b>1,694</b>	<b>1,419</b>
Fair value adjustment on hedged borrowings			56	(125)
<b>Carrying value of borrowings</b>			<b>1,750</b>	<b>1,294</b>
Current			531	237
Non-current			1,219	1,057

The fair value of all borrowings is \$1,763 million (2014: \$1,341 million), with fair value measurement categorised as level 2 of the fair value hierarchy as described in note 10.

### USPP notes

In June 2015 US\$100 million (NZ\$145 million) of United States Private Placement (USPP) notes were executed with an issue date of September 2015. The notes have fixed interest rates ranging between 3.63 and 3.95 per cent and maturities between 8 and 12 years. The notes were hedged by entering into cross-currency interest rate swaps (CCIRS) at the same time as the debt. Although the notes are undrawn at 30 June 2015, they are committed liabilities and the change in fair value of the hedged risk is recognised as a component of borrowings.

### Committed bank facilities

Maturity	2015 \$m	2014 \$m
Less than 1 year	430	-
Between 1 and 2 years	145	350
Between 2 and 3 years	150	75
More than 3 years	175	175
	<b>900</b>	<b>600</b>

At 30 June 2015, Contact had \$300 million of bridging bank facilities maturing by 31 December 2015. In July 2015, \$100 million of these facilities were cancelled and Contact entered into two \$40 million bank facilities with maturities of 2 and 5 years. The remainder of the bridging facilities will be refinanced with the \$145 million of USPP notes to be issued in September 2015 and other new long-term debt.

### Finance leases

Contact has leased assets primarily in respect of connections to the national grid. The leased assets are categorised as generation plant and equipment and included in the carrying values of PP&E in note 7.

### Security

All borrowings rank equally. Contact's borrowings are unsecured except for finance leases, which are secured over the leased assets. Under Contact's Deed of Negative Pledge and Guarantee and USPP agreements, Contact is restricted from granting any security interest over its assets, subject to certain permitted exceptions. Contact complied with all borrowings covenants during the reporting period.

### 10. FINANCIAL INSTRUMENTS

#### Financial instruments carried at amortised cost

Loans and receivables and financial liabilities are initially recognised at fair value less transaction costs and subsequently carried at amortised cost. The value of financial instruments carried at amortised cost within the asset and liability types below are:

	2015 \$m	2014 \$m
Cash and cash equivalents	4	12
Receivables	215	289
Payables and accruals	(212)	(273)
Borrowings	(1,694)	(1,419)

#### Fair value measurement of financial instruments

Contact uses discounted cash flow valuations to estimate the fair value of all derivatives (and of borrowings for disclosure purposes). The key variables used in these valuations are forward prices (for the relevant underlying interest rates, foreign exchange rates, LPG prices and wholesale electricity prices) and discount rates. All inputs are sourced or derived from market information except as noted in the table:

Valuation input	Source
Forward interest rates	Published market swap rates
Forward foreign exchange rates	Published market foreign exchange rates
Forward wholesale electricity prices	ASX market quoted prices where available otherwise Contact's best estimate based on analysis of expected demand and cost of new supply
Forward LPG prices	Market quoted Saudi Aramco propane futures prices
Discount rates	Published market rates as applicable to the remaining life of the instrument adjusted for counterparty or Contact's own credit risk with credit spreads derived from published market data

#### Fair value hierarchy

Financial instruments recognised at fair value are categorised according to a fair value hierarchy that shows the extent of judgement used in determining their fair value. Where unadjusted quoted prices are used to determine fair value, the instruments are categorised as level 1. When inputs derived from quoted prices are used, the instruments are categorised as level 2 and, if inputs are not based on observable market data they are level 3 instruments.

At 30 June 2015, financial instruments measured at fair value were categorised as level 2, except for some electricity price derivatives categorised as level 1 of \$1 million liability (2014: \$2 million liability) and \$2 million asset categorised as level 3 (2014: \$1 million asset).

### Derivative financial instruments carried at fair value

The following table classifies derivative financial instruments by type and current or non-current classification:

	2015 Asset \$m	2015 Liability \$m	2014 Asset \$m	2014 Liability \$m
<b>Fair value hedges</b>				
CCIRS	56	(12)	-	(120)
Interest rate derivatives	6	-	-	(4)
<b>Cash flow hedges</b>				
CCIRS – margin	6	(5)	-	(10)
Foreign exchange derivatives	3	-	-	(1)
Electricity and LPG price derivatives	4	(2)	6	(1)
<b>Derivatives not designated in hedge relationships</b>				
Interest rate derivatives	4	(58)	4	(26)
Electricity price derivatives	5	(4)	2	(3)
	<b>84</b>	<b>(81)</b>	<b>12</b>	<b>(165)</b>
Current	15	(28)	9	(83)
Non-current	69	(53)	3	(82)

#### Net fair values

Contact enters into derivative transactions under International Swaps and Derivatives Association (ISDA). Under these ISDAs, unless there is an event of default, Contact does not have a legally enforceable right to set off all of its assets and liabilities with the same counterparty. Therefore all derivatives in the balance sheet and in the table above are shown gross by instrument. In an event of default, netting is permitted under Contact's ISDAs. The net fair value after offsetting the instruments by counterparty is shown in the table:

	2015 Asset \$m	2015 Liability \$m	2014 Asset \$m	2014 Liability \$m
CCIRS	53	(9)	-	(120)
CCIRS – margin	6	(5)	-	(10)
Foreign exchange derivatives	3	-	-	(1)
Interest rate derivatives	6	(54)	1	(27)
Electricity and LPG price derivatives	7	(4)	8	(4)
	<b>75</b>	<b>(72)</b>	<b>9</b>	<b>(162)</b>

#### Fair value hedges

The USPP notes, \$100 million of wholesale bonds and \$111 million of retail bonds are each designated in fair value hedge relationships. Contact entered into:

- CCIRS to swap the United States dollar principal and fixed coupon obligations related to the USPP notes to New Zealand dollar floating rate exposures
- interest rate swaps to convert the fixed coupons on the domestic bonds to floating rates.

#### Cash flow hedges

Contact's cash flow hedges include the following:

- the margin component of CCIRS designated as a hedge against the margin component of USPP notes
- foreign exchange derivatives to hedge foreign currency risk of future offshore cash flows
- electricity price derivatives to hedge electricity price risk related to Contact's wholesale electricity spot market exposure
- LPG price derivatives to hedge price risk of LPG purchase agreements.

The period over which the cash flow hedges are expected to impact profit matches the period that the cash flows are expected to occur:

- CCIRS over a period of 2 to 14 years (2014: 9 months to 15 years).
- foreign exchange derivatives over a period of 1 month to 2 years (2014: 1 month to 1 year)
- electricity price derivatives over a period of 1 month to 3 years (2014: 1 month to 3 years)
- LPG price derivatives over a period of 6 months (2014: nil).

#### Derivatives not designated in hedge relationships

Derivatives not designated in hedge relationships are:

- some interest rate swaps used to manage interest rate risk in accordance with Contact's treasury risk management policy, and
- electricity futures purchased as part of a requirement to participate in the ASX futures electricity market.

#### Change in fair value of financial instruments

The change in fair value of financial instruments is recognised as follows:

- fair value hedges: recorded in the Income Statement together with any changes in the fair value of the underlying hedged risk
- cash flow hedges: the effective portion is recognised in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Income Statement as change in fair value of financial instruments. Amounts recognised in the cash flow hedge reserve are subsequently reclassified to the Income Statement or Statement of Financial Position according to the nature of the hedged item (refer to the analysis of the cash flow hedge reserve movement below)
- derivatives not designated in a hedge relationship: recognised in the Income Statement.

