To	Company Announcements Office	Facsimile	1300 135 638
Company	ASX Limited	Date	14 August 2012
From	Helen Hardy	Pages	115
Subject	**CONTACT ENERGY LIMITED - 2012 FULL YEAR RESULTS**		

Attached herewith is a copy of an announcement released to the NZX by Contact Energy today.

Origin Energy holds 52.99% of quoted ordinary shares in Contact Energy Limited.

Regards

Helen Hardy
Company Secretary

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MEDIA RELEASE

14 August 2012

Investment in portfolio flexibility returns improved profit

2012 financial year in review

It has been a successful year for Contact Energy, with the promised benefits from the company's portfolio flexibility coming to fruition and a competitive focus on retaining and gaining customers resulting in flat customer numbers in what has been a year of considerable customer churn, Chief Executive, Dennis Barnes said today. Contact Energy reported an improved financial result, with both EBITDAF and profit higher than for the same period last year.

Contact reported profit for the year to 30 June 2012 of $190 million, $40 million (27 per cent) higher than the prior corresponding period. Earnings Before Net Interest Expense, Income Tax, Depreciation, Amortisation, Change in Fair Value of Financial Instruments and Other Significant Items (EBITDAF) were $509 million, up 15 per cent from $441 million in the 2011 financial year. Underlying earnings after tax (profit for the period adjusted for significant items that do not reflect the ongoing performance of the Group) were $176 million, up $25 million (17 per cent).

"Our results show substantial improvement in our underlying business performance as we have utilised our flexible fuel and generation portfolio and responded decisively to increased activity in the retail sector," Mr Barnes said.

Distribution to shareholders

The Contact Energy Board of Directors resolved that the final distribution to shareholders would be the equivalent of 12 cents per share, resulting in a total distribution for the year of 23 cents per share. The distribution represents a payout ratio of 93% per cent of Contact's underlying earnings per share. Contact will utilise the Profit Distribution Plan for the last time.

Contact's Chairman, Grant King, said "as Contact nears the end of its current investment programme it is pleasing to see an improvement in earnings that should see Contact revert to a cash distribution in 2013"

Generation portfolio flexing its strength

The benefits of Contact's diverse generation portfolio were realised in the financial year 2012 (FY12) as record low hydro generation was replaced by increased output from Contact's thermal power stations.

"I reported last year that the Ahuroa gas storage facility and the Stratford peaker plant had been brought into service and were showing positive early signs of contributing to the company's flexibility and that we expected gains to be made from this investment. We also stated when the interim result was released that we expected an improved second half result. I am pleased to announce that we have delivered on both.

"The second half of FY12 was characterised by low hydrology and our thermal assets, including the Stratford peaker plant, were drawn on as lower hydro generation was replaced with thermal generation. After providing largely risk management capacity in 1H12 (the first half of the 2012 financial year) the Stratford peaker plant was used in both a merchant and risk capacity in 2H12 (the second half of the 2012 financial year) with full year generation of 356 GWh.

"Ahuroa gas storage was also utilised with injections in 1H12 reflecting an oversupplied gas market and extractions in 2H12 to provide additional volume during periods when the market needed all our thermal units. We are delighted with this result in what has been the first full year of operation for these new assets," Mr Barnes said.

In 1H12 Contact met its gas take-or-pay commitments for calendar year 2012 with no excess take-or-pay costs, contributing to a $24 million improvement over the 2011 financial year. Additional savings in gas and carbon unit costs also contributed to the improved result.

"The ongoing contribution of these assets and Contact's diverse portfolio is evident in the FY12 financial results and we will achieve further gains from this mix in the future," Mr Barnes said.

While wholesale prices were higher overall than the previous year, the impact of hydro generation falling by 25 per cent meant the increased prices were largely offset by the higher costs associated with thermal generation.

Contact has further enhanced the diversity of its generation assets during the year as the generation portfolio added the diesel-fired Whirinaki power station.

Retail finishes year in strong position

In retail, Mr Barnes reported that Contact had achieved a good result. A continuation of the strategy to align load with the location of our generation was reinforced by the dry conditions of 2H12. With around 71% of load now located in the North Island, Contact was much better placed to deal with transmission constraints than during the last dry period.

Overall, despite the market continuing to experience high levels of customer churn, Contact's sales volumes were inline with the prior year with continuing growth in commercial and industrial sales.

Competition in the mass market sector continued to be strong in FY13, resulting in customer churn and prices that did not fully pass through the increase in network costs therefore reducing margins. However, Contact succeeded in this environment to maintain customer numbers and sales volumes at almost the same levels as FY12.

Contact continued its success with commercial and industrial customers, with total volumes increasing by 4 per cent to 4,092 GWh and margins increasing.

The Enterprise Transformation programme is now focussed on upgrading Contact's aging customer billing and service systems.

Te Mihi development continues toward completion

Progress on building Contact's Te Mihi power station continues. The 166 MW project is due for completion in 2013 and combined with several other projects focussed on the care and sustainability of the Wairakei steamfield represents a significant investment in the Wairakei geothermal resource.

The completion of Te Mihi next year will bring to an end the current investment programme , of around 500MW of low-cost, flexible, thermal and geothermal generation capacity and New Zealand's first gas storage facility.

"In the current low demand growth environment we will not be committing to further generation developments in the near term. Contact maintains a range of high quality options with the world class resource at Tauhara ready for execution as market signals dictate. In the meantime, our focus will be on minimising the costs required to retain the full range of options we have developed," Mr Barnes said.

People

Mr Barnes reported a modest improvement in the company's safety performance, reducing its total recordable injury frequency rate by 2 per cent over the year.

"The improvements in the safety performance of our operations business unit shows that with a concerted effort from the whole team and the support of our core health and safety systems we can achieve our aspiration of zero harm," said Mr Barnes.

Looking forward

Contact's focus will continue through the 2013 financial year to be on delivery. Mr Barnes said that the company's priorities over the coming year are completing Te Mihi, progressing the Enterprise Transformation programme and continuing to focus on customers .

"An important decision in the next 18 months relates to the amount of gas we will contract and the resulting operating regime of our combined-cycle gas-fired power stations. The current high level of upstream exploration and development activity gives me confidence that Contact will markedly improve its contracted position.

Completing the current asset and systems investment programme, leveraging existing investments to reduce costs and continuing to improve our fuel purchase costs will position Contact to grow earnings in coming years.

ENDS

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Contact Energy Limited	
Results for announcement to the market	
Basis of Report	Audited
Reporting Period	12 months to 30 June 2012
Previous Reporting Period	12 months to 30 June 2011

	Amount ($000s)	Percentage change
Operating Revenue and Other Income	2,700,719	21.06%
Earnings Before Net Interest Expense, Income Tax, Depreciation, Amortisation, Change in Fair Value of Financial Instruments and Other Significant Items (EBITDAF)	508,689	15.24%
Profit for the Period After Tax	190,429	26.70%
Underlying Earnings After Tax[1]	176,380	16.85%
Basic and Diluted Earnings Per Share (Cents)	26.94	12.77%
Underlying Earnings Per Share (Cents)[1]	24.95	3.96%

Distribution	Equivalent amount per security	Imputed amount per security
Non-taxable Bonus Share Issue	$0.12	$0.05*

*Applicable to shareholder who accept the associated buy-back offer.

Record Date	28 August 2012
Date Strike Price Available	5 September 2012
Profit Distribution Plan Election Date	14 September 2012
Non-taxable Bonus Share Allotment Date and Dividend Payment Date	21 September 2012

Comments:	1. Underlying Earnings After Tax and Underlying Earnings Per Share exclude significant items that do not reflect the ongoing performance of the Group. This is a non-statutory measure.

Attachments:

- Investor Presentation
- Audited Financial Statements for the year ended 30 June 2012
- KPMG Audit Report

Financial statements
for the year ended 30 June 2012

Income Statement for the year ended 30 June 2012

	Note	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Revenue	3	2,679,689	2,209,290	2,462,608	1,958,128
Other income		21,030	21,564	34,871	42,625
Operating expenses	4	(2,192,030)	(1,789,439)	(2,007,212)	(1,597,378)
Earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments and other significant items (EBITDAF)		**508,689**	**441,415**	**490,267**	**403,375**
Depreciation and amortisation	15, 16	(193,052)	(166,322)	(189,241)	(162,413)
Change in fair value of financial instruments	23	(11,507)	(5,940)	(11,507)	(5,939)
Other significant items	5	21,275	-	31,850	-
Equity accounted earnings of associates	20	1,873	3,862	-	-
Net interest expense	6	(71,592)	(62,338)	(71,393)	(62,346)
Profit before income tax		**255,686**	**210,677**	**249,976**	**172,677**
Income tax expense	7	(65,257)	(60,383)	(64,080)	(49,416)
Profit for the year		**190,429**	**150,294**	**185,896**	**123,261**
Basic and diluted earnings per share (cents)	9	**26.94**	**23.89**		

Non–statutory measure: underlying earnings

Underlying earnings after tax is presented to enable stakeholders to make an assessment and comparison of ongoing performance. It is calculated by adjusting profit for the year for significant items that do not reflect the ongoing performance of the Group.

	Note	Group 30 June 2012 $000	Group 30 June 2011 $000
Profit for the year		**190,429**	**150,294**
Underlying adjustments			
Change in fair value of financial instruments	23	11,507	5,940
Other significant items:	5		
Transition costs		4,520	-
Clutha asset impairment and land sale		2,114	-
Exit of investment in Oakey Power Holdings Pty Limited		(27,909)	-
Adjustments before income tax		**(9,768)**	**5,940**
Income tax credit on underlying adjustments		(4,281)	(1,782)
Impact of change in corporate income tax rate	7	-	(3,503)
Adjustments after income tax		**(14,049)**	**655**
Underlying earnings after tax		**176,380**	**150,949**
Underlying earnings per share (cents)	9	**24.95**	**24.00**

Statement of Comprehensive Income for the year ended 30 June 2012

	Note	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Profit for the year		**190,429**	**150,294**	**185,896**	**123,261**
Other comprehensive income:					
Change in foreign currency translation reserve		(751)	415	-	-
Change in cash flow hedge reserve		35,745	(122)	35,745	(82)
Total other comprehensive income before tax		**34,994**	**293**	**35,745**	**(82)**
Deferred tax relating to components of other comprehensive income	26	(6,873)	(3,888)	(6,936)	(3,765)
Impact of change in corporate income tax rate		-	(1,192)	-	(1,192)
Total other comprehensive income after tax		**28,121**	**(4,787)**	**28,809**	**(5,039)**
Total comprehensive income for the year		**218,550**	**145,507**	**214,705**	**118,222**

Statement of Changes in Equity for the year ended 30 June 2012

Group	Note	Share capital $000	Foreign currency translation reserve $000	Cash flow hedge reserve $000	Share-based compensation reserve $000	Retained earnings $000	Total shareholders' equity $000
Opening balance as at 1 July 2010		948,997	128	(32,055)	2,854	1,856,854	2,776,778
Profit for the year after tax		-	-	-	-	150,294	150,294
Other comprehensive income after tax		-	292	(5,079)	-	-	(4,787)
Transactions with owners recorded directly in equity:							
Change in share capital	10	463,863	-	-	-	-	463,863
Change in share-based compensation reserve		-	-	-	2,510	-	2,510
Distributions declared	8	-	-	-	-	(153,048)	(153,048)
Total transactions with owners recorded directly in equity		**463,863**	**-**	**-**	**2,510**	**(153,048)**	**313,325**
Closing balance as at 30 June 2011		**1,412,860**	**420**	**(37,134)**	**5,364**	**1,854,100**	**3,235,610**
Opening balance as at 1 July 2011		1,412,860	420	(37,134)	5,364	1,854,100	3,235,610
Profit for the year after tax		-	-	-	-	190,429	190,429
Other comprehensive income after tax		-	(688)	28,809	-	-	28,121
Restricted shares and options lapsed during the year		-	-	-	(910)	910	-
Transactions with owners recorded directly in equity:							
Change in share capital	10	121,429	-	-	-	-	121,429
Change in share-based compensation reserve		-	-	-	3,676	-	3,676
Distributions declared	8	-	-	-	-	(161,593)	(161,593)
Total transactions with owners recorded directly in equity		**121,429**	-	-	**3,676**	**(161,593)**	**(36,488)**
Closing balance as at 30 June 2012		**1,534,289**	**(268)**	**(8,325)**	**8,130**	**1,883,846**	**3,417,672**

Parent	Note	Share capital $000	Foreign currency translation reserve $000	Cash flow hedge reserve $000	Share-based compensation reserve $000	Retained earnings $000	Total shareholders' equity $000
Opening balance as at 1 July 2010		948,997	-	(32,095)	2,854	1,793,648	2,713,404
Profit for the year after tax		-	-	-	-	123,261	123,261
Other comprehensive income after tax		-	-	(5,039)	-	-	(5,039)
Transactions with owners recorded directly in equity:							
Change in share capital	10	463,863	-	-	-	-	463,863
Change in share-based compensation reserve		-	-	-	2,510	-	2,510
Distributions declared	8	-	-	-	-	(153,048)	(153,048)
Total transactions with owners recorded directly in equity		**463,863**	**-**	**-**	**2,510**	**(153,048)**	**313,325**
Closing balance as at 30 June 2011		**1,412,860**	**-**	**(37,134)**	**5,364**	**1,763,861**	**3,144,951**
Opening balance as at 1 July 2011		1,412,860	-	(37,134)	5,364	1,763,861	3,144,951
Profit for the year after tax		-	-	-	-	185,896	185,896
Other comprehensive income after tax		-	-	28,809	-	-	28,809
Restricted shares and options lapsed during the year		-	-	-	(910)	910	-
Transactions with owners recorded directly in equity:							
Change in share capital	10	121,429	-	-	-	-	121,429
Change in share-based compensation reserve		-	-	-	3,676	-	3,676
Distributions declared	8	-	-	-	-	(161,593)	(161,593)
Total transactions with owners recorded directly in equity		**121,429**	**-**	**-**	**3,676**	**(161,593)**	**(36,488)**
Closing balance as at 30 June 2012		**1,534,289**	**-**	**(8,325)**	**8,130**	**1,789,074**	**3,323,168**