The change in the fair value of derivatives and the fair value adjustment to borrowings is provided in the table:

	2015 Income statement \$m	2015 Cash flow hedge reserve \$m	2014 Income statement \$m	2014 Cash flow hedge reserve \$m
Favourable/(Unfavourable)				
CCIRS	164	-	(9)	-
Interest rate derivatives	10	-	(2)	-
Fair value adjustment to borrowings	(181)	-	11	-
<b>Fair value hedges</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>-</b>
CCIRS – margin	-	11	-	(8)
Foreign exchange derivatives	-	4	-	-
Electricity and LPG price derivatives	-	(3)	-	(4)
Tax on change in fair value	-	(2)	-	3
<b>Cash flow hedges</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>(9)</b>
Interest rate derivatives	(32)	-	7	-
Electricity price derivatives	2	-	-	-
<b>Derivatives not designated in hedge relationships</b>	<b>(30)</b>	<b>-</b>	<b>7</b>	<b>-</b>
<b>Total fair value movement</b>	<b>(37)</b>	<b>10</b>	<b>7</b>	<b>(9)</b>

#### Cash flow hedge reserve movement

	2015 \$m	2014 \$m
Balance at the beginning of the year	(5)	4
Effective portion of cash flow hedges	7	(4)
Transferred to revenue	4	(7)
Transferred to property, plant and equipment	-	1
Transferred to deferred tax	(1)	1
<b>Balance at the end of the year</b>	<b>5</b>	<b>(5)</b>

**11. FINANCIAL RISK MANAGEMENT**

Contact's overall financial risk management system mitigates the exposure to capital, liquidity, market and credit risks by ensuring that material risks are identified, that the financial impact is well understood and reported, that appropriate tools and limits are in place to manage exposures, and that collective and individual responsibilities are assigned and well understood.

The overall financial risk management system is supported by written policies covering each risk and the use of derivative financial instruments and non-derivative financial instruments. These policies provide a framework for identifying, monitoring and managing financial risks.

**Capital risk**

Contact's capital includes share capital, reserves, retained earnings and net debt. Contact's objective when managing capital is to safeguard Contact's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. Contact manages its capital structure to ensure it can continue to attract capital from investors and lenders on reasonable terms.

To maintain or adjust the capital structure, the Board may adjust the amount and nature of distributions to shareholders, return capital to shareholders, issue new shares or sell assets. The Board reviews the capital structure on a regular basis.

Contact monitors capital on the basis of the metrics required to sustain an investment grade credit rating and seeks to retain a gearing ratio suitable to the nature of Contact's business.

Contact's gearing ratio is calculated as follows:

	2015 \$m	2014 \$m
Face value of borrowings	(1,702)	(1,428)
Cash and cash equivalents	4	12
<b>Net debt</b>	<b>(1,698)</b>	<b>(1,416)</b>
Shareholders' equity	(3,171)	(3,582)
Remove net effect of fair value of financial instruments after tax	(38)	(21)
<b>Adjusted equity</b>	<b>(3,209)</b>	<b>(3,603)</b>
<b>Total capital funding</b>	<b>(4,907)</b>	<b>(5,019)</b>
<b>Gearing ratio</b>	<b>34.6%</b>	<b>28.2%</b>

**Liquidity risk**

Contact's liquidity risk arises from its need to ensure that it can meet its committed expenditure and debt repayment obligations, normal periodic cash flow fluctuations and unexpected funding requirements.

To reduce liquidity risk, Contact maintains a diverse portfolio of funding, debt maturities are spread over a number of years and any new financing requirements are addressed with an appropriate lead time. Liquidity risk is monitored by continually forecasting cash flows against the level of funding facilities available and ensuring an appropriate liquidity buffer.

The table below summarises Contact's exposure to liquidity risk based on the undiscounted contractual cash flows and maturities of financial liabilities, including derivatives. Cash inflows and outflows for derivatives that require gross cash settlement are shown separately.

2015	Total contractual cash flows \$m	Less than 1 year \$m	1-2 years \$m	2-5 years \$m	More than 5 years \$m
Payables and accruals	(212)	(212)	-	-	-
Borrowings <sup>1</sup>	(2,140)	(538)	(397)	(551)	(654)
Finance lease liabilities	(50)	(4)	(4)	(9)	(33)
Electricity price derivatives – net settled	4	1	3	-	-
Interest rate derivatives – net settled	(24)	(6)	(4)	(11)	(3)
Foreign exchange derivatives – inflow	31	28	3	-	-
Foreign exchange derivatives – outflow	(29)	(26)	(3)	-	-
Cross-currency interest rate swaps – inflow	943	169	26	160	588
Cross-currency interest rate swaps – outflow	(1,015)	(178)	(37)	(212)	(588)
	<b>(2,492)</b>	<b>(766)</b>	<b>(413)</b>	<b>(623)</b>	<b>(690)</b>

2014	Total contractual cash flows \$m	Less than 1 year \$m	1-2 years \$m	2-5 years \$m	More than 5 years \$m
Payables and accruals	(273)	(273)	-	-	-
Borrowings	(1,564)	(288)	(229)	(582)	(465)
Finance lease liabilities	(53)	(4)	(4)	(10)	(35)
Electricity price derivatives – net settled	4	4	-	-	-
Interest rate derivatives – net settled	(33)	(7)	(5)	(13)	(8)
Foreign exchange derivatives – inflow	10	10	-	-	-
Foreign exchange derivatives – outflow	(10)	(10)	-	-	-
Cross-currency interest rate swaps – inflow	607	140	16	116	335
Cross-currency interest rate swaps – outflow	(848)	(216)	(27)	(189)	(416)
	<b>(2,160)</b>	<b>(644)</b>	<b>(249)</b>	<b>(678)</b>	<b>(589)</b>

1. Borrowings include inflows of \$145 million in relation to USPP notes to be issued in September 2015.

**Market risk****Foreign currency risk**

Contact is exposed to foreign currency risk arising from future commercial transactions, such as the purchase of capital equipment and payments for maintenance denominated in currencies other than the New Zealand dollar (primarily the Australian dollar and United States dollar). The exposure is managed with foreign exchange derivatives that hedge 100 per cent of known material foreign currency exposures. The exposure is measured as the New Zealand dollar equivalent of the notional principal amount of foreign exchange derivatives, which at 30 June 2015 was \$29 million (2014: \$10 million).

Contact is also exposed to United States dollar foreign currency risk on the future interest and principal payments on the USPP notes. The exposure is managed using CCIRS and is measured as the New Zealand dollar equivalent of the notional principal amount of outstanding CCIRS, which was \$560 million at 30 June 2015 (2014: \$599 million).

**Price risk**

Contact is exposed to commodity price risk arising from forecast sales and purchases of electricity from the electricity market. Contact uses electricity price derivatives that effectively fix the price at which it will buy or sell electricity to support the natural hedge provided by the integrated generation and retail business to mitigate its electricity price risk. The aggregate notional volume of the outstanding fixed volume electricity price derivatives at 30 June 2015 was 4,533 gigawatt hours (GWh) (2014: 2,159 GWh).

Contact is also exposed to commodity price risk from forecast LPG purchases under market priced LPG supply agreements and uses LPG price derivatives to effectively fix the price of LPG purchases. The outstanding notional volume of LPG price derivatives was 29,960 tonnes (2014: nil).

**Interest rate risk**

Contact is directly exposed to interest rate risk as a result of floating rate term borrowings, or indirectly through the use of derivatives. Floating rate New Zealand dollar exposures are mitigated by use of New Zealand dollar interest rate derivatives within policy limits set by the Board. At 30 June 2015, Contact had \$673 million (2014: \$341 million) of notional debt on a floating rate basis and \$994 million (2014: \$1,059 million) on a fixed rate basis.