Statement of Financial Position as at 30 June 2012

	Note	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Shareholders' equity		**3,417,672**	**3,235,610**	**3,323,168**	**3,144,951**
Represented by:					
Current assets					
Cash and short-term deposits	12	5,892	47,267	3,533	47,191
Receivables and prepayments	13	351,344	243,521	361,399	247,534
Inventories	14	131,114	111,512	126,168	104,170
Carbon emission units		17,015	9,552	17,015	9,552
Derivative financial instruments	23	2,845	1,669	2,845	1,669
Assets held for sale	15	7,228	-	7,228	-
Tax receivable		-	778	-	778
Total current assets		**515,438**	**414,299**	**518,188**	**410,894**
Non-current assets					
Property, plant and equipment	15	5,163,599	4,813,619	5,062,796	4,715,116
Goodwill and intangible assets	16	369,961	342,324	311,327	283,690
Gas storage - cushion gas	17	51,512	51,512	51,512	51,512
Investment in subsidiaries	19	-	-	132,788	132,788
Investment in associates	20	310	11,603	-	1,579
Available-for-sale financial assets	21	2,935	2,935	-	-
Derivative financial instruments	23	1,008	357	1,008	357
Other non-current assets		7,600	6,850	7,600	6,850
Total non-current assets		**5,596,925**	**5,229,200**	**5,567,031**	**5,191,892**
Total assets		**6,112,363**	**5,643,499**	**6,085,219**	**5,602,786**
Current liabilities					
Borrowings	22	101,907	3,012	101,903	2,806
Derivative financial instruments	23	56,330	46,142	56,330	46,142
Payables and accruals	24	409,295	354,693	484,365	414,404
Provisions	25	4,619	6,351	4,595	6,127
Tax payable		27,831	-	27,831	-
Total current liabilities		**599,982**	**410,198**	**675,024**	**469,479**
Non-current liabilities					
Borrowings	22	1,202,026	1,082,110	1,202,026	1,082,106
Derivative financial instruments	23	128,016	180,349	128,016	180,349
Provisions	25	63,753	54,534	61,102	52,325
Deferred tax	26	700,479	680,204	695,448	673,084
Other non-current liabilities		435	494	435	492
Total non-current liabilities		**2,094,709**	**1,997,691**	**2,087,027**	**1,988,356**
Total liabilities		**2,694,691**	**2,407,889**	**2,762,051**	**2,457,835**
Net assets		**3,417,672**	**3,235,610**	**3,323,168**	**3,144,951**

The directors of Contact Energy Limited authorised these financial statements for issue.

On behalf of the Board

Grant King
Chairman, 13 August 2012

Sue Sheldon
Director, 13 August 2012

Statement of Cash Flows for the year ended 30 June 2012

	Note	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Cash flows from operating activities					
Cash provided from:					
Receipts from customers		2,614,577	2,198,125	2,405,908	1,955,128
Dividends received		855	1,864	-	1,480
		2,615,432	2,199,989	2,405,908	1,956,608
Cash applied to:					
Payments to suppliers and employees		(2,153,890)	(1,797,284)	(1,951,906)	(1,565,815)
Supplementary dividend paid to shareholders	8	(1,399)	(1,184)	(1,399)	(1,184)
Tax paid		(19,828)	(22,990)	(19,828)	(22,990)
		(2,175,117)	(1,821,458)	(1,973,133)	(1,589,989)
Net cash inflow from operating activities		**440,315**	**378,531**	**432,775**	**366,619**
Cash flows from investing activities					
Cash provided from:					
Interest received		3,017	1,078	2,931	995
Exit of investment in Oakey Power Holdings Pty Limited	20	38,045	-	38,045	-
Proceeds from sale of property, plant and equipment		3,377	-	3,377	-
Proceeds from advance to associate		351	-	-	-
		44,790	1,078	44,353	995
Cash applied to:					
Purchase of property, plant and equipment		(482,289)	(379,516)	(476,949)	(364,893)
Purchase of intangible assets		(47,227)	(57,821)	(47,227)	(59,139)
Purchase of Whirinaki generation plant and on-site diesel fuel		(36,295)	-	(36,295)	-
		(565,811)	(437,337)	(560,471)	(424,032)
Net cash (outflow) to investing activities		**(521,021)**	**(436,259)**	**(516,118)**	**(423,037)**
Cash flows from financing activities					
Cash provided from:					
Proceeds from other loans		123,526	356,518	123,526	356,518
Proceeds from capital bonds offer		200,000	-	200,000	-
Proceeds from share issue		139	-	139	-
Proceeds from entitlement offer	10	-	351,169	-	351,169
		323,665	707,687	323,665	707,687
Cash applied to:					
Interest paid		(97,077)	(100,067)	(96,927)	(100,067)
Distributions paid to shareholders	10	(42,549)	(34,351)	(42,549)	(34,351)
Financing costs		(10,337)	(687)	(10,337)	(687)
Entitlement offer - related costs		(544)	(4,649)	(544)	(4,649)
Repayment of other loans and finance lease liabilities		(121,828)	(463,919)	(121,816)	(463,898)
Advance in relation to gas sale and repurchase arrangement		(9,900)	-	(9,900)	-
		(282,235)	(603,673)	(282,073)	(603,652)
Net cash inflow from financing activities		**41,430**	**104,014**	**41,592**	**104,035**
Net (decrease)/increase in cash and cash equivalents		**(39,276)**	**46,286**	**(41,751)**	**47,617**
Add: cash and cash equivalents at the start of the year		45,168	(1,118)	45,284	(2,333)
Cash and cash equivalents at the end of the year		**5,892**	**45,168**	**3,533**	**45,284**
Cash and cash equivalents comprise:					
Bank overdraft	12, 22	-	(2,099)	-	(1,907)
Cash and short-term deposits	12	5,892	47,267	3,533	47,191
	12	**5,892**	**45,168**	**3,533**	**45,284**

Statement of Cash Flows for the year ended 30 June 2012 (continued)

Reconciliation of profit for the year to cash flows from operating activities	Note	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Profit for the year		**190,429**	**150,294**	**185,896**	**123,261**
Items classified as investing/financing					
Net interest expense	6	71,592	62,338	71,393	62,346
Gain on sale of property, plant and equipment		(2,461)	-	(2,461)	-
Exit of investment in Oakey Power Holdings Pty Limited	20	(25,892)	-	(36,466)	-
		43,239	62,338	32,466	62,346
Non-cash items					
Write-off of receivables	4	13,454	12,095	13,069	10,663
Movement in provisions		2,047	1,311	2,047	1,311
Share-based compensation	11	3,427	2,928	3,427	2,928
Depreciation and amortisation	15, 16	193,052	166,322	189,241	162,413
Equity accounted (earnings) of associates net of dividends received	20	(1,673)	(2,382)	-	-
Change in fair value of financial instruments	23	11,507	5,940	11,507	5,939
Increase in deferred tax	7	13,402	36,934	15,428	34,747
Clutha asset impairment		4,262	-	4,262	-
Other non-cash items		(19)	538	(19)	1,185
		239,459	223,686	238,962	219,186
Movement in working capital					
(Increase) in receivables and prepayments		(104,677)	(35,962)	(110,046)	(47,398)
(Increase) in inventories		(17,071)	(53,630)	(19,467)	(51,202)
Increase in payables and accruals		68,540	42,831	84,568	71,449
Increase/(decrease) in tax payable/receivable		28,609	(724)	28,609	(721)
(Increase) in other assets		(8,213)	(10,302)	(8,213)	(10,302)
		(32,812)	(57,787)	(24,549)	(38,174)
Net cash inflow from operating activities		**440,315**	**378,531**	**432,775**	**366,619**

Notes to the financial statements for the year ended 30 June 2012

1 Statement of accounting policies

Reporting entity

Contact Energy Limited (the Parent) is a profit-oriented company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Securities Exchange (NZSX). It also has two series of bonds quoted on the New Zealand Debt Exchange (NZDX). The Parent is an issuer in terms of the Financial Reporting Act 1993. The financial statements comprise the Parent and its subsidiaries, interest in associates and a jointly controlled entity (together referred to as Contact or the Group) as at, and for the year ended, 30 June 2012.

Contact is a diversified and integrated energy group focusing on the generation and retailing of electricity. Other operating activities include the sale of natural gas and liquefied petroleum gas (LPG) to retail and wholesale customers throughout New Zealand.

Basis of preparation

The functional and reporting currency used in the preparation of the financial statements is New Zealand dollars, rounded to the nearest thousand ($000).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

The financial statements were approved by the Board of Directors (the Board) on 13 August 2012.

The measurement basis adopted in the preparation of these financial statements is historical cost except for:

- derivative financial instruments, which are stated at their fair value
- recognised assets and liabilities that are hedged in a fair value hedging relationship, which are stated at fair value in respect of the risk that is hedged
- held for sale assets that are expected to be sold for less than their carrying value which are stated at fair value less costs to sell, and
- generation plant and equipment purchased prior to 1 October 2004, which are stated at deemed historical cost.

Changes in accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

There have been no changes in accounting policies during the year.

Adoption status of relevant new financial reporting standards and amendments

Contact has elected not to early adopt the following standards, considered relevant to these financial statements, which have been issued but are not yet effective:

- *NZ IAS 1 Presentation of Financial Statements (amendment)* – effective for annual reporting periods beginning on or after 1 July 2012.
- *NZ IAS 27 Separate Financial Statements (amendment)* – effective for annual reporting periods beginning on or after 1 January 2013.
- *NZ IAS 28 Investments in Associates and Joint Ventures (amendment)* – effective for annual reporting periods beginning on or after 1 January 2013.
- *NZ IAS 32 Offsetting Financial Assets and Financial Liabilities* – effective for annual reporting periods beginning on or after 1 January 2014.
- *NZ IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities* – effective for annual reporting periods beginning on or after 1 January 2013.

- *NZ IFRS 9 Financial Instruments* – effective for annual reporting periods beginning on or after 1 January 2015.
- *NZ IFRS 10 Consolidated Financial Statements* – effective for annual reporting periods beginning on or after 1 January 2013.
- *NZ IFRS 11 Joint Arrangements* – effective for annual reporting periods beginning on or after 1 January 2013.
- *NZ IFRS 12 Disclosure of Interests in Other Entities* – effective for annual reporting periods beginning on or after 1 January 2013.
- *NZ IFRS 13 Fair Value Measurement* – effective for annual reporting periods beginning on or after 1 January 2013.

Contact does not currently intend to early adopt any of these standards or amendments before their effective dates. Contact is in the process of assessing the impact of the adoption of these new financial reporting standards and amendments.

Accounting estimates and judgements

Contact's significant areas of estimation and critical judgements in these financial statements are as follows:

Derivative financial instruments

Note 23 contains information about the assumptions and the risk factors relating to derivative financial instruments and their valuation. The base future settlement price path used for the swaption electricity derivative was previously derived from historical observations and is now derived from the Australian Securities Exchange (ASX) New Zealand Electricity Futures and Options price path. Management believe that the ASX New Zealand Electricity Futures and Options price path provides the best estimate of future liquid market prices given that the swaption expires six months after the end of the reporting period.

Goodwill

The carrying value of goodwill is subject to an annual impairment test to ensure the carrying value does not exceed the recoverable amount at the end of the reporting period. For the purpose of impairment testing, goodwill is allocated to the individual cash-generating unit to which it relates. Any impairment losses are recognised in the Income Statement.

In determining the recoverable amount of goodwill, Contact uses either a value in use or a fair value less costs to sell valuation model to calculate the net present value of the expected future cash flows of the cash-generating units. The major inputs and assumptions that are used in the value in use and fair value less costs to sell models that require management judgement include customer numbers and customer churn, gross margin per customer, operating costs, annual growth rates and the weighted average cost of capital. Refer to note 16.

Intangible assets – gas storage rights

Contact has exercised judgement in determining the useful life of the gas storage rights. The useful life is based on the current assumption of the period over which future economic benefits are expected to be derived. The useful life is reviewed annually. Refer to note 16.

Inventory gas

Inventory gas is held at the lower of cost and net realisable value. Contact has exercised judgement in determining the net realisable value of the gas, which is the recoverable amount of the gas based on its intended use.

Property, plant and equipment and finite life intangible assets

Contact has exercised judgement in determining whether expenditure is in relation to bringing an asset to the location and condition necessary for its intended use and is therefore appropriate for capitalisation as part of the cost of the asset.

In assessing the recoverable amount of capital work in progress, Contact has exercised judgement in determining the likely future use or development of the asset.

Contact has also exercised judgement in determining the useful lives of property, plant and equipment, and finite life intangible assets.

Provision – restoration and environmental rehabilitation

Liabilities are estimated for the abandonment and site restoration of areas from which natural resources are extracted and for the removal of asbestos at generation properties. Such estimates are valued at the net present value of the expenditure expected to settle the obligation. Key assumptions have been made as to the expected amount and timing of expenditure to remediate based on the expected life of the assets employed on the sites and the period over which asbestos is expected to be removed. Refer to note 25.

Retail revenue
Contact has exercised judgement in determining estimated retail sales for unread gas and electricity meters at the end of the reporting period. Specifically, this involves an estimate of consumption for each unread meter based on the consumption history of the customer's meter.

Basis of consolidation

Subsidiaries
Subsidiaries are those entities controlled, directly or indirectly, by the Parent. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Parent. Identifiable acquired assets and liabilities, and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the fair value of the consideration transferred over the fair value of the Parent's share of the identifiable net assets acquired is recorded as goodwill. If the fair value of the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in the Income Statement. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Associates
Associates are entities in which Contact has significant influence, but not control, over the operating and/or financial policies. Associates are reflected in the financial statements by applying the equity accounting method. The equity accounting method recognises Contact's share of the current year retained surpluses or deficits in the Group Income Statement and its share of post-acquisition increases or decreases in net assets in the Group Statement of Financial Position from the date that significant influence commences until the date that significant influence ceases.

Jointly controlled assets and jointly controlled entities
Jointly controlled assets and jointly controlled entities are joint arrangements with other parties in which Contact jointly controls or owns one or more assets or entities and is consequently entitled to its share of the future economic benefits of the jointly controlled assets or entities. Contact's share of the assets, liabilities, outputs (revenues) and expenses of jointly controlled assets or entities is incorporated into the financial statements on a proportionate line-by-line basis.

Transactions and balances eliminated on consolidation
The effects of intra-group transactions and balances are eliminated in preparing the Group financial statements.

Borrowings

Borrowings are recognised initially at fair value less attributed transaction costs and are subsequently stated at amortised cost.

Borrowings that are designated as being in a hedge relationship are carried at fair value. Refer to the accounting policy for derivative financial instruments and hedging.

Discounts, premiums, prepaid interest and financing costs such as origination, commitment and transaction fees are amortised to interest expense on a yield-to-maturity basis over the period of the borrowing. Any difference between the cost and redemption value is recognised in the Income Statement over the period of the borrowing on an effective interest basis.

All borrowing costs are recognised in the Income Statement using the effective interest method with the exception of borrowing costs directly associated with the acquisition or construction of qualifying assets, which are capitalised. Refer to the accounting policies on property, plant and equipment, and intangible assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks and other short-term, highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts for the purpose of the Statement of Cash Flows.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Derivative financial instruments and hedging

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are periodically re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the underlying item being hedged. Contact designates certain derivative financial instruments as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge), or
- hedges of highly probable forecast transactions (cash flow hedge).

Fair value hedge
Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the Income Statement together with any changes in the fair value of the underlying hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge
The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognised in the Statement of Comprehensive Income. The gain or loss relating to any ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in other comprehensive income are recycled to the Income Statement in the year when the hedged item will affect the Income Statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires, is sold, is terminated, is exercised, or Contact revokes designation of the hedge relationship such that the derivative financial instrument no longer qualifies for hedge accounting but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised immediately in the Income Statement.

Derivative financial instruments that do not qualify for hedge accounting
Certain derivative financial instruments that do not qualify for hedge accounting are categorised as held for trading. Changes in the fair value of any derivative financial instrument that do not qualify for hedge accounting are recognised immediately in the Income Statement.

Emissions trading

Carbon emission units purchased for compliance purposes are recognised at initial cost (purchase price) less any accumulated impairment losses. For the purpose of impairment testing, carbon emission units held for compliance purposes are allocated to the individual cash-generating units to which they relate. Carbon emission units are surrendered on a first-in first-out basis according to the liquidity of the units. Although carbon emission units can be banked, they will generally be surrendered within one year and are therefore recognised as current intangible assets and are consequently not amortised.

Any purchased forward contracts of carbon emission units for compliance purposes are measured at cost on the date Contact acquires the units. For all forward contracts, Contact determines whether the contracts meet the definition of a financial instrument during the period between when the forward contracts are entered into and when the units are received. Where forward contracts for carbon emission units are entered into and continue to be held in accordance with Contact's own usage expectation, Contact makes use of the 'own use' exemption. This allows forward contracts on those units not to be accounted for as financial instruments.

Where the 'own use' exemption does not apply, forward contracts for the purchase of carbon emission units are measured at fair value from the date of inception until the date of receipt of the units. Gains and losses arising from changes in fair value are recognised in the Income Statement.

Contact recognises a liability in respect of its obligation to deliver carbon emission units when an obligation arises. The liability is measured at the cost of the carbon emission units and forward contracts on a first-in first-out basis (according to the liquidity of the units), with the balance recognised at fair value at the end of the reporting period. Any change in the liability is recognised within operating expenses in the Income Statement.

Employee benefits

Annual, long service and retirement leave benefits estimated to be payable to employees are accounted for on the basis of statutory and contractual requirements.

Share-based compensation
Share-based compensation is provided to participating employees via share options and performance share rights both issued under a Share Option Scheme.

The fair value of the employee services received in exchange for the grant of the share options and performance share rights is recognised as an expense, with a corresponding increase in equity over the vesting period.

The fair value is measured at grant date by reference to the fair value of the equity instruments granted, taking into account market performance conditions only. Non-market vesting conditions are included in the assumptions determining the number of share options and performance share rights that are expected to become exercisable or vest.

At the end of each reporting period, Contact revises the amount to be recognised as an expense to reflect the number of share options and performance share rights that are expected to become exercisable or vest.

Exploration and evaluation expenditure

Exploration and evaluation expenditure in relation to geothermal sites is accounted for in accordance with the area of interest method. The application of this method is based on the partial capitalisation model closely aligned to the successful efforts approach.

All exploration and evaluation costs, including directly attributable overheads, general permit activity, and geological and geophysical costs, are expensed as incurred except the cost of drilling exploration wells and the cost of acquiring new interests. The cost of drilling exploration wells is initially capitalised as development capital work in progress pending the determination of the success of the area.

Exploration and evaluation expenditure is partially or fully capitalised where either:

- the expenditure is expected to be recouped through the successful development and exploration of the area of interest (or alternatively, by its sale), or
- the exploration and evaluation activities in the area of interest have not, at the end of each reporting period, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure is impaired in the Income Statement under the successful efforts method of accounting in the period that exploration work demonstrates that an area of interest is no longer prospective for economically recoverable reserves or when the decision to abandon an area of interest is made.

Foreign currencies

Foreign currency transactions are recorded at the exchange rates in effect at the date of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the end of each reporting period. Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Hedged assets and liabilities accounted for as cash flow hedges are translated at the hedged rate, with the underlying hedge contract being separately recorded in the Statement of Financial Position at fair value.

Group entities

The results and financial positions of all Group entities (none of which has a currency of a hyperinflationary economy) that have functional currencies different from the reporting currency are translated into the reporting currency as follows:

- Income and expenses are translated at average exchange rates.
- Assets and liabilities are translated at the closing exchange rate at the end of each reporting period.
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the foreign currency translation reserve in other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the Income Statement as part of the gain or loss on sale.

Gas entitlements

Where Contact has take-or-pay gas purchase contracts, the pay obligations are expensed to the Income Statement in the month that the payment obligation crystallises, or as Contact uplifts the gas, depending on the contracted terms.

Gas storage – cushion gas

Cushion gas is necessary to develop and maintain the operation of a gas storage facility and represents a long-term investment in natural gas reserves. Cushion gas is recognised at cost and is not depreciated on the basis that it is economically recoverable at the end of the life of the gas storage facility. The carrying amount is reviewed at the end of each reporting period to determine whether there is any objective evidence of impairment. Refer to the impairment accounting policy. Gas reserves in excess of that required for cushion gas are treated as inventory. Refer to the inventories accounting policy.

Generation and other research and development expenditure

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the Income Statement as an expense as incurred.

Expenditure on generation and other development activities is capitalised if the process is technically and commercially feasible, future economic benefits are probable and Contact intends to, and has sufficient resources to, complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of directly attributable overheads and capitalised interest. Revenue earned in the period until the asset is operating in the manner intended by management is deducted from the cost of the asset.

Capitalised work in progress is reviewed at the end of each reporting period to determine whether further work is planned to support the continued carrying value of the capitalised costs.

Assets are transferred from ‘capital work in progress’ to ‘property, plant and equipment’ when they are operating in the manner intended by management and are depreciated over the period of their expected economic benefit.

Goods and services tax (GST)

All items in the financial statements are stated exclusive of GST, with the exception of receivables and payables, which are stated inclusive of GST.

Held for sale assets

Non-current assets, or disposal groups comprising assets, that are expected to be recovered primarily through sale rather than through continuing use, are classified as ‘held for sale’ and are recognised as current assets. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with Contact’s accounting policy for that asset. Thereafter the assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell.

Once classified as held for sale, property, plant and equipment, and intangible assets are no longer depreciated or amortised.

Impairment

The carrying amounts of Contact's assets, other than inventories, financial assets, held for sale assets and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset’s net recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

The recoverable amount of other assets is the greater of their value in use and fair value less costs to sell. In assessing recoverable amount, the estimated future cash flows are discounted to their net present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Goodwill and intangible assets

Goodwill

Goodwill represents the excess of the fair value of the consideration transferred over the fair value of Contact's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in goodwill. Goodwill on the acquisition of associates is included in the investment in associates. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill is allocated to the individual cash-generating unit to which it relates. Each cash-generating unit represents Contact's lowest level of assets that generate cash inflows largely independent from each other.

Intangible assets

Intangible assets with finite lives are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

The amortisation rates are as follows:

Type of asset	**Amortisation rate**
Computer software	10 – 33%
Gas storage rights	3%
Patents	10%

Asset residual values and useful lives are reviewed annually, and adjusted if appropriate.

Borrowing costs incurred on the construction or acquisition of a qualifying intangible asset are capitalised during the period of time that is required to complete and prepare the intangible asset for its intended use. The amount of borrowing costs capitalised is determined using either the actual borrowing costs incurred, where qualifying assets have been specifically project funded, less any investment income from the temporary investment of those borrowings, or a capitalisation rate representing Contact's weighted average borrowing cost applicable to the general borrowings (excluding any specific borrowings) that were outstanding during the period. Borrowing costs cease to be capitalised when the intangible asset is operating in the manner intended by management or production is temporarily suspended, and exclude any inefficiency costs.

Inventories

Consumables, spare parts and LPG

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of materials, consumable supplies and maintenance spares is determined on a weighted average basis.

Inventory gas and diesel fuel

Gas reserves in excess of the levels required for cushion gas are treated as inventory.

Inventory gas and diesel fuel are stated at the lower of cost and net realisable value. The cost of inventory gas and diesel fuel is determined on a weighted average basis and includes expenditure incurred in bringing the fuel stocks to their present location and condition. Net realisable value is the estimated recoverable amount of the fuel stocks based on their intended use.

Inventory gas and diesel fuel are classified as current assets as they are expected to be realised in Contact's normal operating cycle, which extends beyond one year.

Investments – financial instruments

Contact classifies its investments in the following categories:

- financial assets at fair value through profit or loss, or
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at the end of each reporting period.

Purchases and sales of financial assets are recognised on the trade date. When financial assets are initially recognised, they are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives that are held for trading are also categorised as fair value through profit or loss. Assets in this category are classified as current assets if the cash flows associated with the assets are expected to be realised within one year of the end of the reporting period.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised immediately in the Income Statement.

Available-for-sale financial assets

Investments in unlisted shares are classified as 'available-for-sale' and are stated at fair value, with any resultant gain or loss being recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, which are recognised in the Income Statement. If the fair value of an unlisted equity instrument cannot be reliably determined, the investment is held at cost. When these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income is recognised in the Income Statement.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating lease receipts and payments are representative of the pattern of benefits derived from the leased assets and, accordingly, are recognised in the Income Statement on a straight-line basis.

Other revenue

Dividend revenue is recognised in the Income Statement on the date that the dividend is declared.

Interest revenue is recognised in the Income Statement as it accrues using the effective interest rate method.

Payables

Payables are stated at cost.

Property, plant and equipment

Contact's generation plant and equipment purchased prior to 1 October 2004 are stated at deemed historical cost less accumulated depreciation and accumulated impairment losses. All other property, plant and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses.

The cost of purchased property, plant and equipment, including strategic spares, is the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended use.

The cost of assets constructed by Contact, including capital work in progress, includes the cost of all materials used in construction, direct labour costs specifically associated with construction, resource management consent costs and an appropriate proportion of directly attributable variable and fixed overheads. It also includes a reduction to cost in respect of any revenue earned by the asset in the period until it is operating in the manner intended by management.

Borrowing costs incurred on the construction of a qualifying asset project are capitalised during the period of time that is required to complete and prepare the asset for its intended use. The amount of borrowing costs capitalised is determined using either the actual borrowing costs incurred, where qualifying assets have been specifically project funded, less any investment income from the temporary investment of those borrowings, or a capitalisation rate representing Contact's weighted average borrowing cost applicable to the general borrowings (excluding any specific borrowings) that were outstanding during the period. Borrowing costs cease to be capitalised when the asset is operating as intended by management or the development is suspended, and exclude any inefficiency costs.

Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment.

Subsequent expenditure is capitalised where it is incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure. Other subsequent expenditure is capitalised only when it is probable that the future economic benefits embodied in the item of property, plant and equipment will flow to the entity and can be reliably measured. All other subsequent expenditure is recognised in the Income Statement as an expense as incurred.

Where property, plant or equipment is disposed of, the profit or loss recognised in the Income Statement is calculated as the difference between the sale proceeds and the carrying value of the asset.

Leased assets

Leases in which Contact assumes substantially all the risks and rewards of ownership are classified as finance leases. Any asset acquired by way of a finance lease is stated at an amount equal to the lower of its fair value or the net present value of the future minimum lease payments at the inception of the lease.

Depreciation

With the exception of certain generation plant and equipment assets, depreciation is charged to the Income Statement on a straight-line basis to allocate the cost of the assets, less any estimated residual value, over their expected remaining useful lives. Generation plant and equipment assets where the assets' future economic benefits are expected to be consumed on a usage basis, are depreciated on an equivalent hours of use basis. The range of annual depreciation rates for each class of asset is as follows:

Type of asset	Depreciation rate
Land	Not depreciated
Generation plant and equipment (including buildings)	1 – 33%
Other buildings	1 – 33%
Other plant and equipment	1 – 33%
Generation plant and equipment assets on an equivalent hours of use basis	23,500–100,000 equivalent hours of use

Asset residual values and useful lives are reviewed, and adjusted if appropriate.

Provisions

A provision is recognised if, as a result of a past event, Contact has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are valued at the present value of the expected future cash flows required to settle the obligation.

Restoration and environmental rehabilitation

Liabilities are estimated for the abandonment and site restoration of areas from which natural resources are extracted and for the removal of asbestos at generation sites. Estimations are also made for the expected cost of environmental rehabilitation of commercial sites. Such estimates are valued at the present value of the expenditure expected to be required to settle the obligation. A liability is immediately recognised when the exposure is identified and rehabilitation costs can be reasonably estimated.

Receivables

Receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less any impairment loss. An impairment loss is recognised when there is objective evidence that Contact will not be able to collect amounts due according to the original terms of the receivable. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. For retail receivables that are not significant on an individual basis, collective impairment is assessed on a portfolio basis, based on historic delinquency rates and historical losses. The amount of the impairment loss is recognised in the Income Statement.

Revenue

Revenue comprises the amounts received and receivable at the end of the reporting period for electricity, gas, LPG, steam and related services supplied to customers in the ordinary course of business, including estimated amounts for unread meters. Sales revenue is recognised in accordance with contractual arrangements, where applicable, and only once the significant risks and rewards of ownership of the goods have passed from Contact to the customer or when services have been rendered to the customer and collection is reasonably assured.