**Sensitivity analysis**

The table below summarises the impact of possible changes in forward wholesale electricity prices, forward LPG prices, forward foreign exchange rates and forward interest rates. The analysis assumes that all variables were held constant except for the relevant market risk factor.

Favourable/(Unfavourable)	2015 \$m	2014 \$m
<b>Impact on cash flow hedge reserve</b>		
Forward electricity and LPG prices	+10%	(1)
	-10%	1
Forward foreign exchange rates	+10%	(2)
	-10%	2
<b>Impact on post-tax profit</b>		
Forward interest rates	+100bps	23
	-25bps	(6)
Forward electricity prices	+10%	2
	-10%	(2)

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to Contact. Contact is exposed to credit risk arising from cash and cash equivalents, trade and other receivables and derivative financial instruments. The carrying amount of these assets is \$303 million (2014: \$313 million) and represents Contact's maximum exposure to credit risk, without taking account of the value of any collateral obtained.

Contact minimises its exposure to credit risk of receivables through the adoption of counterparty credit limits, a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate. Concentration of trade receivables credit risk is limited due to Contact's large customer base in a diverse range of industries throughout New Zealand. Contact has no significant credit risk exposure to any single customer.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions and other organisations in the relevant industry. Contact's exposures and the credit ratings of its counterparties are continually monitored, and the aggregate value of transactions is spread amongst approved counterparties.

Contact has no significant concentration of credit risk with any one institution, despite significant sales to NZX Energy. NZX Energy acts as an electricity market clearing agent and the counterparty risk sits with the market participants. Contact has issued letters of credit under the electricity market's security requirements applicable to all market participants. These letters of credit ensure there is no significant credit exposure to any one market participant, should another participant default.

**12. RECONCILIATION OF PROFIT TO OPERATING CASH FLOWS**

	2015 \$m	2014 \$m
<b>Profit</b>	<b>133</b>	<b>234</b>
Depreciation and amortisation	204	190
Change in fair value of financial instruments	37	(7)
Asset impairments	-	2
Gain on sale of property, plant and equipment	(2)	(6)
Net interest expense	98	77
Bad debt expense	15	17
Movement in deferred tax	22	36
Share-based compensation	4	4
Other	(4)	(2)
<b>Changes in assets and liabilities, net of non-cash, investing and financing activities</b>		
Receivables and prepayments	59	(25)
Inventories	6	(31)
Payables and accruals	(45)	(40)
Tax payable/receivable	(37)	4
Other	-	(7)
<b>Net cash flow from operating activities</b>	<b>490</b>	<b>446</b>

Cash includes cash on hand, at bank, short-term deposits and restricted cash net of bank overdrafts. Contact trades electricity price derivatives on the ASX market using a broker who holds collateral on deposit for margin calls. At 30 June 2015, this collateral was \$4 million (2014: \$6 million) and is included within cash.

### 13. RECEIVABLES AND PREPAYMENTS

	2015 \$m	2014 \$m
Trade receivables	110	168
Unbilled receivables	115	131
Provision for impairment	(10)	(12)
<b>Net trade receivables</b>	<b>215</b>	<b>287</b>
Prepayments	2	3
Other receivables	-	2
<b>Total receivables and prepayments</b>	<b>217</b>	<b>292</b>

During the year, wholesale electricity sales and purchases changed to net settlement. A net payable is included in trade payables (refer note 14) and resulted in a reduction in trade receivables and trade payables of \$43 million at 30 June 2015.

Unbilled receivables represent Contact's best estimate of retail sales for unread electricity and gas meters at the end of the reporting period. The estimate uses the consumption history of customer meters to determine the relevant unbilled amount for the period.

Contact recognises a provision for impairment when there is evidence that debt may not be collectable; those receivables that are known to be uncollectable are written off. Retail receivables are assessed on a portfolio basis based on historical delinquency rates. Bad debts net of recoveries of \$12 million (2014: \$15 million) were recognised during the year.

The ageing analysis of net trade receivables is:

	2015 \$m	2014 \$m
Not past due	177	246
0-30 days past due	21	30
30-90 days past due	10	9
Over 90 days past due	7	2
	<b>215</b>	<b>287</b>

### 14. PAYABLES AND ACCRUALS

	2015 \$m	2014 \$m
Trade payables and accruals	190	243
Employee entitlements	17	26
Interest payable	7	8
	<b>214</b>	<b>277</b>

### 15. PROVISIONS

	Restoration/ Environmental rehabilitation \$m	Other \$m	Total \$m
Balance at 1 July 2014	53	2	55
Utilised	(2)	-	(2)
Unwind of discount	6	-	6
<b>Balance at 30 June 2015</b>	<b>57</b>	<b>2</b>	<b>59</b>
Current	7	1	8
Non-current	50	1	51

The restoration and environmental rehabilitation provision includes the expected costs to abandon and restore sites where natural resources are extracted, to remove asbestos from properties, and to restore LPG sites.

Provisions are calculated using discounted cash flow valuation techniques using estimates of future cash flows to make good the affected sites. The cash outflows are typically expected to coincide with the end of the useful lives of the assets. The expected future cash flows are discounted to their present value using a post-tax discount rate of between 8 and 10 per cent.

### 16. TAXATION

Tax expense comprises current and deferred tax. Income tax is recognised in the Income Statement, except when it relates to items recognised directly in comprehensive income.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax is based on the expected manner of realisation of assets and liabilities.

A legislative change in the year ended 30 June 2010 resulted in the removal of tax depreciation on buildings effective from Contact's income tax year ended 30 June 2012. During the current year, Inland Revenue determined that some assets relating to powerhouses are depreciable for tax purposes, so Contact is able to claim tax depreciation on these assets from its income tax year ended 30 June 2012. This has resulted in a decreased deferred tax liability in respect of those assets.

Tax expense is determined as follows:

	2015 \$m	2014 \$m
Profit before tax	162	328
Tax thereon at 28%	45	92
Plus/(less) tax effect of adjustments:		
- Clutha asset impairment and land sales	-	(1)
- Reinstatement of tax depreciation on powerhouses	(16)	-
- Prior period adjustments	-	3
<b>Tax expense</b>	<b>29</b>	<b>94</b>
Current tax	7	58
Deferred tax	22	36

At 30 June 2015, imputation credits available for use by shareholders through the consolidated imputation group are 32 million (2014: 226 million). Deferred tax assets and liabilities are offset on the face of the Statement of Financial Position and presented as a net deferred tax liability. The movement in deferred tax asset and liabilities is:

	PP&E and intangible assets \$m	Derivative financial instruments \$m	Provisions \$m	Other \$m	Total \$m
Balance at 1 July 2013	(757)	6	12	4	(735)
Recognised in the Income Statement	(34)	(2)	2	(2)	(36)
Recognised in other comprehensive income	-	3	-	-	3
<b>Balance at 30 June 2014</b>	<b>(791)</b>	<b>7</b>	<b>14</b>	<b>2</b>	<b>(768)</b>
Balance at 1 July 2014	(791)	7	14	2	(768)
Recognised in the Income Statement	(31)	11	-	(2)	(22)
Recognised in other comprehensive income	-	(2)	-	-	(2)
<b>Balance at 30 June 2015</b>	<b>(822)</b>	<b>16</b>	<b>14</b>	<b>-</b>	<b>(792)</b>

### 17. OPERATING LEASES

Operating leases relate to the rental of buildings, plant and equipment and vehicles on normal commercial terms and conditions. Rental expenses of \$6 million (2014: \$7 million) are included in the Income Statement.