Share capital

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Statement of Cash Flows

The following are the definitions used in the Statement of Cash Flows:

- Operating activities include all transactions and other events that are not investing or financing activities.
- Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangible assets, and investments.
- Financing activities are those activities that result in changes in the size and composition of the capital structure of Contact. Dividends and interest paid in relation to the capital structure are included in financing activities.

Cash flows arising from operating, investing or financing activities that may be reported on a net basis are:

- cash receipts and payments on behalf of customers where the cash flows reflect the activities of the customer rather than those of Contact, and
- cash receipts and payments for financing activities where the maturities are short.

Tax

Income tax in the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case the income tax is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, together with any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

2 Segment reporting

Identification of reportable segments

Contact has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer in assessing performance and in determining the allocation of resources. The Chief Executive Officer is Contact's 'chief operating decision maker' within the meaning of *NZ IFRS 8 Operating Segments*.

Contact has identified two operating segments: Electricity and Other.

Products and services from which reportable segments derive their revenues

Electricity
The 'Electricity' business is a generator and retailer of electricity throughout New Zealand. Electricity is generated by means of hydro, geothermal and thermal sources/power stations. Electricity generated is required to be sold to the national grid and then purchased from the relevant node to be retailed to commercial and residential customers.

Other
The 'Other' business is a combination of other services offered by Contact. These include the sale of gas to retail and wholesale customers, the sale of LPG to commercial and residential customers, and the lease of electricity and gas meters to other retailers and internally to the 'Electricity' segment. Individual services within the 'Other' segment do not exceed 10 per cent of revenue, profit or total assets and are therefore not separately disclosed.

Accounting policies and inter-segment transactions

The accounting policies used by Contact in reporting segments internally are the same as those contained in note 1 to the financial statements except as detailed below.

Inter-segment revenue
The inter-segment revenue is a charge for electricity meters between the 'Electricity' and 'Other' segments. The inter-segment charge aims to have the 'Electricity' segment pay the 'Other' segment an equivalent cost for Contact-owned meters as it would for third party owned meters.

The following items are not allocated to operating segments as they are not reported to the chief operating decision maker at a segmental level:

- change in fair value of financial instruments
- other significant items
- equity accounted earnings of associates
- net interest expense
- income tax expense
- assets
- liabilities
- capital expenditure.

Geographical segment information

Contact operates predominantly in one geographical location, being New Zealand. Contact's operations in Australia during the year were immaterial.

Major customers

Contact has a large number of customers, but no single external customer accounts for more than 10 per cent of revenue.

Segment note

Group **30 June 2012**	**Electricity** **$000**	**Other** **$000**	**Inter-segment** **$000**	**Total** **$000**
Total segment revenue and other income	2,471,369	257,775	(28,425)	2,700,719
Total segment direct costs	(1,780,482)	(177,586)	28,425	(1,929,643)
Segment operating margin	**690,887**	**80,189**	**-**	**771,076**
Segment other operating expenses	(222,706)	(39,681)	-	(262,387)
Segment EBITDAF*	**468,181**	**40,508**	**-**	**508,689**
Depreciation and amortisation	(181,945)	(11,107)	-	(193,052)
Segment result	**286,236**	**29,401**	**-**	**315,637**
Change in fair value of financial instruments				(11,507)
Other significant items				21,275
Equity accounted earnings of associates				1,873
Net interest expense				(71,592)
Income tax expense				(65,257)
Profit for the year				**190,429**

Group **30 June 2011**	**Electricity** **$000**	**Other** **$000**	**Inter-segment** **$000**	**Total** **$000**
Total segment revenue and other income	1,969,012	291,088	(29,246)	2,230,854
Total segment direct costs	(1,351,578)	(215,469)	29,246	(1,537,801)
Segment operating margin	**617,434**	**75,619**	**-**	**693,053**
Segment other operating expenses	(212,355)	(39,283)	-	(251,638)
Segment EBITDAF*	**405,079**	**36,336**	**-**	**441,415**
Depreciation and amortisation	(156,545)	(9,777)	-	(166,322)
Segment result	**248,534**	**26,559**	**-**	**275,093**
Change in fair value of financial instruments				(5,940)
Equity accounted earnings of associates				3,862
Net interest expense				(62,338)
Income tax expense				(60,383)
Profit for the year				**150,294**

* In addition to the above information, the chief operating decision maker also considers the following components of EBITDAF within the 'Electricity' segment.

Group	**30 June 2012** **$000**	**30 June 2011** **$000**
Hedged generation	383,885	346,884
Exposed generation	74,221	29,919
Retail electricity	10,075	28,276
Electricity segment EBITDAF	**468,181**	**405,079**

3 Revenue

	Group **30 June 2012** **$000**	**Group** **30 June 2011** **$000**	**Parent** **30 June 2012** **$000**	**Parent** **30 June 2011** **$000**
Retail electricity	1,480,425	1,443,602	1,379,884	1,309,477
Wholesale electricity	970,542	505,701	970,542	505,701
LPG	116,540	117,037	-	-
Gas	91,780	123,241	91,780	123,241
Steam	20,402	19,709	20,402	19,709
Total revenue	**2,679,689**	**2,209,290**	**2,462,608**	**1,958,128**

4 Operating expenses

	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Electricity purchases	851,160	476,723	807,145	439,002
Electricity transmission, distribution and levies	567,955	542,315	523,859	488,578
Gas purchases and transmission	389,801	381,059	389,801	381,685
LPG purchases	83,091	85,416	-	-
Meter costs	22,752	22,032	20,372	18,519
Emission costs	14,884	30,257	14,459	28,276
Labour costs	103,659	98,456	99,880	95,426
Christchurch earthquake relief and support costs	-	4,000	-	4,000
Other operating expenses	158,728	149,181	151,696	141,892
Total operating expenses	**2,192,030**	**1,789,439**	**2,007,212**	**1,597,378**

Other operating expenses include:	**Note**	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Auditor's remuneration - KPMG audit fees*		546	598	546	598
Donations		11	26	11	26
Write-off of receivables		13,454	12,095	13,069	10,663
(Decrease)/increase in provision for impairment of receivables		(376)	6	629	-
Rental expense on operating leases		7,553	6,849	5,968	5,213
Write-off of Energyhedge Limited	20	-	8	-	8

* In the year ended 30 June 2011, KPMG charged $46,914 for other assurance services in relation to the prospectus for the entitlement offer. These amounts have been included in the transaction costs of the entitlement offer, which have been recognised in equity. In addition, in the year ended 30 June 2011, KPMG charged $36,174 for IT security assurance services in relation to Contact's Enterprise Transformation project, which were capitalised to the cost of the asset.

Labour costs include:	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Contributions to KiwiSaver	2,247	1,982	2,119	1,861

5 Other significant items

	Note	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Transition costs*		4,520	-	4,520	-
Clutha asset impairment and land sale**		2,114	-	2,114	-
Exit of investment in Oakey Power Holdings Pty Limited	20	(27,909)	-	(38,484)	-
Total other significant items		**(21,275)**	**-**	**(31,850)**	**-**

* Transition costs arising on implementation of Enterprise Transformation and associated activities in the Retail business.

** As a result of the decision not to proceed in the foreseeable future with any of the options being investigated for hydro generation development on the Clutha River, the project development costs have been impaired ($4.3 million) and some of the associated land has been sold ($2.2 million).

6 Net interest expense

	Note	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Interest expense		102,218	101,350	102,068	101,350
Interest expense: unwind on provisions	25	5,044	3,903	4,910	3,826
Interest expense capitalised		(32,655)	(41,838)	(32,655)	(41,838)
Interest income		(3,015)	(1,077)	(2,930)	(992)
Net interest expense		**71,592**	**62,338**	**71,393**	**62,346**

The weighted average interest rate used for capitalisation on funds borrowed is 7.2 per cent per annum (2011: 7.5 per cent).

7 Income tax

Income tax expense

	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Profit before income tax	255,686	210,677	249,976	172,677
Tax thereon at 28% (2011: 30%)	71,592	63,203	69,993	51,803
Plus/(less) tax effect of adjustments:				
Exit of investment in Oakey Power Holdings Pty Limited:				
Reverse non assessable gain recognised	(7,815)	-	(7,815)	-
Write-off of unclaimable non-resident withholding tax	2,018	-	2,018	-
Release of deferred tax liability	(618)	-	(163)	-
Income tax under/(over) provided in prior year	1,289	(973)	1,120	(640)
Non assessable gain on sale of Clutha land	(630)	-	(630)	-
Other differences	(589)	1,669	(443)	1,769
Temporary differences no longer expected to reverse	10	(13)	-	-
Change in corporate income tax rate	-	(3,503)	-	(3,516)
Income tax expense	**65,257**	**60,383**	**64,080**	**49,416**
Comprising:				
Current tax	51,855	23,449	48,652	14,669
Deferred tax	13,402	36,934	15,428	34,747
	65,257	**60,383**	**64,080**	**49,416**

Imputation credits

Imputation credits available for use in subsequent reporting periods are 245.6 million (2011: 214.6 million).

These are available to shareholders through the consolidated imputation group. Under current legislation, imputation credits can be attached at a ratio of 30/70 to dividends paid prior to 1 April 2013 and at a ratio of 28/72 from that date.

8 Distributions

Group and Parent	Distribution payment date	Cents per share	30 June 2012 $000	30 June 2011 $000
2010 year final distribution	27 September 2010	14.0	-	84,915
2011 year interim distribution	31 March 2011	11.0	-	68,133
2011 year final distribution	27 September 2011	12.0	83,641	-
2012 year interim distribution	30 March 2012	11.0	77,952	-
Supplementary dividend			1,399	1,184
Foreign investor tax credit			(1,399)	(1,184)
Total distributions			**161,593**	**153,048**

All distributions were made pursuant to the Parent's Profit Distribution Plan (PDP).

Under the PDP, all shareholders receive distributions in the form of non-taxable bonus shares with the option to have the shares, or a portion of them, bought back by the Parent for cash. Shareholders who elect to have their bonus shares bought back by the Parent at an equivalent cost under the off-market buy-back facility are treated as having received a fully imputed cash dividend.

On 13 August 2012, the Board declared a distribution in the form of a non-taxable bonus issue under the PDP equivalent to 12.0 cents per share, for shares on issue at 28 August 2012, the record date, with bonus shares allocated and/or cash distributed, if elected, on 21 September 2012. Refer to note 32.

9 Earnings and net tangible assets per share

Group	30 June 2012	30 June 2011
Underlying earnings per share (cents)*	24.95	24.00
Basic and diluted earnings per share (cents)	26.94	23.89
Weighted average number of shares on issue over the year	706,845,891	629,068,222
Net tangible assets per share (dollars)	4.24	4.16
Number of shares on issue at the end of the year	718,670,307	695,068,288

* Non-statutory measure. Underlying earnings after tax represents profit for the year adjusted for significant items that do not reflect the ongoing performance of the Group.

The calculation of underlying earnings per share is based on underlying earnings after tax divided by the weighted average number of shares on issue over the year.

The calculation of basic and diluted earnings per share is based on profit after tax divided by the weighted average number of shares on issue over the year.

The weighted average number of shares on issue over the year is reflective of the issue and repurchase of ordinary share capital (excluding treasury stock) pursuant to the Parent's PDP.

For the purpose of calculating the weighted average number of shares on issue, the restricted shares previously issued under Contact's Employee Long-Term Incentive Restricted Share Plan (Restricted Share Plan) are excluded until the shares become unrestricted.

The dilutive effect of share options, performance share rights and restricted shares has not been taken into account in the calculation of diluted earnings per share as the relevant performance hurdles have not yet been met.

The calculation of net tangible assets per share is based on the total net assets less goodwill and intangible assets, divided by the number of shares on issue at the end of each year.

10 Share capital

	Ordinary shares - unrestricted	
Group and Parent	**Number**	**$000**
Opening balance as at 1 July 2010	604,934,976	948,997
Share capital issued	26,537,944	153,048
Share capital repurchased and cancelled during the year	(5,942,974)	(34,351)
Entitlement offer	69,538,342	351,169
Transaction costs	-	(6,003)
Closing balance as at 30 June 2011	**695,068,288**	**1,412,860**
Opening balance as at 1 July 2011	695,068,288	1,412,860
Share capital issued	31,377,916	161,593
Share capital repurchased and cancelled during the year	(8,284,377)	(42,549)
Restricted shares converted to ordinary shares during the year	508,480	2,401
Transaction costs	-	(16)
Closing balance as at 30 June 2012	**718,670,307**	**1,534,289**

The holders of unrestricted ordinary shares are entitled to receive dividends or distributions as declared from time to time and are entitled to one vote per share at meetings of the Parent. Ordinary shares have no par value and are fully paid.

The Parent issued 15,645,402 and 15,732,514 ordinary shares pursuant to the Parent's PDP on 27 September 2011 and 30 March 2012 respectively. The PDP allows shareholders to elect to have the Parent buy back the shares issued to them at the issue price. As a result of shareholder elections, the Parent completed an off-market buy-back of 3,837,911 shares on 27 September 2011 and 4,446,466 shares on 30 March 2012. These shares were immediately cancelled upon buy-back.

Contact has previously issued restricted ordinary shares (restricted shares) pursuant to the Restricted Share Plan. The restricted shares were held in trust, and recognised as part of the share-based compensation reserve until performance hurdles were met. In June 2012 the Restricted Share Plan was closed, the 508,480 restricted shares were converted to ordinary shares and sold on market. There was a corresponding increase in ordinary share capital. Refer to note 11.

11 Share-based compensation

Contact has an Employee Long-Term Incentive Scheme for participating employees whereby the value of the long-term incentive award is allocated as a mix of share options and performance share rights (options with an exercise price of zero) under the Share Option Scheme. Contact also previously issued restricted shares under a Restricted Share Plan.

The total expense recognised for share-based compensation under the Share Option Scheme and Restricted Share Plan during the year ended 30 June 2012 was $3.4 million (2011: $2.9 million).

Share Option Scheme

Under the Share Option Scheme, the Board issues share options to participating employees to acquire ordinary shares in the Parent at the market price determined at the effective grant date. For share options granted in the years ended 30 June 2012 and 30 June 2011, the market price was the weighted average market price of the Parent's ordinary shares traded on the NZSX over the five business days prior to the effective grant date. Under the Share Option Scheme, the Board also issues performance share rights to participating employees to acquire ordinary shares in the Parent at zero cost.

The share options and performance share rights are unlisted and are personal to the employee and therefore cannot be traded. The share options and performance share rights do not entitle the participating employees to receive dividends or distributions from, nor vote in respect of, the shares subject to the share options and performance share rights.

The share options and performance share rights will only be exercisable to the extent that the relevant performance hurdles are met (the hurdle is a comparison of Contact's total shareholder return (TSR) relative to the TSR of a reference group comprising companies in the NZX50 index over the relevant period, commencing on the effective grant date).

There is a vesting period of approximately three years from the effective grant date before share options and performance share rights may be exercised. Following the end of that period, the performance hurdles are measured on three annual test dates. There is a two-year, two-month exercise period following the first test date during which share options and performance share rights may be exercised, again, to the extent that the performance hurdles are met.

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

The share options and performance share rights will lapse:

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

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

The number of share options granted and lapsed during the reporting period and on issue at the end of the reporting period is summarised below:

Group and Parent
2012

Effective grant date	First exercise date	Expiry date	Exercise price per option*	Balance at 1 July 2011	Granted	Lapsed	Balance at 30 June 2012
1 Jul 2006	1 Oct 2009	30 Nov 2011	$7.27	284,077	-	(284,077)	-
1 Oct 2007	1 Oct 2010	30 Nov 2012	$9.07	262,547	-	-	262,547
1 Feb 2008	1 Oct 2010	30 Nov 2012	$7.55	15,008	-	-	15,008
1 Oct 2008	1 Oct 2011	30 Nov 2013	$8.53	555,738	-	-	555,738
1 Oct 2009	1 Oct 2012	30 Nov 2014	$5.67	1,472,279	-	(42,991)	1,429,288
1 Oct 2010	1 Oct 2013	30 Nov 2015	$5.63	3,925,850	-	(198,758)	3,727,092
1 Oct 2011	1 Oct 2014	30 Nov 2016	$5.40	-	2,835,114	(45,725)	2,789,389
				6,515,499	**2,835,114**	**(571,551)**	**8,779,062**

* In June 2011, the Board approved an adjustment to the exercise price for options issued under the Share Option Scheme in accordance with the formula set out in NZSX Listing Rule 8.1.7(b).

Group and Parent
2011

Effective grant date	First exercise date	Expiry date	Exercise price per option	Balance at 1 July 2010	Granted	Lapsed	Balance at 30 June 2011
1 Jul 2006	1 Oct 2009	30 Nov 2011	$7.35	284,077	-	-	284,077
15 Jan 2007	1 Oct 2009	30 Nov 2011	$8.28	13,413	-	(13,413)	-
1 Oct 2007	1 Oct 2010	30 Nov 2012	$9.15	314,031	-	(51,484)	262,547
1 Feb 2008	1 Oct 2010	30 Nov 2012	$7.63	15,008	-	-	15,008
1 Oct 2008	1 Oct 2011	30 Nov 2013	$8.60	670,919	-	(115,181)	555,738
1 Oct 2009	1 Oct 2012	30 Nov 2014	$5.75	1,656,203	-	(183,924)	1,472,279
1 Oct 2010	1 Oct 2013	30 Nov 2015	$5.71	-	3,982,607	(56,757)	3,925,850
				2,953,651	**3,982,607**	**(420,759)**	**6,515,499**

No share options were exercisable at 30 June 2012 (2011: nil). A further 37,534 share options have lapsed since 30 June 2012.

The number of performance share rights granted and lapsed during the reporting period and on issue at the end of the reporting period is summarised below:

Group and Parent 2012							
Effective grant date	**First exercise date**	**Expiry date**	**Exercise price per option**	**Balance at 1 July 2011**	**Granted**	**Lapsed**	**Balance at 30 June 2012**
1 Jul 2006	1 Oct 2009	30 Nov 2011	$0.00	-	766	(766)	-
1 Oct 2007	1 Oct 2010	30 Nov 2012	$0.00	-	46,679	-	46,679
1 Feb 2008	1 Oct 2010	30 Nov 2012	$0.00	-	2,846	-	2,846
1 Oct 2008	1 Oct 2011	30 Nov 2013	$0.00	-	79,208	-	79,208
1 Oct 2009	1 Oct 2012	30 Nov 2014	$0.00	-	255,648	(77)	255,571
1 Oct 2010	1 Oct 2013	30 Nov 2015	$0.00	872,443	11,917	(44,610)	839,750
1 Oct 2011	1 Oct 2014	30 Nov 2016	$0.00	-	613,030	(9,888)	603,142
				872,443	**1,010,094**	**(55,341)**	**1,827,196**

Group and Parent 2011							
Effective grant date	**First exercise date**	**Expiry date**	**Exercise price per option**	**Balance at 1 July 2010**	**Granted**	**Lapsed**	**Balance at 30 June 2011**
1 Oct 2010	1 Oct 2013	30 Nov 2015	$0.00	-	885,056	(12,613)	872,443
				-	**885,056**	**(12,613)**	**872,443**

No performance share rights were exercisable at 30 June 2012 (2011: nil). A further 8,100 performance share rights have lapsed since 30 June 2012.

Restricted Share Plan

Since the establishment of the Employee Long-Term Incentive Scheme in 2010, no restricted shares have been issued, under the Restricted Share Plan since the 1 October 2009 grant date. Performance share rights issued under the share option scheme replaced restricted shares from October 2010. In June 2012, the Restricted Share Plan was closed and the participants were offered one performance share right for each unvested restricted share held. As a result, 379,062 additional performance share rights were issued to participants and remain subject to the existing performance hurdles and vesting criteria. The restricted shares previously held by participants were transferred to the unallocated pool. Those restricted shares, along with 129,418 restricted shares already held in the unallocated pool, were converted to unrestricted ordinary shares and sold on market.

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

- the restricted shares were issued to an independent trustee to be held on trust for the participant, and

- the trustee could not exercise any voting rights attaching to the restricted shares and forwent the right to distributions.

Legal title to the restricted shares could not be transferred to the participant, and therefore traded by the participant, unless, and until, the restricted shares became unrestricted. A participant could not transfer, assign, or otherwise dispose of, or create any interest (including any security, or legal or equitable interest) in, a restricted share until it became unrestricted.

The number of restricted shares returned to the unallocated pool and converted to ordinary shares during the reporting period is summarised below:

Group and Parent 2012 Effective grant date	First test date	Final test date	Shares issued	Allocation price per share	Unvested balance at 1 July 2011	Returned to unallocated pool	Converted to ordinary shares	Unvested balance at 30 June 2012
Unallocated pool					66,711	441,769	(508,480)	-
1 Jul 2006	1 Oct 2009	1 Oct 2011	70,890	$7.35	55,125	(55,125)	-	-
20 Nov 2006	1 Oct 2009	1 Oct 2011	3,581	$7.55	-	-	-	-
15 Jan 2007	1 Oct 2009	1 Oct 2011	2,504	$8.28	-	-	-	-
1 Oct 2007	1 Oct 2010	1 Oct 2012	83,242	$9.15	46,038	(46,038)	-	-
1 Feb 2008	1 Oct 2010	1 Oct 2012	3,091	$7.63	2,807	(2,807)	-	-
1 Oct 2008	1 Oct 2011	1 Oct 2013	104,712	$8.60	78,126	(78,126)	-	-
1 Oct 2009	1 Oct 2012	1 Oct 2014	241,940	$5.75	259,673	(259,673)	-	-
			509,960		**508,480**	**-**	**(508,480)**	**-**

Group and Parent 2011 Effective grant date	First test date	Final test date	Shares issued	Allocation price per share	Unvested balance at 1 July 2010	Returned to unallocated pool	Converted to ordinary shares	Unvested balance at 30 June 2011
Unallocated pool					8,028	58,683	-	66,711
1 Jul 2006	1 Oct 2009	1 Oct 2011	70,890	$7.35	55,125	-	-	55,125
20 Nov 2006	1 Oct 2009	1 Oct 2011	3,581	$7.55	-	-	-	-
15 Jan 2007	1 Oct 2009	1 Oct 2011	2,504	$8.28	1,024	(1,024)	-	-
1 Oct 2007	1 Oct 2010	1 Oct 2012	83,242	$9.15	55,066	(9,028)	-	46,038
1 Feb 2008	1 Oct 2010	1 Oct 2012	3,091	$7.63	2,807	-	-	2,807
1 Oct 2008	1 Oct 2011	1 Oct 2013	104,712	$8.60	94,318	(16,192)	-	78,126
1 Oct 2009	1 Oct 2012	1 Oct 2014	241,940	$5.75	292,112	(32,439)	-	259,673
			509,960		**508,480**	-	-	**508,480**

Fair value of share-based compensation

The fair value of services received in return for share options and performance share rights granted is based on the fair value of share options and performance share rights granted, measured using a combination of Monte-Carlo simulation and a binomial option pricing model. The valuation of the options and performance share rights granted in the year ended 30 June 2012 was based on the following weighted average assumptions:

Group and Parent	30 June 2012	30 June 2011
Risk-free interest rate	3.4%	4.3%
Expected dividend yield	4.7%	3.8%
Expected option life (in years)	5.1	5.1
Expected share price volatility	24.0%	18.0%
Weighted average remaining contractual life (in years)	3.4	3.8

Volatility is based on the historical volatility in Contact's share price. The performance hurdles noted above are included in the valuation model used in determining the fair value of share options and performance share rights issued during the year.

12 Cash and cash equivalents

	Note	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Unrestricted cash		5,892	47,267	3,533	47,191
Cash and short-term deposits		**5,892**	**47,267**	**3,533**	**47,191**
Bank overdraft	22	-	(2,099)	-	(1,907)
Cash and cash equivalents in the Statement of Cash Flows		**5,892**	**45,168**	**3,533**	**45,284**

13 Receivables and prepayments

	Note	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Retail electricity, other receivables and accruals*		201,058	193,383	175,137	163,024
Less: provision for impairment		(5,931)	(6,307)	(5,150)	(4,521)
Wholesale electricity receivables		134,490	53,147	134,490	53,147
Net receivables		**329,617**	**240,223**	**304,477**	**211,650**
Prepayments		11,827	2,985	11,827	2,985
Interest receivable		-	3	-	3
Advance in relation to gas sale and repurchase arrangement		9,900	-	9,900	-
Advances to subsidiaries	29	-	-	35,195	32,896
Advance to associate		-	310	-	-
Total receivables and prepayments		**351,344**	**243,521**	**361,399**	**247,534**

* Other receivables and accruals include transactions with Contact's ultimate parent entity Origin Energy Limited (Origin) and its subsidiaries. Refer to note 29.

Receivables past due but not impaired

Included in retail electricity, other receivables and accruals are receivables that are past due but not impaired.

	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
0-30 days past due	21,305	21,874	17,341	18,687
30-90 days past due	6,672	8,010	5,973	7,035
Over 90 days past due	1,841	2,497	1,442	2,232
Total receivables past due but not impaired	**29,818**	**32,381**	**24,756**	**27,954**

Included in other operating expenses are receivables written-off during the year totalling $13.5 million (Group) and $13.1 million (Parent) (2011: $12.1 million (Group) and $10.7 million (Parent)). Refer to note 4.

Provision for impairment

	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Provision for impairment at the start of the year	(6,307)	(6,301)	(4,521)	(4,521)
Decrease/(increase) in provision for the year	376	(6)	(629)	-
Provision for impairment at the end of the year	**(5,931)**	**(6,307)**	**(5,150)**	**(4,521)**

14 Inventories

	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Inventory gas	115,785	97,753	115,785	97,753
Consumables and spare parts	7,398	6,597	7,281	6,417
LPG	4,829	7,162	-	-
Diesel fuel	3,102	-	3,102	-
Total inventories	**131,114**	**111,512**	**126,168**	**104,170**

Inventory gas relates to the gas reserves in the Ahuroa reservoir in excess of the reserves required for cushion gas (refer to note 17). Contact's normal operating cycle for inventory gas extends beyond one year. Contact expects to utilise up to 20% of the inventory gas held at 30 June 2012 within one year from the end of the reporting period.

15 Property, plant and equipment

Group	Generation plant and equipment (including land and buildings) at deemed cost $000	Other land and buildings at cost $000	Other plant and equipment at cost $000	Generation capital work in progress at cost $000	Development capital work in progress at cost $000	Other capital work in progress at cost $000	Total $000
Cost							
Balance as at 1 July 2010	4,416,436	63,031	279,681	134,506	490,638	20,756	5,405,048
Additions	151,876	741	8,787	28,365	261,867	6,085	457,721
Transfers from capital work in progress	422,832	215	7,972	(21,279)	(401,386)	(8,354)	-
Reclassification of asset class	6,748	(10,706)	5,382	(1,480)	2,224	(2,168)	-
Transfer to intangible assets	-	-	(2,229)	-	-	-	(2,229)
Disposals	(58,309)	(227)	(10,330)	-	-	-	(68,866)
Balance as at 30 June 2011	**4,939,583**	**53,054**	**289,263**	**140,112**	**353,343**	**16,319**	**5,791,674**
Balance as at 1 July 2011	4,939,583	53,054	289,263	140,112	353,343	16,319	5,791,674
Additions	76,279	3,445	6,515	58,322	390,259	4,345	539,165
Transfers from capital work in progress	90,606	629	5,766	(36,867)	(53,739)	(6,395)	-
Reclassification of asset class	(332)	110	222	-	-	-	-
Transfer to assets held for sale*	-	(241)	-	-	(6,987)	-	(7,228)
Disposals	(46,592)	(679)	(280)	-	(7,092)	-	(54,643)
Balance as at 30 June 2012	**5,059,544**	**56,318**	**301,486**	**161,567**	**675,784**	**14,269**	**6,268,968**
Depreciation and impairment losses							
Balance as at 1 July 2010	(714,641)	(13,969)	(162,294)	-	(2,830)	-	(893,734)
Depreciation charge	(140,503)	(1,422)	(13,259)	-	-	-	(155,184)
Reclassification of asset class	989	1,365	(2,354)	-	-	-	-
Transfer to intangible assets	-	-	2,219	-	-	-	2,219
Disposals	58,309	16	10,319	-	-	-	68,644
Balance as at 30 June 2011	**(795,846)**	**(14,010)**	**(165,369)**	**-**	**(2,830)**	**-**	**(978,055)**
Balance as at 1 July 2011	(795,846)	(14,010)	(165,369)	-	(2,830)	-	(978,055)
Depreciation charge	(161,472)	(2,220)	(13,185)	-	-	-	(176,877)
Impairment	-	-	-	-	(4,262)	-	(4,262)
Reclassification of asset class	43	-	(43)	-	-	-	-
Disposals	46,488	8	237	-	7,092	-	53,825
Balance as at 30 June 2012	**(910,787)**	**(16,222)**	**(178,360)**	**-**	**-**	**-**	**(1,105,369)**
Carrying value							
As at 30 June 2011	4,143,737	39,044	123,894	140,112	350,513	16,319	4,813,619
As at 30 June 2012	**4,148,757**	**40,096**	**123,126**	**161,567**	**675,784**	**14,269**	**5,163,599**