	2015 \$m	2014 \$m
Less than 1 year	6	6
Between 1 and 5 years	16	15
More than 5 years	7	9
<b>Total operating lease commitments</b>	<b>29</b>	<b>30</b>

### 18. RELATED PARTIES

At 30 June 2015, the ultimate parent entity of Contact is Origin Energy Limited (Origin), an Australian incorporated company. Origin Energy Pacific Holdings Limited is the majority shareholder, owning 52.3 per cent (2014: 52.3 per cent) of shares. Further shares amounting to 0.8 per cent (2014: 0.8 per cent) are held by Origin Energy Universal Holdings Limited and Origin Energy New Zealand Limited. All three companies are ultimately wholly owned by Origin.

Contact has an interest in the following entities, all of which are incorporated in New Zealand and have a 30 June balance date:

Name of entity	% interest	Principal activity
Rockgas Limited	100	LPG retailer
Contact Aria Limited	100	Investment holding company
Contact Wind Limited	100	Wind generation (dormant)
Rockgas Timaru Limited	50	LPG retailer

Contact's related parties include subsidiaries of Origin, key management personnel and Rockgas Timaru Limited. Rockgas Timaru Limited is accounted for as a joint venture.

Contact entered into the following material transactions with related parties during the year:

Received/(Paid)	2015 \$m	2014 \$m
<b>Origin and its subsidiaries</b>		
Purchase of LPG	(24)	(33)
SAP infrastructure and data services costs	(6)	(6)
Ahuroa gas storage facility development and operation expenses	-	(2)
Sale of electricity	6	6
Sale of gas processing rights and associated assets	-	3
<b>Rockgas Timaru Limited</b>		
Sale of LPG	1	1
<b>Key management personnel</b>		
Directors' fees	(1)	(1)
CEO seconded from Origin <sup>1</sup>	(2)	(2)
Leadership team (excluding CEO)		
- Salary, other short-term benefits and share-based compensation <sup>1</sup>	(6)	(7)
<b>Balances payable at end of the year</b>		
Origin and its subsidiaries	(2)	(3)
Key management personnel	(1)	(1)

1. Contact recognised an expense of \$1 million (2014: \$2 million) in respect of options, performance share rights and deferred share rights granted to the leadership team and the CEO, which has been included in the amounts disclosed.

Members of the leadership team purchase electricity and gas from Contact for domestic purposes on normal commercial terms and conditions with staff discount.

Contact paid a dividend of \$195 million to its Origin shareholders on 23 June 2015, \$43 million on 26 March 2015 and \$58 million on 15 September 2014 (2014: \$43 million on 27 March 2014 and \$55 million on 16 September 2013).

Contact and Origin have a Master Services Agreement for the provision of professional, consulting and/or administrative services. During the reporting period, two members of staff, including the CEO, were seconded from Origin to Contact (2014: six), and no staff members were seconded from Contact to Origin (2014: one). These secondments are undertaken on a cost recovery basis.

**19. SHARE-BASED COMPENSATION****Equity Scheme**

Contact provides an equity award to certain eligible employees comprised of options, performance share rights (PSRs) and deferred share rights (DSRs). These awards are unlisted, cannot be traded and do not entitle the employee to distribution or voting rights. On exercise, PSRs and DSRs convert to ordinary shares at no cost to the employee and options convert on payment of the agreed exercise price.

The exercise hurdles for options and PSRs are measured on three annual test dates, the first of which is 3 years after grant date. They are exercisable if Contact's total shareholder return (TSR) is in the upper half of the TSR of companies in the NZX50 index over the relevant period from grant date or if a change of control of Contact occurs. The exercise hurdle for DSRs is time-bound, with a single test date 2 years after the grant date. DSRs become exercisable if the employee is employed on the test date, or if a change of control of Contact occurs.

The options, PSRs and DSRs will lapse if the performance hurdles are not met, if they are not exercised by the lapse date or if an employee leaves Contact (other than on redundancy or at the Board's discretion). The scheme continues on redundancy but the entitlements are recalculated on a proportionate basis.

**Share scheme movements**

	Equity Scheme – Share Options				Contact Share
	Options number outstanding	Options weighted average exercise price	PSRs number outstanding	DSRs number outstanding	Restricted shares number outstanding
Balance at 1 July 2013	12,356,025	\$5.57	2,257,066	–	–
Granted	3,385,967	\$5.33	612,729	–	158,208
Exercised	–	–	(6,941)	–	(1,152)
Lapsed	(989,937)	\$7.05	(137,938)	–	–
<b>Balance at 30 June 2014</b>	<b>14,752,055</b>	<b>\$5.41</b>	<b>2,724,916</b>	<b>–</b>	<b>157,056</b>
Balance at 1 July 2014	14,752,055	\$5.41	2,724,916	–	157,056
Granted	1,263,498	\$5.94	219,108	417,483	127,968
Exercised	(12,458)	\$5.46	(37,652)	–	(10,320)
Lapsed	(2,539,672)	\$5.54	(430,042)	(21,969)	–
<b>Balance at 30 June 2015</b>	<b>13,463,423</b>	<b>\$5.44</b>	<b>2,476,330</b>	<b>395,514</b>	<b>274,704</b>

At 30 June 2015, none of the Equity Scheme or Contact Share awards were exercisable.

Share options had a weighted average remaining contractual life of 2 years and 2 months (2014: 2 years and 9 months), PSRs had 2 years (2014: 2 years and 5 months) and DSRs had 1 year and 5 months.

**Fair value**

The fair value of employee services received in exchange for the grant of the options, PSRs, DSRs, and restricted shares is recognised as an expense with a corresponding increase in equity over the vesting period. The amount recognised as an expense is adjusted to reflect the number of options, PSRs, DSRs, and restricted shares that are expected to become exercisable or vest. The total expense recognised under the Equity Scheme and Contact Share was \$4 million (2014: \$4 million).

**Contact Share**

Contact Share is Contact's employee share ownership plan that enables eligible employees to acquire a certain number of Contact's ordinary shares for a consideration amount (determined by the Board). The shares are acquired on market and legally held by a trustee company for a restrictive period of 3 years, during which time the employee is entitled to receive distributions and direct the exercise of voting rights that attach to shares held on their behalf.

At the end of the restrictive period the shares are transferred to the employee. Employees who leave Contact due to redundancy, and in certain other circumstances, have their shares transferred at that time; all other employees who leave Contact have their shares transferred to an unallocated pool. Shares in the unallocated pool can be used by the trustee company for future allocations under Contact Share.

Assumptions for fair value calculations	2015	2014
Risk-free interest rate	4%	4%
Expected dividend yield	6%	6%
Expected share price volatility	19%	19%

Fair values of shares granted during the year	2015	2014
Share options	0.57	0.57
PSRs	3.64	3.15
DSRs	5.24	–
Restricted shares	5.93	5.19

**20. CONTINGENT LIABILITIES**

Contact has contingent liabilities in respect of claims and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from these claims and warranties.

The settlement negotiations in respect of the delayed commissioning of the Te Mihi Geothermal Power Station were resolved during the reporting period.

**21. SUBSEQUENT EVENTS**

In July 2015 Contact entered into a financial agreement with Meridian Energy Limited for supply of a notional quantity of electricity of 80MW per hour for a period of between 4 and 14 years commencing 1 January 2017. The agreement will be accounted for as a derivative financial instrument with a portion qualifying as a cash flow hedge arrangement.

In August 2015 Origin sold its indirect holding in Contact, held through Origin Energy Pacific Holdings Limited, Origin Energy Universal Holdings Limited and Origin Energy New Zealand Limited, of 53.1 per cent.