Parent	Generation plant and equipment (including land and buildings) at deemed cost $000	Other land and buildings at cost $000	Other plant and equipment at cost $000	Generation capital work in progress at cost $000	Development capital work in progress at cost $000	Other capital work in progress at cost $000	Total $000
Cost							
Balance as at 1 July 2010	4,416,436	58,519	147,360	134,506	464,758	16,511	5,238,090
Additions	151,876	533	6,915	28,365	254,424	3,255	445,368
Transfers from capital work in progress	422,832	45	6,264	(21,279)	(401,386)	(6,476)	-
Reclassification of asset class	6,748	(10,225)	4,468	(1,480)	2,224	(1,735)	-
Disposals	(58,309)	-	(9,053)	-	-	-	(67,362)
Balance as at 30 June 2011	**4,939,583**	**48,872**	**155,954**	**140,112**	**320,020**	**11,555**	**5,616,096**
Balance as at 1 July 2011	4,939,583	48,872	155,954	140,112	320,020	11,555	5,616,096
Additions	76,279	3,445	4,267	58,322	388,151	2,533	532,997
Transfers from capital work in progress	90,606	602	3,142	(36,867)	(53,739)	(3,744)	-
Reclassification of asset class	(332)	110	222	-	-	-	-
Transfer to assets held for sale*	-	(241)	-	-	(6,987)	-	(7,228)
Disposals	(46,592)	(657)	-	-	(4,262)	-	(51,511)
Balance as at 30 June 2012	**5,059,544**	**52,131**	**163,585**	**161,567**	**643,183**	**10,344**	**6,090,354**
Depreciation and impairment losses							
Balance as at 1 July 2010	(714,641)	(13,093)	(89,323)	-	-	-	(817,057)
Depreciation charge	(140,503)	(1,255)	(9,527)	-	-	-	(151,285)
Reclassification of asset class	989	1,408	(2,397)	-	-	-	-
Disposals	58,309	-	9,053	-	-	-	67,362
Balance as at 30 June 2011	**(795,846)**	**(12,940)**	**(92,194)**	-	**-**	-	**(900,980)**
Balance as at 1 July 2011	(795,846)	(12,940)	(92,194)	-	-	-	(900,980)
Depreciation charge	(161,472)	(2,112)	(9,482)	-	-	-	(173,066)
Impairment	-	-	-	-	(4,262)	-	(4,262)
Reclassification of asset class	43	-	(43)	-	-	-	-
Disposals	46,488	-	-	-	4,262	-	50,750
Balance as at 30 June 2012	**(910,787)**	**(15,052)**	**(101,719)**	**-**	**-**	**-**	**(1,027,558)**
Carrying value							
As at 30 June 2011	4,143,737	35,932	63,760	140,112	320,020	11,555	4,715,116
As at 30 June 2012	**4,148,757**	**37,079**	**61,866**	**161,567**	**643,183**	**10,344**	**5,062,796**

* Certain land assets have been classified as held for sale as they are being actively marketed by Contact following Board approval to dispose of the land. These land assets are expected to be sold within one year from the end of the reporting period.

Under the Treaty of Waitangi Act 1975, the Waitangi Tribunal has the power to recommend, in appropriate circumstances, that some of the land and interest 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 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.

16 Goodwill and intangible assets

Group	Goodwill $000	Patents $000	Gas storage rights $000	Computer software $000	Total $000
Cost					
Balance as at 1 July 2010	181,941	1,222	33,353	87,812	304,328
Additions*	-	-	1,659	67,592	69,251
Transfer from property, plant and equipment	-	-	-	2,229	2,229
Disposals	-	-	-	(7,080)	(7,080)
Balance as at 30 June 2011	**181,941**	**1,222**	**35,012**	**150,553**	**368,728**
Balance as at 1 July 2011	181,941	1,222	35,012	150,553	368,728
Additions*	-	-	-	43,812	43,812
Balance as at 30 June 2012	**181,941**	**1,222**	**35,012**	**194,365**	**412,540**
Amortisation and impairment losses					
Balance as at 1 July 2010	-	(1,222)	-	(18,905)	(20,127)
Amortisation charge	-	-	(294)	(10,844)	(11,138)
Transfer from property, plant and equipment	-	-	-	(2,219)	(2,219)
Disposals	-	-	-	7,080	7,080
Balance as at 30 June 2011	**-**	**(1,222)**	**(294)**	**(24,888)**	**(26,404)**
Balance as at 1 July 2011	-	(1,222)	(294)	(24,888)	(26,404)
Amortisation charge	-	-	(881)	(15,294)	(16,175)
Balance as at 30 June 2012	**-**	**(1,222)**	**(1,175)**	**(40,182)**	**(42,579)**
Carrying value					
As at 30 June 2011	181,941	-	34,718	125,665	342,324
As at 30 June 2012	**181,941**	**-**	**33,837**	**154,183**	**369,961**

Parent	Goodwill $000	Patents $000	Gas storage rights $000	Computer software $000	Total $000
Cost					
Balance as at 1 July 2010	123,307	-	33,353	87,812	244,472
Additions*	-	-	1,659	67,592	69,251
Disposals	-	-	-	(7,080)	(7,080)
Balance as at 30 June 2011	**123,307**	**-**	**35,012**	**148,324**	**306,643**
Balance as at 1 July 2011	123,307	-	35,012	148,324	306,643
Additions*	-	-	-	43,812	43,812
Balance as at 30 June 2012	**123,307**	**-**	**35,012**	**192,136**	**350,455**
Amortisation and impairment losses					
Balance as at 1 July 2010	-	-	-	(18,905)	(18,905)
Amortisation charge	-	-	(294)	(10,834)	(11,128)
Disposals	-	-	-	7,080	7,080
Balance as at 30 June 2011	**-**	**-**	**(294)**	**(22,659)**	**(22,953)**
Balance as at 1 July 2011	-	-	(294)	(22,659)	(22,953)
Amortisation charge	-	-	(881)	(15,294)	(16,175)
Balance as at 30 June 2012	**-**	**-**	**(1,175)**	**(37,953)**	**(39,128)**
Carrying value					
As at 30 June 2011	123,307	-	34,718	125,665	283,690
As at 30 June 2012	**123,307**	**-**	**33,837**	**154,183**	**311,327**

* Total computer software additions in the year ended 30 June 2012 include $39.6 million of internally generated assets (30 June 2011: $63.0 million).

Goodwill

For the purpose of impairment testing, all goodwill is allocated to the retail electricity (Group: $143.0 million; Parent: $87.6 million), retail gas (Group and Parent: $35.7 million) and LPG (Group: $3.2 million; Parent: nil) cash-generating units. The impairment test for each unit is based on a value in use or fair value less costs to sell discounted cash flow valuation. Cash flow projections are based on a five-year financial forecast for the underlying business and are extrapolated using an average annual growth rate of approximately 1.0 to 3.0 per cent. Five-year financial forecasts are considered appropriate because of the long-term nature of the business. The cash flow projections are discounted using post-tax discount rates of 8.0 to 10.0 per cent.

Key assumptions in the value in use and fair value less costs to sell calculations for the cash-generating units are as follows:

Assumptions	Method of determination
Customer numbers and customer churn	Review of actual customer numbers and historical data regarding movements in customer numbers. The historical analysis is considered against expected market trends and competition for customers.
Gross margin per customer	Review of actual gross margin per customer and consideration of expected market movements and impacts.
Operating costs	Review of actual operating costs and consideration of expected market movements and impacts. In addition, for fair value less costs to sell potential transaction costs and estimated costs of acquisition and operation by a third party.

Gas storage rights

In June 2008, Contact acquired the exclusive right to use the Ahuroa reservoir in order to develop an underground gas storage facility. The acquisition was completed in conjunction with Origin, which acquired certain New Zealand oil and gas assets from Swift Energy New Zealand Limited. These assets included a petroleum mining licence (PML 38139, the PML) for an area that includes the Ahuroa reservoir.

In December 2010 Contact was issued Petroleum Mining Permit (PMP) 52278 with a term of 40 years. The PMP exists concurrently with the PML.

Additions to gas storage rights since acquisition relate to capitalised interest on the original acquisition of the rights.

Impairment

No impairment exists for any intangible asset at 30 June 2012 (2011: nil).

17 Gas storage – cushion gas

As part of the acquisition of the gas storage rights (refer to note 16), Contact also secured 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 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 future 'operational' gas.

Cushion gas is recognised at cost, which includes capitalised interest up to the date of commissioning of the Ahuroa gas storage facility, and is presented in the Statement of Financial Position as a separate non-current, non-depreciable asset.

Gas injected in excess of cushion gas requirements is treated as inventory. Refer to note 14.

18 Investment in jointly controlled entity

	Interest held by Group		
Name of entity	30 June 2012	30 June 2011	Principal activity
Gasbridge Joint Venture	50%	50%	Liquefied natural gas importation development

The Gasbridge Joint Venture is operated through Gasbridge Limited, an entity jointly controlled by Contact Aria Limited (a 100 per cent subsidiary of Contact Energy Limited) and GP No. 1 Limited (a 100 per cent subsidiary of Genesis Power Limited). The joint venture was set up to preserve the option of importing natural gas, if required in the future. Contact wrote-off its share of the assets of the Gasbridge Joint Venture in the year ended 30 June 2009 following the decision by Contact and Genesis Power Limited to put on hold the development of the land-based liquefied natural gas terminal.

During the year ended 30 June 2012, Contact and Genesis Power Limited agreed to discontinue the Gasbridge Joint Venture. At 30 June 2012 the entity has not been wound up.

19 Investment in subsidiaries

Name of entity	Interest held by Parent 30 June 2012	30 June 2011	Principal activity	Country of incorporation
Empower Limited	100%	100%	Electricity retailer and gas wholesaler	New Zealand
Contact Aria Limited	100%	100%	Investment holding company	New Zealand
Contact Wind Limited	100%	100%	Wind generation development	New Zealand
Rockgas Limited	100%	100%	LPG retailer	New Zealand
Contact Australia Pty Limited	100%	100%	Investment holding company	Australia
Contact Operations Australia Pty Limited	100%	100%	Managed Australian interests relating to operation and maintenance of Oakey Power Holdings Pty Limited	Australia

All subsidiaries have a 30 June balance date.

Contact's exit of its investment in Oakey Power Holdings Pty Limited during the year (refer to note 20) has resulted in the ceasing of operations of Contact Operations Australia Pty Limited.

20 Investment in associates

Name of entity	Interest held by Group 30 June 2012	30 June 2011	Principal activity	Country of incorporation
Rockgas Timaru Limited	50%	50%	LPG distribution	New Zealand
Energyhedge Limited	-	20%	Futures trading	New Zealand
Oakey Power Holdings Pty Limited	-	25%	Electricity generation	Australia

	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Carrying value of associates				
Carrying value at the start of the year	11,603	8,809	1,579	1,587
Write-off of investment in Energyhedge Limited	-	(8)	-	(8)
Equity accounted earnings of associates	1,873	3,862	-	-
Exit of investment in Oakey Power Holdings Pty Limited	(12,755)	-	(1,579)	-
Movements taken to foreign currency translation reserve	(211)	420	-	-
Dividends received	(200)	(1,480)	-	-
Carrying value at the end of the year	**310**	**11,603**	**-**	**1,579**

In the year ended 30 June 2011 Contact wrote-off its investment in Energyhedge Limited following the transition of the energy hedge trading platform to the ASX. Energyhedge Limited was struck off the companies office register in November 2011.

Contact exited its investment in Oakey Power Holdings Pty Limited on 18 January 2012 through a selective capital reduction and share cancellation for $38.0 million (AUD31.3 million). The gain on exit of the investment of $27.9 million (Group) and $38.5 million (Parent) before tax is recognised in the Income Statement.

Rockgas Timaru Limited (Rockgas Timaru) has a balance date of 31 March.

Group Aggregate summary financial information of associates, not adjusted for the percentage held by Contact	30 June 2012 $000	30 June 2011 $000
Total assets	833	146,324
Total liabilities	213	100,355
Total revenues	1,988	49,507
Profit for the year	278	15,186

There are no contingent liabilities relating to Contact's interest in associate and no contingent liabilities in the associate (2011: nil).

21 Available-for-sale financial assets

Available-for-sale financial assets are financial assets that do not fall into any other financial instrument category. Contact does not currently intend to sell these assets.

	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
At cost*				
Unlisted shares in Liquigas Limited	2,935	2,935	-	-
Total available-for-sale financial assets	2,935	2,935	-	-

* As the fair value of the investment in the unlisted shares of Liquigas Limited cannot be reliably determined, the investment is held at cost.

22 Borrowings

This note provides information about the contractual terms of Contact's borrowings. For more information about Contact's exposure to interest rate and foreign currency risk, refer to note 23.