As a result of the sale:

- Origin is no longer Contact's ultimate parent entity
- a Transitional Relationship Arrangement has been executed with Origin to ensure Contact's ongoing operation is not adversely impacted and includes a timetable for separation of shared agreements in areas such as LPG supply, project development and execution, and information technology procurement and hosting
- due to the change in control, the balance of share options, PSRs and DSRs issued under the Equity Scheme at 30 June 2015 (refer note 19) became exercisable. Participants in the Equity Scheme are able to exercise their options, PSRs and DSRs until the relevant lapse date. The remaining cost of the Equity Scheme at 30 June 2015 will be recognised as an operating expense in the year ended 30 June 2016, resulting in an additional expense of \$1 million
- 12 million imputation credits held by Contact at the date of the sale were forfeited due to the change in shareholder continuity.

In August 2015, Contact announced closure of its Ōtāhuhu thermal generation plant effective September 2015. The carrying value of PP&E (excluding land) associated with Ōtāhuhu at 30 June 2015 of \$251 million is expected to have a carrying value of zero on closure. The proceeds from sale of the land are expected to exceed the land's carrying value.



## Independent Auditor's Report

### To the shareholders of Contact Energy Limited

We have audited the accompanying consolidated financial statements of Contact Energy Limited, its controlled entities and joint arrangements ('the group') on pages 52 to 69. The financial statements comprise the consolidated statement of financial position as at 30 June 2015, the consolidated income statement and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Directors' responsibility for the consolidated financial statements**

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other services to the group in relation to tax compliance. Subject to certain restrictions, partners and employees of our firm deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. Other than in our capacity as auditors, the firm has no other relationship with, or interest in, the group.

#### **Opinion**

In our opinion, the consolidated financial statements on pages 52 to 69 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the consolidated financial position of Contact Energy Limited as at 30 June 2015 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

14 August 2015  
Wellington

# Sustainability Reporting

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Page 72  
Report Content

Page 74  
Sustainability Data

Page 76  
GRI Content Index

Page 78  
Independent  
Assurer's Report

# Report Content

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In defining the content of this annual report we focused on the issues that were most important for Contact in the wider context of sustainability. To ensure a holistic and complete picture of the issues that matter most for our long term success, we engaged a broad range of stakeholders in a process that enabled us to gather a variety of perspectives on the issues that matter most to our stakeholders and to Contact.

Contact has a large number of stakeholders both inside and outside of our company. They have a broad range of interests and aspirations, some of which are aligned with how we do business and some of which are competing. Our key stakeholder groups are named on the following pages and have been identified because they are the major groups who are impacted by our operations, or have a stake in how we run our business.

In FY15 we convened a special meeting of stakeholder representatives to get their views on what Contact should be focusing on. Our 'Stakeholder Council' was made up of representatives from our key stakeholder groups, including community and non-government organisations, scientists, innovators, tangata whenua, community leaders, shareholders, employees and environmental consultants.

In coming years we intend to bring the Stakeholder Council together bi-annually to ensure that we maintain our connections with these key groups, while also ensuring that we continue to focus on what matters most.

To ensure we got a comprehensive view from both outside and inside of our organisation as to what we needed to focus on, we also carried out workshops and extensive interviews with our employees to find out what they thought the big issues were facing our company. We've also drawn on information that has been obtained through our usual stakeholder engagement activities which occur on a regular basis as part of our operations.

The following section outlines our key stakeholder groups, and the everyday ways that we keep in touch with them. It also tells us the issues that they've told us matters most to them, and outlines our response.

## Customers

Our contact centres are a key port of call for customers, who touch base with us on the phone, via emails, through social media, and post. They also provide us with feedback through our website, regular customer surveys that we conduct, and other forms of market research. They've told us that what matters most to them is having more value and more choice. They want to exercise greater control over where their power comes from, how it's used and how much it costs. Having warm, dry and healthy homes, and a no surprises approach are also important to them.

**Our response:** We believe it's our job to understand our customers' needs, and to ensure that our products and services meet their expectations now and into the future. Our website has tips for helping our customers live more comfortably with energy. We are in the process of reviewing our customer strategy to ensure we provide our customers with more value and more choice in the future as discussed on pages 26-27.

## Investors

We keep in touch with our equity and debt shareholders through investor presentations and reports, one on one meetings, NZX releases, site visits and regular dialogue. What they've told us is that consistent disclosure and messaging, earnings growth, efficient capital management and delivering a strong dividend are key issues for them.

**Our response:** We work hard to deliver on the expectations of our investors. This report provides an update of our performance over the last financial year across a wide range of financial and non-financial indicators. For more information on our approach to stakeholder relations see page 43.

## Employees

We regularly communicate with our people through our company intranet, meetings, and email, and engage them in dialogue about their experience with us through a regular engagement survey. What they've told us matters most to them is being appreciated, respected and safe, being adequately compensated for the work they do, and having financial security, while having a fun, enjoyable work environment.

**Our response:** We appreciate the hard work that our people put in to making our business what it is today. We strive to create a work environment that is supportive, engaging, rewarding and supports our people in both their individual and collective aspirations. Our tikanga guides the way that we interact with them, and we also ensure that we work towards responding to their needs. See page 11 for our tikanga.

## Partners and suppliers

We talk to our partners and suppliers throughout the duration of projects that they're working on with us, and beyond. What matters most to them is open and honest communication, that we follow through on our commitments, that we maintain good working relationships and can just pick up the phone and resolve any issues.

**Our response:** We work hard to build enduring relationships with our suppliers. We take an open and honest approach to communication, and work hard to deliver on our commitments.

## Local communities

We engage with our neighbours and local communities in a number of ways. We attend meetings organised by the community, and often receive letters and requests for support. Through resource consent processes we enter into formal discussions with communities impacted by our business, we also have a toll free number that our neighbours can call any time there's an issue, or they want to talk. They've told us that they want open, early and frequent communication, and for us to be accountable and honest if and when issues arise. They expect us to be a good neighbour, and to build two-way partnerships between the business and the community.

**Our response:** We work hard to build enduring relationships with our communities based on trust. More information on our approach to community relationships is on pages 32-33.

## Tangata whenua (iwi and hapū)

Local iwi (tribes) and hapū (sub-tribes) communicate with us in a number of ways including through hui (meetings), consultation processes, as well as through resource consent processes. Key issues for tangata whenua are issues of resource management, stewardship and ownership, the Treaty of Waitangi, sustainability of resources, as well as having their rights and relationship with land and other resources recognised. They're also interested in development opportunities for their communities, and ensuring that we engage in meaningful ways.

**Our response:** Over the years we have worked towards improving our relationships with tangata whenua. We are in the process of developing an iwi engagement plan to guide us in further developing our relationships with tangata whenua over the coming years.

## Government

We have a Government and Regulatory Affairs team who are charged with managing communications with politicians, government and regulatory agencies. Those stakeholders have told us that a competitive retail market, resolving issues around transmission pricing, fresh water reform and ensuring security of energy supply are issues that are important to them.

**Our response:** Our Government and Regulatory Affairs team work hard to represent Contact's views to policy makers and regulators, seeking to influence legislation, regulation or policy being developed. They also draft submissions on a range of issues that directly affect our customers and business.

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We went through a process of collating and refining the information provided to us by our stakeholders to settle on the key issues that were most important to them and to Contact. We grouped information into key themes, and asked our Stakeholder Council to review them, and to rank them in order of highest priority. We then took that information and asked for feedback from our employees. A risk analysis and media scan were then carried out to identify any issues considered to be high risk or significant. For each topic that was identified, we considered whether the impacts were caused by one of our entities or by a part of our value chain.

With all of these filters and processes applied, we were able to settle upon a list of key issues, which had the most material impact to our business over the last year, as defined by our stakeholders and us. This has defined the content of our 2015 Annual Report.

For each topic covered in this report we aim to present both a current state picture, as well as to describe our future targets and strategies. While each is important to our business, we are at different points in our journey towards developing our strategies and targets for each of them. Our business is always evolving, and the coverage of aspects in this report reflects that. For more information on the specific material aspects that we cover please see our GRI Index on page 76.

# Sustainability Data

## Customer numbers

Connections (by account type)	FY15	FY14
Residential	482,500	462,000
Business	77,000	73,500
Unknown <sup>1</sup>	2,500	32,000
<b>Total</b>	<b>562,000</b>	<b>567,500</b>

1. Unknown includes LPG connections where data on account type was unavailable. FY15 saw classification of many of our LPG customer account types resulting in a lower number of 'unknown' account types.

## Contact's direct (Scope 1) emissions<sup>1</sup>

	Emissions (Kt CO <sub>2</sub> e)		Thermal generation emission intensity <sup>2</sup> (Kg CO <sub>2</sub> e per MWh)		Total generation emission intensity (Kg CO <sub>2</sub> e per MWh)	
	FY15	FY14	FY15	FY14	FY15	FY14
Electricity generation	1,495	1,623	644	566	157	175
Other direct emissions						
– Vehicles	1	1				
– SF <sub>6</sub> <sup>(3)</sup>	–	–				
<b>Total Scope 1 emissions</b>	<b>1,496</b>	<b>1,624</b>				

- These emissions are an operational control basis calculation of Contact's Scope 1 (direct) emissions. The emissions factors used were Ministry for the Environment (2015) *Guidance for Voluntary Corporate Greenhouse Gas Reporting* and geothermal emissions factors used in Contact's reports under the Emissions Trading Scheme reporting.
- In FY15 a change in operating conditions for our combined-cycle gas turbines allowed us to reduce their output overnight when demand is low, but keep them warm enough to ramp up again to meet high demand in the morning. This contributed to Contact burning 15 per cent less natural gas in our power plants, however, the lower levels of output contributed to an increase in per MWh emissions intensity.
- SF<sub>6</sub> is a greenhouse gas widely used in the electricity industry to insulate high voltage switchgear. The gas is vacuum sealed inside the switchgear, and the pressure levels inside are monitored so that leaks can be detected and rectified. Contact has been tracking the use of SF<sub>6</sub> since October 2003. In FY15 we estimate the emissions of SF<sub>6</sub> to be immaterial and are therefore excluded.

## Memberships in associations and advocacy organisations

Holds a position on the governance body	Participates in projects or committees	Provides substantive funding beyond routine membership dues
The Electricity and Gas Complaints Commissioner Scheme	Retailers' Working Group Forum	Business New Zealand
Electricity Retailers' Association <sup>1</sup>	Business New Zealand Energy Council <sup>1</sup>	
Gas Industry Company	The Sustainable Business Council	
Electricity Authority Wholesale Advisory Group	Business New Zealand	
Electricity Authority Retail Advisory Group	Hugo Group <sup>1</sup>	

1. Views membership as strategic.

## Employee absentee rate<sup>1</sup>

FY15	Females	Males	All employees
Total scheduled days	117,047	152,997	270,044
Total absence days	4,465	3,157	7,622
Lost days as a percentage	3.8%	2.1%	2.8%

1. Contractors are not included.

## Workforce by gender and employment type

FY15	Total headcount	Female	Male	Fixed term	Permanent	Permanent part-time	Permanent full-time
Leadership Team	9	3	6	1	8	–	8
Corporate	183	107	76	14	169	13	156
Customer	510	303	207	75	435	46	389
Generation and Development	364	60	304	28	336	11	325
<b>Total</b>	<b>1,066</b>	<b>473</b>	<b>593</b>	<b>118</b>	<b>948</b>	<b>70</b>	<b>878</b>

FY14	Total headcount	Female	Male	Fixed term	Permanent	Permanent part-time	Permanent full-time
Leadership Team	9	2	7	1	8	–	9
Corporate	189	102	87	11	178	15	163
Customer	619	367	252	160	459	43	416
Generation and Development	352	53	299	21	331	9	321
<b>Total</b>	<b>1,169</b>	<b>524</b>	<b>645</b>	<b>193</b>	<b>976</b>	<b>67</b>	<b>909</b>

## Our Board

FY15	Total headcount	Female	Male
<b>Total</b>	<b>7</b>	<b>2</b>	<b>5</b>

FY14	Total headcount	Female	Male
<b>Total</b>	<b>7</b>	<b>2</b>	<b>5</b>

## Workforce diversity information

FY15	Gender		Age				Ethnicity <sup>1</sup>						
	Female	Male	>30	30-49	50-59	60+	European	Māori	Asian	Pasifika	AMELA <sup>2</sup>	Undisclosed	Other inc. NZer
Leadership Team	33%	67%	–	57%	43%	–	67%	–	–	11%	–	11%	56%
Corporate	58%	42%	5%	73%	18%	4%	41%	6.6%	8.7%	0.5%	0.5%	19%	40%
Customer	59%	41%	25%	50%	20%	6%	38%	7.5%	4.5%	3.3%	0.8%	30%	26%
Generation and Development	16%	84%	11%	44%	31%	13%	41%	2.7%	6%	0.3%	0.5%	22%	37%
<b>Total</b>	<b>44%</b>	<b>56%</b>	<b>16%</b>	<b>52%</b>	<b>24%</b>	<b>8%</b>	<b>40%</b>	<b>5.6%</b>	<b>5.7%</b>	<b>1.9%</b>	<b>0.7%</b>	<b>25%</b>	<b>32%</b>

FY14	Gender		Age				Ethnicity <sup>1</sup>						
	Female	Male	>30	30-49	50-59	60+	European	Māori	Asian	Pasifika	AMELA <sup>2</sup>	Undisclosed	Other inc. NZer
Leadership Team	22%	78%	–	44%	56%	–	50%	–	–	–	–	20%	60%
Corporate	54%	46%	7%	73%	17%	3%	41%	4.8%	13%	1.1%	0.5%	17%	41%
Customer	59%	41%	26%	51%	17%	6%	39%	9.4%	5%	3.2%	0.5%	28%	26%
Generation and Development	15%	85%	13%	43%	30%	14%	40%	2.3%	5.7%	–	0.6%	23%	37%
<b>Total</b>	<b>45%</b>	<b>55%</b>	<b>19%</b>	<b>52%</b>	<b>21%</b>	<b>8%</b>	<b>40%</b>	<b>6.4%</b>	<b>6.4%</b>	<b>1.9%</b>	<b>0.5%</b>	<b>25%</b>	<b>32%</b>

- Employees have the option to indicate more than one ethnic group, and therefore the percentages do not sum to 100 per cent.
- AMELA: Latin American, Middle Eastern, or African.

## Training and education<sup>1</sup>

Training type	FY15 Permanent	FY15 Fixed term	FY14 Permanent <sup>2</sup>	FY14 Fixed term <sup>3</sup>
General training (hours)	8,208	1,389	18,638	3,682
Leadership development (hours)	Male		390	
	Female	455	130	
<b>Average hours per employee<sup>4</sup></b>	<b>10</b>	<b>12</b>	<b>20</b>	<b>19</b>

- The figures reported above were sourced from our learning management systems, which do not capture all training courses, 'on the job' training, or other informal learning and development activities.
- In FY15 a further 11,765 hours of training were delivered in our customer business spanning inductions, refreshers and support for new product and pricing products. These numbers were not categorised according to employment type, but will be included in subsequent reports.
- FY14 saw high levels of training during Contact's implementation of SAP, which wound down in the early part of FY15.
- The weighted average hours per employee is 10 for FY15.