Carrying value of borrowings

	Borrowing currency denomination	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Current borrowings					
Current portion of term borrowings					
6.9% February 2013	USD	97,782	-	97,782	-
Total current portion of term borrowings		**97,782**	-	**97,782**	-
Bank overdraft	NZD	-	2,099	-	1,907
Committed credit facilities	NZD	3,208	-	3,208	-
Finance lease liabilities	NZD	917	913	913	899
Total current borrowings		**101,907**	**3,012**	**101,903**	**2,806**
Non-current borrowings					
Non-current portion of term borrowings					
6.9% February 2013	USD	-	97,989	-	97,989
5.3% March 2014	USD	116,380	112,848	116,380	112,848
5.3% March 2015	USD	142,464	135,851	142,464	135,851
5.6% March 2018	USD	60,001	53,691	60,001	53,691
7.1% April 2018	USD	40,289	36,536	40,289	36,536
Fixed rate senior notes		**359,134**	**436,915**	**359,134**	**436,915**
8.0% retail fixed rate bonds May 2014	NZD	545,683	543,681	545,683	543,681
7.9% wholesale fixed rate bonds April 2017	NZD	99,824	99,788	99,824	99,788
8.0% capital bonds February 2042	NZD	195,788	-	195,788	-
Total non-current portion of term borrowings		**1,200,429**	**1,080,384**	**1,200,429**	**1,080,384**
Finance lease liabilities	NZD	1,597	1,726	1,597	1,722
Total non-current borrowings		**1,202,026**	**1,082,110**	**1,202,026**	**1,082,106**

Foreign currency denominated term borrowings are hedged by cross-currency interest rate swaps and are measured at fair value less deferred financing costs in the Statement of Financial Position. All other borrowings are held at amortised cost using the effective interest rate less deferred financing costs. The reconciliation of the New Zealand dollar equivalent of contracted term borrowings to the Statement of Financial Position carrying value is detailed below:

Group and Parent 30 June 2012	Fixed rate senior notes $000	Retail fixed rate bonds $000	Wholesale fixed rate bonds $000	Capital bonds $000	Total term borrowings $000
New Zealand dollar equivalent of notional borrowings	587,299	550,000	100,000	200,000	1,437,299
Deferred financing costs	(739)	(4,317)	(176)	(4,212)	(9,444)
Net fair value adjustment	(129,644)	-	-	-	(129,644)
Carrying value of term borrowings	**456,916**	**545,683**	**99,824**	**195,788**	**1,298,211**
Current	97,782	-	-	-	97,782
Non-current	359,134	545,683	99,824	195,788	1,200,429
	456,916	**545,683**	**99,824**	**195,788**	**1,298,211**

Group and Parent 30 June 2011	Fixed rate senior notes $000	Retail fixed rate bonds $000	Wholesale fixed rate bonds $000	Capital bonds $000	Total term borrowings $000
New Zealand dollar equivalent of notional borrowings	587,299	550,000	100,000	-	1,237,299
Deferred financing costs	(1,006)	(6,319)	(212)	-	(7,537)
Net fair value adjustment	(149,378)	-	-	-	(149,378)
Carrying value of term borrowings	**436,915**	**543,681**	**99,788**	**-**	**1,080,384**
Current	-	-	-	-	-
Non-current	436,915	543,681	99,788	-	1,080,384
	436,915	**543,681**	**99,788**	**-**	**1,080,384**

Capital bonds

In December 2011, Contact issued $200.0 million of subordinated capital bonds at a coupon rate of 8.0 per cent. Costs directly attributable to the bond issue were $4.4 million. Interest is payable quarterly in arrears. The coupon rate on the capital bonds will be reset on 15 February 2017 and on every five-year anniversary thereafter. The bonds mature on 15 February 2042. Contact has the option to redeem the bonds on the first reset date, and on any interest payment date thereafter.

Export credit agency facility

In November 2011, Contact obtained an export credit agency facility of $105.0 million. The facility becomes available as certain payments are made on the Te Mihi geothermal power station development. The facility has a fixed maturity date of 30 November 2027 with scheduled repayments from the date the facility becomes fully drawn. At 30 June 2012, the available facility was $91.6 million, of which nil has been drawn.

Committed credit facilities

Contact has total committed credit facilities at 30 June 2012 of $450.0 million, of which $3.2 million has been drawn (2011: $450.0 million, nil drawn). At 30 June 2012, $150.0 million of the facilities mature in December 2012, $225.0 million in March 2016, $45.0 million in April 2016 and $30.0 million in May 2016.

These committed credit facilities also support a $250.0 million commercial paper programme. This programme is unutilised at 30 June 2012 (2011: unutilised).

Compliance with covenants

All borrowing covenant requirements were met at 30 June 2012 and at 30 June 2011.

Security

Except for finance leases, Contact's borrowings are unsecured. Contact borrows under a negative pledge arrangement, which does not permit Contact to grant any security interest over its assets, unless it is an exception permitted within the negative pledge arrangements.

Finance lease liabilities

Future minimum lease payments are as follows:

	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Not later than one year	1,098	959	1,094	941
Later than one year and not later than five years	1,753	1,876	1,753	1,871
Minimum lease payments	**2,851**	**2,835**	**2,847**	**2,812**
Future finance charges on finance leases	(337)	(196)	(337)	(191)
Present value of finance lease liabilities	**2,514**	**2,639**	**2,510**	**2,621**

The finance leases relate to computer equipment and are on normal commercial terms and conditions.

The present value of finance lease liabilities is as follows:

	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Not later than one year	917	913	913	899
Later than one year and not later than five years	1,597	1,726	1,597	1,722
Present value of finance lease liabilities	**2,514**	**2,639**	**2,510**	**2,621**

23 Derivative financial instruments

Financial risk management objectives

In the normal course of business, Contact is exposed to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. Contact's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Contact's financial performance. Contact uses derivative financial instruments to hedge the market risk exposures.

Fair value of derivative financial instruments

The fair value of derivative financial instruments outstanding is summarised below:

Group and Parent	Fair value assets 30 June 2012 $000	Fair value liabilities 30 June 2012 $000	Fair value assets 30 June 2011 $000	Fair value liabilities 30 June 2011 $000
Cross currency interest rate swaps	-	(129,563)	771	(150,160)
Interest rate derivatives	804	(42,045)	-	(30,723)
Cross currency interest rate swaps - margin	-	(4,035)	-	(6,026)
Foreign exchange derivatives	57	(3,177)	-	(14,093)
Electricity price hedges	2,992	(5,526)	1,255	(25,489)
Total derivative financial instruments	**3,853**	**(184,346)**	**2,026**	**(226,491)**
Current	2,845	(56,330)	1,669	(46,142)
Non-current	1,008	(128,016)	357	(180,349)
	3,853	**(184,346)**	**2,026**	**(226,491)**

Change in fair value of financial instruments

The change in the fair value of financial instruments recognised in the Income Statement and cash flow hedge reserve is summarised below:

Group Favourable/(unfavourable)	Hedge accounting designation	Income Statement 30 June 2012 $000	Cash flow hedge reserve 30 June 2012 $000	Income Statement 30 June 2011 $000	Cash flow hedge reserve 30 June 2011 $000
Cross currency interest rate swaps	Fair value hedge	19,826	-	(93,558)	-
Borrowings		(19,734)	-	93,439	-
		92	**-**	**(119)**	**-**
Interest rate derivatives	No hedge	(10,669)	151	1,477	205
Cross currency interest rate swaps - margin	Cash flow hedge	137	1,854	(6,160)	3,459
Foreign exchange derivatives	Cash flow hedge	-	10,973	-	(12,673)
Electricity price hedges	Cash flow hedge	(1,207)	22,767	(1,627)	8,887
Electricity price hedges	No hedge	140	-	489	-
Income tax on change in fair value of financial instruments taken to other comprehensive income		-	(6,936)	-	(4,957)
Total change in fair value of financial instruments		**(11,507)**	**28,809**	**(5,940)**	**(5,079)**

Parent Favourable/(unfavourable)	Hedge accounting designation	Income Statement 30 June 2012 $000	Cash flow hedge reserve 30 June 2012 $000	Income Statement 30 June 2011 $000	Cash flow hedge reserve 30 June 2011 $000
Cross currency interest rate swaps	Fair value hedge	19,826	-	(93,558)	-
Borrowings		(19,734)	-	93,439	-
		92	**-**	**(119)**	**-**
Interest rate derivatives	No hedge	(10,669)	151	1,477	205
Cross currency interest rate swaps - margin	Cash flow hedge	137	1,854	(6,160)	3,459
Foreign exchange derivatives	Cash flow hedge	-	10,973	1	(12,633)
Electricity price hedges	Cash flow hedge	(1,207)	22,767	(1,627)	8,887
Electricity price hedges	No hedge	140	-	489	-
Income tax on change in fair value of financial instruments taken to other comprehensive income		-	(6,936)	-	(4,957)
Total change in fair value of financial instruments		**(11,507)**	**28,809**	**(5,939)**	**(5,039)**

Movement in cash flow hedge reserve

	Group $000	Parent $000
Balance as at 1 July 2010	(32,055)	(32,095)
Effective portion of cash flow hedges recognised in the cash flow hedge reserve	(9,871)	(9,871)
Amount transferred from the cash flow hedge reserve to revenue	283	283
Amount transferred from the cash flow hedge reserve to operating expenses	182	222
Amount transferred from the cash flow hedge reserve to change in fair value of financial instruments (ineffectiveness)	6,405	6,405
Amount transferred from the cash flow hedge reserve to property, plant and equipment	1,238	1,238
Amount transferred from the cash flow hedge reserve to deferred tax	(3,316)	(3,316)
Balance as at 30 June 2011	**(37,134)**	**(37,134)**
Balance as at 1 July 2011	(37,134)	(37,134)
Effective portion of cash flow hedges recognised in the cash flow hedge reserve	20,297	20,297
Amount transferred from the cash flow hedge reserve to revenue	7,623	7,623
Amount transferred from the cash flow hedge reserve to operating expenses	(6)	(6)
Amount transferred from the cash flow hedge reserve to change in fair value of financial instruments (ineffectiveness)	(137)	(137)
Amount transferred from the cash flow hedge reserve to property, plant and equipment	3,126	3,126
Amount transferred from the cash flow hedge reserve to deferred tax	(2,094)	(2,094)
Balance as at 30 June 2012	**(8,325)**	**(8,325)**

Risk management

Contact is committed to having appropriate systems to identify material risks, and to ensure that the financial impacts of these risks are well understood and reported, that limits are in place to control exposures, and that collective and individual responsibilities and accountabilities are assigned and well understood. Contact manages funding, liquidity, foreign exchange and interest rate risks. Wholesale commodity price risk is managed through the Commodity Risk Management System, which provides the framework for identifying, monitoring and managing commodity exposures. The Board's policies provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

(a) Market risk

(i) Foreign currency risk

Contact is exposed to foreign currency risk as a result of transactions denominated in currencies other than Contact's functional currency, New Zealand dollars. The currencies giving rise to this risk are primarily the Australian dollar, United States dollar, Swiss franc, Japanese yen and Euro.

Foreign currency risk arises from future commercial transactions such as the purchase of capital equipment and payments for maintenance denominated in currencies other than New Zealand dollars. To manage this risk Contact uses foreign exchange derivatives to manage foreign exchange risk arising from these future commercial transactions.

Contact also has foreign currency risk arising from the future interest and principal payments required on foreign currency denominated term borrowings. To manage this risk, Contact uses cross-currency and interest rate swaps, which convert the foreign currency denominated future interest and principal payments into the functional currency for the full term of the underlying borrowings.

Treasury is responsible for managing foreign currency exposures within the parameters of Board policy.

Foreign exchange derivatives
The aggregate notional principal amount of the outstanding foreign exchange derivatives at 30 June 2012 is $79.7 million (2011: $196.6 million). At 30 June 2012, all foreign exchange derivatives are designated in a cash flow hedge relationship.

The hedged anticipated transactions relating to commercial foreign currency exposures denominated in foreign currencies are expected to occur at various dates between one month and three years and one month (2011: between one month and four years and one month) from the end of the reporting period. Gains and losses recognised in the cash flow hedge reserve in other comprehensive income on foreign exchange derivatives at 30 June 2012 will be released at dates when the cash flow from the underlying anticipated transactions will occur and will be recognised in the Income Statement or included in the cost of any asset or liability acquired. During the year ended 30 June 2012, no hedges were de-designated.

Sensitivity analysis
At 30 June 2012, if the New Zealand dollar had weakened/strengthened by 10 per cent against the currencies with which Contact had foreign currency risk with all other variables held constant:

- post-tax profit for the year would not have been materially different, and
- the cash flow hedge reserve component of other comprehensive income would have been $5.5 million higher/lower (2011: $10.9 million higher/lower), arising from unrealised foreign exchange gains/losses on the revaluation of foreign exchange derivatives in a cash flow hedge relationship.

(ii) Price risk

Contact is exposed to commodity price risk, primarily from electricity prices. To manage its commodity price risk in respect of electricity, Contact utilises electricity price hedges including options, where Contact sells and buys electricity price hedges at a fixed price.

Electricity price hedges
The aggregate notional volume of the outstanding fixed volume electricity price hedges at 30 June 2012 is 731 gigawatt hours (GWh) (2011: 656 GWh). The aggregate notional volume of the outstanding variable volume electricity price hedges at 30 June 2012 is 926 GWh (2011: 846 GWh).

Electricity price hedges are hedging underlying exposures over various trade periods out to December 2014. At 30 June 2012, the fair value of the electricity price hedges is $(2.5) million (2011: $(24.2) million), of which $(2.1) million (2011: $(23.7) million) is designated in a cash flow hedge relationship.

The hedged anticipated transactions are expected to occur at various dates between three months and three years and six months (2011: between one month and three years and six months) from the end of the reporting period. Gains and losses on hedged electricity derivatives recognised in the cash flow hedge reserve in other comprehensive income will be continually released to the Income Statement in the year in which the underlying sale/purchase transactions are recognised in the Income Statement.

Sensitivity analysis
The following table summarises the impact of increases/decreases in the relevant electricity forward prices on Contact's post-tax profit for the year and on the cash flow hedge reserve component of other comprehensive income. The sensitivity analysis is based on the assumption that the relevant market prices have increased/decreased by 10 per cent, with all other variables held constant:

Group and Parent	**30 June 2012**	**30 June 2012**	**30 June 2011**	**30 June 2011**
	+10%	**-10%**	**+10%**	**-10%**
Favourable/(unfavourable)	**$000**	**$000**	**$000**	**$000**
Impact on post-tax profit	(1,212)	789	1,047	433
Impact on other comprehensive income	(3,976)	2,070	5,221	(3,910)

(iii) Interest rate risk (cash flow and fair value)

Contact is primarily exposed to interest rate risk as a result of issuing term borrowings at fixed interest rates. Contact manages the combined interest and foreign currency risk on borrowings issued in foreign currency by entering into cross-currency interest rate swaps to convert the proceeds into a floating rate New Zealand dollar exposure. In addition, New Zealand dollar interest rate derivatives are used to cover domestic interest rate risk.

Cross-currency interest rate swaps
The aggregate notional principal amount of the outstanding cross-currency interest rate swap contracts at 30 June 2012 is $587.3 million (2011: $587.3 million). The cross-currency interest rate swaps have been split into two components for the purpose of hedge designation. The hedge of the benchmark interest rate is designated as a fair value hedge, and the hedge of the issuance margin is designated as a cash flow hedge.