# GRI Content Index

## General standard disclosures

Disclosure	Description	Page number	External assurance
<b>Strategy and analysis</b>			
G4-1	Statement from the most senior decision maker	CEO Review, p. 1-3	✓
<b>Organisational profile</b>			
G4-3	Name of the organisation	Front cover	✓
G4-4	Brands, products, and/or services	Contact at a glance p. 10	✓
G4-5	Headquarter location	Contact at a glance p. 15	✓
G4-6	Countries in operation	Contact operates only in New Zealand	✓
G4-7	Nature of ownership	Listed New Zealand Limited Liability Company	✓
G4-8	Markets served	Contact at a glance p. 9-15	✓
G4-9	Scale of the organisation	Total employees p. 75 Number of operations p. 14 Net sales p.57 Debt and equity p. 23	✓ ✓ ✓ ✓
G4-10	Employee statistics	Sustainability data p.75	✓
G4-11	Employees covered by collective bargaining agreements	At 30 June 2015, 11% of total employees were covered by collective bargaining agreements	✓
G4-12	Organisation's supply chain	Contact at a glance p. 16-17	✓
G4-13	Significant changes regarding size, structure, or ownership	No significant changes occurred during the reporting period. See p. 1-3 for ownership change in August 2015	✓
G4-14	Precautionary principle	Not specifically referenced. Potentially adverse environmental impacts are addressed through adaptive management including official (often publicly notified) resource consent assessments	✓
G4-15	External charters, principles, or other initiatives	None noted	✓
G4-16	Memberships in associations and advocacy organisations	Sustainability data p. 74	✓
G4-EU1	Installed capacity	Contact at a glance p. 14	✓
G4-EU2	Net energy output broken down by primary energy source and by region	Contact at a glance p. 10	✓
G4-EU3	Number of residential, industrial, institutional and commercial customer accounts	Sustainability data p.74	✓
G4-EU4	Length of transmission and distribution lines by region	Not applicable	✓
G4-EU5	Allocation of CO <sub>2</sub> emissions permits	Zero allocations	✓
<b>Identified material aspects and boundaries</b>			
G4-17	Entities included in the organisation's consolidated financial statements	Focusing on what matters most p. 22	✓
G4-18	Process for defining the report content	Report content p. 72-73	✓
G4-19	Material aspects identified	GRI Index – specific disclosures	✓
G4-20	Aspect boundaries within the organisation	GRI Index – specific disclosures	✓
G4-21	Aspect boundaries outside the organisation	GRI Index – specific disclosures	✓
G4-22	Restatements of information	No restatements	✓
G4-23	Significant changes in the scope, and aspect boundaries compared to previous years	Not applicable	✓

## General standard disclosures

Disclosure	Description	Page number	External assurance
<b>Stakeholder engagement</b>			
G4-24	Stakeholder groups	Report content p. 72-73	✓
G4-25	Stakeholder identification and selection	Report content p. 72-73	✓
G4-26	Approaches to stakeholder engagement	Report content p. 72-73	✓
G4-27	Key topics and concerns raised by stakeholders	Report content p. 72-73	✓
<b>Report profile</b>			
G4-28	Reporting period	Focusing on what matters most p. 22	✓
G4-29	Date of most recent previous report	The previous report was dated 5 September 2014	✓
G4-30	Reporting cycle	Annual	✓
G4-31	Contact point for questions	Back cover	✓
G4-32	Chosen 'In accordance' option, GRI index and external Assurance Report	Focusing on what matters most p. 22, Independent Assurer's Report p. 78	✓
G4-33	External assurance for the report	Focusing on what matters most p. 22, Independent Assurer's Report p. 78	✓
<b>Governance</b>			
G4-34	Governance structure	Governance p. 38-43	✓
<b>Ethics and integrity</b>			
G4-56	Organisation's values, principles, standards and norms of behaviour, and codes of ethics	Values and principles p. 11, Ethical principles p. 38-43	✓

## Specific standard disclosures

Aspect and indicators	Description	Page	Omissions and explanation	Materiality coverage	External assurance
<b>Category: Economic</b>					
Aspect	Economic performance	p. 1-2, 36		Within the organisation	✓
G4-EC2	Financial implications of climate change	p. 36		Within the organisation	✓
Aspect	Availability and reliability (sector specific)	p. 24-25		Within the organisation	✓
EU10	Planned capacity against projected electricity demand	p. 25		Within the organisation	✓
<b>Category: Environmental</b>					
Aspect	Water	p. 35		Within the organisation	✓
G4-EN8	Total water withdrawal by source	p. 35		Within the organisation	✓
Aspect	Effluents and waste	p. 35		Within the organisation	✓
G4-EN22	Total water discharge by quality and destination	p. 35		Within the organisation	✓
Aspect	Biodiversity	p. 34		Within the organisation	✓
G4-EN13	Habitats protected or restored	P. 34		Within the organisation	✓
Aspect	Emissions	p. 36		Within the organisation	✓
G4-EN15	Direct (Scope 1) Greenhouse gas emissions	p. 74		Within the organisation	✓
Aspect	Compliance	p. 34		Within the organisation	✓
G4-EN29	Non-compliance with environmental laws and regulations	p. 34		Within the organisation	✓
<b>Category: Social</b>					
Aspect	Occupational health and safety	p. 28-29		Within and outside the organisation	✓
G4-LA6	Workplace injuries	p. 29, 74		Within and outside the organisation	✓
Aspect	Training and education	p. 30-31		Within the organisation	✓
G4-LA9	Average hours of training per year	p. 75	Gender-specific training data unavailable, will be included in future reports	Within the organisation	✓
Aspect	Diversity and equal opportunity	p. 30-31		Within the organisation	✓
G4-LA12	Gender and ethnic diversity	p. 6, 75		Within the organisation	✓
Aspect	Local communities	p. 32-33		Within the organisation	✓
G4-SO1	Community engagement and development	p. 32-33		Within the organisation	✓
Aspect	Product and service labeling	p. 27		Within the organisation	✓
G4-PR5	Customer satisfaction	p. 27		Within the organisation	✓
Aspect	Access (sector specific) – physical	p. 24-25		Within the organisation	✓
G4-EU30	Plant availability (sector specific)	p. 25		Within the organisation	✓
Aspect	Access (sector specific) – socioeconomic	p. 26		Within the organisation	✓
G4-EU27	Residential disconnections	p. 26	Unable to be measured	Within the organisation	✓



# Deloitte.

## Independent Assurer's Report

### To the directors of Contact Energy Limited on the sustainability content of the 2015 Annual Report

We have been engaged by the directors to conduct a limited assurance engagement over the sustainability content of Contact Energy Limited's 2015 Annual Report (the 'Annual Report') for the year ending 30 June 2015 as described below:

- Management's assertion that the Annual Report content is in accordance with the Core option of the Global Reporting Initiative's G4 Sustainability Reporting Guidelines ('GRI G4 Guidelines'); and
- Information reported under the requirements of GRI G4 Guidelines General and Specific Standard Disclosures.

#### Director's responsibility

The directors of Contact Energy Limited are responsible for ensuring that the Annual Report is presented fairly in accordance with the Core option of the GRI G4 Guidelines. This responsibility includes:

- ensuring the accuracy and completeness of the information subject to this engagement, including adequate disclosure as required by the GRI G4 Guidelines;
- providing us with all of the information required for us to complete this engagement;
- providing us with unrestricted access to persons within the company from whom we determine it necessary to obtain information;
- the maintenance and integrity of the Contact Energy Limited website where the Annual Report will be hosted, and ensuring that the electronic copy of the Annual Report is not altered post our review;
- determining objectives in respect of sustainability performance;
- establishing and maintaining an effective system of internal control over its operations and reporting, including, without limitation, systems designed to ensure achievement of its control objectives and its compliance with the GRI G4 Guidelines; and
- the fair presentation of the information and statements contained within the Annual Report.

#### Auditor's responsibility

Our responsibility is to express an opinion whether, based on the procedures performed:

- Core option of the GRI G4 Guidelines – anything has come to our attention that causes us to believe that management's assertion that the 2015 Annual Report content is in accordance with the GRI G4 Guidelines Core option has not been fairly stated, in all material respects; and
- GRI G4 Guidelines General and Specific Standard Disclosures – anything has come to our attention that causes us to believe that the information provided in the 2015 Annual Report to meet the requirements of the GRI G4 Guidelines General and Specific Standard Disclosures identified in the GRI Index on pages 76-77 has not been fairly stated, in all material respects.

Our engagement has been conducted in accordance with International Standard on Assurance Engagements (New Zealand) 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information ('ISAE (NZ) 3000'). To achieve limited assurance the ISAE (NZ) 3000 requires that we review the processes, systems and competencies used to compile the information on which we provide limited assurance. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls.

Our procedures included:

- A review of the materiality process followed and the list of topics chosen for inclusion in the Report;
  - Interviewing the group level sustainability team responsible for compiling the Annual Report to understand the process used for determining the Annual Report content;
  - Obtaining an understanding of the approach used for determining the material issues to be reported;
  - Considering the results of stakeholder engagement, risk analysis and media searches to assess whether all potential material issues have been considered;
- A review of the adherence to the report content and quality principles outlined in the GRI G4 Guidelines, which includes a consideration of completeness and balance;
- Obtaining an understanding of the process of compiling and validating information received from data and issue owners for inclusion in the Annual Report;
- Review of material quantitative indicators used to demonstrate performance against the material topics, including corroborative enquiry and examination of selected supported documentation and calculations;

- Consideration of material qualitative statements and performing appropriate enquiries or seeking evidence to support the statements;
- Comparing the GRI index table to the GRI G4 Guidelines and the GRI Electric Utilities Sector Supplement (EUSS); and
- Reviewing the contents of the Annual Report against the findings of our work and, as necessary, providing recommendations for improvement.

#### Use of report

This report is provided solely to the directors of Contact Energy Limited in accordance with our letter of engagement dated 17 April 2015, for the purpose of attaching this report to your Annual Report. We agree that a copy of this report may be provided to the public for their information in connection with this purpose but, the report must only be distributed as an attachment to the complete Annual Report, and we do not accept any duty, liability or responsibility to any party other than you in relation to this report. This report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written consent. We accept or assume no duty, responsibility or liability to any party, other than you, in connection with the report or this engagement including without limitation, liability for negligence in relation to the opinion expressed in this report.

#### Inherent limitations

Because of the inherent limitations of any limited assurance engagements, it is possible that fraud, error or non-compliance may occur and not be detected. The opinion expressed in this report has been formed on the above basis.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

Other than in our capacity as assurance provider in relation to the sustainability content of the Annual Report and the provision of tax advice and consulting services, we have no relationship with or interests in Contact Energy Limited or any of its subsidiaries.

#### Opinion

This conclusion has been formed on the basis of, and is subject to, the inherent limitations outlined elsewhere in this independent assurance report.

Based on the evidence obtained from the procedures we have performed:

- Core option of the GRI G4 Guidelines – nothing has come to our attention that causes us to believe that management's assertion that the 2015 Annual Report content is in accordance with the GRI G4 Guidelines Core option has not been fairly stated, in all material respects, for the year ending 30 June 2015; and
- GRI G4 Guidelines General and Specific Standard Disclosures – nothing has come to our attention that causes us to believe that the information provided in the 2015 Annual Report to meet the requirements of the GRI G4 General and Specific Standard Disclosures identified in the GRI Index on pages 76-77 has not been fairly stated, in all material respects, for the year ending 30 June 2015.



Chartered Accountants  
3 September 2015  
Wellington, New Zealand

This limited assurance report relates to the 2015 Annual Report of Contact Energy Limited for the year ended 30 June 2015 as presented on Contact Energy's website. Contact Energy Limited is responsible for the maintenance and integrity of their website. We have not been engaged to report on the integrity of Contact Energy's website. We accept no responsibility for any changes that may have occurred to the 2015 Annual Report since it was initially presented on the website. This limited assurance report refers only to the Annual Report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the Annual Report. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the Annual Report and related limited assurance statement dated 3 September 2015 to confirm the information included in the Annual Report presented on this website.

# Corporate Directory

## Board of Directors

Phil Pryke (Interim Chairman)  
Bruce Beeren  
Whaimutu Dewes  
Sue Sheldon

## Leadership Team

Dennis Barnes  
Chief Executive Officer  
Graham Cockroft  
Chief Financial Officer  
Mark Corbitt  
General Manager – Information and Communication Technology  
Venasio-Lorenzo Crawley  
Chief Customer Officer  
James Kilty  
Chief Generation and Development Officer  
Tania Palmer  
General Manager – Health, Safety and Environment  
Nicholas Robinson  
General Manager – Corporate Affairs  
Annika Streefland  
General Manager – People and Culture  
Catherine Thompson  
General Counsel

## Registered office

Contact Energy Limited  
Harbour City Tower  
29 Brandon Street  
Wellington 6011  
New Zealand  
Phone: +64 4 499 4001  
Fax: +64 4 499 4003  
contact.co.nz  
facebook.com/contactenergy  
twitter.com/contactenergy  
linkedin.com/company/contact-energy-ltd

## Postal address

PO Box 10742  
The Terrace  
Wellington 6143  
New Zealand

## Auditor

KPMG  
PO Box 996  
Wellington 6140  
New Zealand

## Share Registrar

Link Market Services Limited  
Level 7, Zurich House  
21 Queen Street  
Auckland 1010  
New Zealand  
www.linkmarketservices.co.nz

### Shareholder/bondholder enquiries

To view your investment portfolio, supply your email address, change your details, or update your payment instructions relating to Contact, please contact our registry, Link Market Services Limited, by either:

Email: [contactenergy@linkmarketservices.co.nz](mailto:contactenergy@linkmarketservices.co.nz)  
Mail: Link Market Services, PO Box 91976, Auckland 1142, New Zealand  
Fax: +64 9 375 5990, or  
Phone: + 64 9 375 5998

Please provide your CSN/Holder number on any correspondence with our registry.

### Direct crediting of dividends/interest payments

To minimise the risk of fraud and misplacement of dividend/interest payment cheques, shareholder/bondholders are strongly recommended to have all payments made by way of direct credit to their nominated bank account in New Zealand.

### Electronic investor communication

Contact is committed to creating a better energy future and encourages investors to elect to receive investor communications electronically as it keeps costs down, delivery of our communication to you is faster and it is better for the environment. Please visit the Link Market Services website [www.linkmarketservices.co.nz](http://www.linkmarketservices.co.nz) or contact them directly to update your information.

## Investor relations enquiries

Fraser Gardiner  
Head of Investor Relations and Strategy  
Email: [investor.centre@contactenergy.co.nz](mailto:investor.centre@contactenergy.co.nz)  
Phone: +64 4 499 4001

## Stock exchange listings

NZSX trading code: CEN  
NZDX trading codes: CENO20

## Company number

660760

## Sustainability

### Sustainability enquiries

Simon Ngawhika  
Sustainability Advisor  
[Simon.Ngawhika@contactenergy.co.nz](mailto:Simon.Ngawhika@contactenergy.co.nz)

### Assurer

Deloitte  
P O Box 1990  
Wellington 6140  
New Zealand

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*Contact*<sup>®</sup>