The hedged anticipated interest payments are expected to occur at various dates between eight months and five years and nine months (2011: one month and seven years) from the end of the reporting period as a result of the maturities of the underlying borrowings. The tenor of cross-currency interest rate swaps matches the underlying United States dollar fixed rate senior notes. All underlying forecast transactions remain highly probable to occur as originally forecast.

Interest rate derivatives
The aggregate notional principal amount of the outstanding interest rate derivatives at 30 June 2012 is $688.0 million (2011: $730.0 million) including $95.0 million of forward starting interest rate derivatives (2011: $95.0 million).

The anticipated interest payment transactions are expected to occur at various dates between two months and six years and three months (2011: one month and eight years) from the end of the reporting period.

Sensitivity analysis
The following table summarises the impact on Contact's post-tax profit if interest rates had been 100 basis points higher or 25 basis points lower, with all other variables held constant. There would be an impact on post-tax profit as a result of the fair value change in interest rate swaps being valid economic hedges but not qualifying for hedge accounting. There would be no effect on other comprehensive income.

Group and Parent	**30 June 2012**	**30 June 2012**	**30 June 2011**	**30 June 2011**
	+100bps	**-25bps**	**+100bps**	**-25bps**
Favourable/(unfavourable)	**$000**	**$000**	**$000**	**$000**
Impact on post-tax profit	9,471	(2,452)	7,646	(1,990)

(b) 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 in the normal course of business arising from cash, short-term investments, trade receivables, other receivables, and derivative financial instruments.

The Board has approved a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Contact minimises its exposure to credit risk of receivables through the adoption of counterparty credit limits. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and other organisations in the relevant industry. Contact's exposure and the credit ratings of its counterparties are continually monitored, and the aggregate value of transactions is spread amongst approved counterparties.

The carrying amounts of financial assets recognised in the Statement of Financial Position best represent Contact's maximum exposure to credit risk at the end of the reporting period without taking account of the value of any collateral obtained.

Contact does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Concentration of credit risk with respect to receivables is limited owing to Contact's large customer base in a diverse range of industries throughout New Zealand. Contact has no significant concentration of credit risk with any one institution, despite there being significant sales to NZX Energy. NZX Energy acts as an electricity market clearing agent and the counterparty risk sits with the market participants. Contact, as a participant in the electricity market, has issued letters of credit to Energy Clearing House Limited under the electricity market’s security requirements. These letters of credit are issued as part of normal trading conditions and are to ensure that there is no significant credit exposure to any one market participant, should another participant default.

(c) Liquidity risk

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

Prudent liquidity risk management requires Contact to maintain sufficient liquidity, which can comprise cash and marketable securities and/or the availability of funding through undrawn committed credit facilities and the spreading of debt maturities. To reduce refinancing risk, debt maturities are spread over a number of years.

Liquidity risk is monitored by continually forecasting actual cash flows.

Contractual maturities of financial liabilities and derivative financial instruments

The contractual and expected maturities disclosed below are the contracted undiscounted cash flows for all financial liabilities, except for the derivative financial instruments where the contractual maturities are the undiscounted settlements expected under the contracts. As the amounts presented are contracted undiscounted cash flows and include forward starting derivatives, the totals will not reconcile with the Statement of Financial Position.

Group **30 June 2012** **Outflow/(inflow)**	**Note**	**Total contractual cash flows $000**	**Less than 1 year $000**	**1-2 years $000**	**2-5 years $000**	**More than 5 years $000**
Payables and accruals		323,599	323,599	-	-	-
Borrowings		1,942,377	190,084	745,457	323,701	683,135
Finance lease liabilities	22	2,851	1,098	1,520	233	-
Net settled derivative financial instruments:						
Electricity price hedges		2,534	2,469	84	(19)	-
Interest rate derivatives		44,475	8,689	10,266	23,061	2,459
Gross settled derivative financial instruments:						
Forward foreign exchange derivatives						
- Inflow		(76,208)	(70,230)	(2,838)	(3,140)	-
- Outflow		79,666	73,888	2,747	3,031	-
Cross currency interest rate swaps						
- Inflow		(485,578)	(118,997)	(127,602)	(151,850)	(87,129)
- Outflow		650,286	156,064	170,397	205,021	118,804
Total		**2,484,002**	**566,664**	**800,031**	**400,038**	**717,269**

Group 30 June 2011 Outflow/(inflow)	Note	Total contractual cash flows $000	Less than 1 year $000	1-2 years $000	2-5 years $000	More than 5 years $000
Payables and accruals		229,440	229,440	-	-	-
Borrowings		1,317,434	77,237	165,249	879,262	195,686
Finance lease liabilities	22	2,835	959	1,427	449	-
Net settled derivative financial instruments:						
Electricity price hedges		23,196	17,324	5,632	240	-
Interest rate derivatives		33,776	11,013	8,383	11,188	3,192
Gross settled derivative financial instruments:						
Foreign exchange derivatives						
- Inflow		(179,462)	(137,722)	(35,707)	(6,033)	-
- Outflow		196,647	150,229	40,659	5,759	-
Cross currency interest rate swaps						
- Inflow		(486,092)	(23,151)	(113,371)	(261,733)	(87,837)
- Outflow		700,125	22,981	162,456	386,249	128,439
Total		**1,837,899**	**348,310**	**234,728**	**1,015,381**	**239,480**

Parent 30 June 2012 Outflow/(inflow)	Note	Total contractual cash flows $000	Less than 1 year $000	1-2 years $000	2-5 years $000	More than 5 years $000
Payables and accruals		365,411	365,411	-	-	-
Borrowings		1,942,377	190,084	745,457	323,701	683,135
Finance lease liabilities	22	2,847	1,094	1,520	233	-
Net settled derivative financial instruments:						
Electricity price hedges		2,534	2,469	84	(19)	-
Interest rate derivatives		44,475	8,689	10,266	23,061	2,459
Gross settled derivative financial instruments:						
Forward foreign exchange derivatives						
- Inflow		(76,208)	(70,230)	(2,838)	(3,140)	-
- Outflow		79,666	73,888	2,747	3,031	-
Cross currency interest rate swaps						
- Inflow		(485,578)	(118,997)	(127,602)	(151,850)	(87,129)
- Outflow		650,286	156,064	170,397	205,021	118,804
Total		**2,525,810**	**608,472**	**800,031**	**400,038**	**717,269**

Parent 30 June 2011 Outflow/(inflow)	Note	Total contractual cash flows $000	Less than 1 year $000	1-2 years $000	2-5 years $000	More than 5 years $000
Payables and accruals		261,054	261,054	-	-	-
Borrowings		1,317,434	77,237	165,249	879,262	195,686
Finance lease liabilities	22	2,812	941	1,422	449	-
Net settled derivative financial instruments:						
Electricity price hedges		23,196	17,324	5,632	240	-
Interest rate derivatives		33,776	11,013	8,383	11,188	3,192
Gross settled derivative financial instruments:						
Foreign exchange derivatives						
- Inflow		(179,462)	(137,722)	(35,707)	(6,033)	-
- Outflow		196,647	150,229	40,659	5,759	-
Cross currency interest rate swaps						
- Inflow		(486,092)	(23,151)	(113,371)	(261,733)	(87,837)
- Outflow		700,125	22,981	162,456	386,249	128,439
Total		**1,869,490**	**379,906**	**234,723**	**1,015,381**	**239,480**

Fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values, with the exception of the retail fixed rate, wholesale fixed rate and capital bonds. The retail bonds have a fair value of $589.3 million (2011: $598.8 million), compared with a carrying value of $545.7 million (2011: $543.7 million). The wholesale bonds have a fair value of $112.0 million (2011: $108.4 million), compared with a carrying value of $99.8 million (2011: $99.8 million). The capital bonds have a fair value of $210.0 million (2011: nil), compared with a carrying value of $195.8 million (2011: nil).

Estimation of fair values

The fair values of financial assets and financial liabilities are determined using a hierarchy as follows:

- Level one – the fair value is determined using unadjusted quoted prices from an active market for identical assets and liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial instruments held by Contact is the current bid price.

- Level two – the fair value is derived from inputs other than quoted prices included within level one that are observable for the asset or liability. Fair value is determined by using a discounted future cash flow valuation model derived from a directly (i.e. from prices) or indirectly (i.e. derived from prices using a discounted future cash flow valuation model) observable applicable forward price curve (for the relevant interest rate, foreign exchange rate or commodity price) and a discount rate. Financial instruments in this level include short-term electricity price hedges, foreign exchange contracts, interest rate derivatives and foreign currency denominated debt.

- Level three – the fair value is derived from inputs that are not based on observable market data and is estimated by using a discounted future cash flow valuation model involving internal price curves (for the relevant commodity price) and a discount rate. Financial instruments included in this level include certain long-term electricity price hedges, which are valued using internal price paths.

Where the fair value of a derivative financial instrument is calculated as the present value of the estimated future cash flows of the instrument, the two key types of variable used by the valuation technique are:

- forward price curves (for the relevant underlying interest rate, foreign exchange rate or electricity prices), and

- discount rates.

The selection of variables requires significant judgement and therefore there is a range of reasonably possible assumptions in respect of these variables that could be used in estimating the fair values of these derivatives. Maximum use is made of observable market data when selecting variables and developing assumptions for the valuation techniques.

The following table presents the hierarchy of the Group and Parent financial assets and liabilities that are recognised at fair value:

Group and Parent **30 June 2012**	**Level one** **$000**	**Level two** **$000**	**Level three** **$000**	**Total balance** **$000**
Financial assets at fair value				
Derivatives designated as cash flow hedging instruments	-	2,919	-	2,919
Derivatives held for trading	-	934	-	934
Financial liabilities at fair value				
Derivatives designated as cash flow hedging instruments	-	7,612	4,603	12,215
Derivatives designated as fair value hedging instruments	-	129,563	-	129,563
Fixed rate senior notes	-	456,916	-	456,916
Derivatives held for trading	-	42,568	-	42,568

Group and Parent 30 June 2011	Level one $000	Level two $000	Level three $000	Total balance $000
Financial assets at fair value				
Derivatives designated as cash flow hedging instruments	-	1,184	-	1,184
Derivatives designated as fair value hedging instruments	-	771	-	771
Derivatives held for trading	-	71	-	71
Financial liabilities at fair value				
Derivatives designated as cash flow hedging instruments	-	22,736	22,269	45,005
Derivatives designated as fair value hedging instruments	-	150,160	-	150,160
Fixed rate senior notes	-	436,915	-	436,915
Derivatives held for trading	-	31,326	-	31,326

The following table presents the changes in level three instruments:

Group and Parent	Derivatives designated as cash flow hedging instruments $000
Balance as at 1 July 2010	(35,595)
Gains and losses recognised in profit and loss*	(1,586)
Gains and losses recognised in cash flow hedge reserve	14,912
Balance as at 30 June 2011	**(22,269)**
Balance as at 1 July 2011	(22,269)
Gains and losses recognised in profit and loss*	(1,207)
Gains and losses recognised in cash flow hedge reserve	18,873
Balance as at 30 June 2012	**(4,603)**

* Change in fair value of financial instruments.

The base future settlement price path used in the valuation of the swaption has been updated at 30 June 2012 from historical observations to the ASX New Zealand Electricity Future and Options price path. This change has had the impact of increasing the fair value of the swaption by $2.1 million.

The following table summarises the impact of a reasonable change in the assumptions used to measure the fair value of financial instruments categorised as level three. A 10 per cent increase/decrease in the internal electricity forward price with all other variables held constant would have the following effect on Contact's post-tax profit for the year and on the cash flow hedge reserve component of other comprehensive income:

Group and Parent Favourable/(unfavourable)	30 June 2012 +10% $000	30 June 2012 -10% $000	30 June 2011 +10% $000	30 June 2011 -10% $000
Impact on post-tax profit	-	-	1,395	85
Impact on other comprehensive income	2,249	(1,395)	9,025	(7,714)

Financial instruments by category

The following tables provide an analysis of financial assets and financial liabilities by category:

Group 30 June 2012	Note	Held for trading $000	Loans and receivables $000	Available-for-sale financial assets $000	Other financial liabilities $000	Derivatives designated as fair value hedging instruments $000	Derivatives designated as cash flow hedging instruments $000	Total $000
Assets								
Cash and short-term deposits	12	-	5,892	-	-	-	-	5,892
Receivables		-	339,517	-	-	-	-	339,517
Derivative financial instruments		934	-	-	-	-	2,919	3,853
Available-for-sale financial assets	21	-	-	2,935	-	-	-	2,935
Total financial assets		**934**	**345,409**	**2,935**	**-**	**-**	**2,919**	**352,197**
Total non-financial assets								5,760,166
Total assets								**6,112,363**
Liabilities								
Borrowings	22	-	-	-	1,303,933	-	-	1,303,933
Derivative financial instruments		42,568	-	-	-	129,563	12,215	184,346
Payables and accruals		-	-	-	323,599	-	-	323,599
Total financial liabilities		**42,568**	**-**	**-**	**1,627,532**	**129,563**	**12,215**	**1,811,878**
Total non-financial liabilities								882,813
Total liabilities								**2,694,691**

Group 30 June 2011	Note	Held for trading $000	Loans and receivables $000	Available-for-sale financial assets $000	Other financial liabilities $000	Derivatives designated as fair value hedging instruments $000	Derivatives designated as cash flow hedging instruments $000	Total $000
Assets								
Cash and short-term deposits	12	-	47,267	-	-	-	-	47,267
Receivables		-	240,536	-	-	-	-	240,536
Derivative financial instruments		71	-	-	-	771	1,184	2,026
Available-for-sale financial assets	21	-	-	2,935	-	-	-	2,935
Total financial assets		**71**	**287,803**	**2,935**	**-**	**771**	**1,184**	**292,764**
Total non-financial assets								5,350,735
Total assets								**5,643,499**
Liabilities								
Borrowings	22	-	-	-	1,085,122	-	-	1,085,122
Derivative financial instruments		31,326	-	-	-	150,160	45,005	226,491
Payables and accruals		-	-	-	229,440	-	-	229,440
Total financial liabilities		**31,326**	**-**	**-**	**1,314,562**	**150,160**	**45,005**	**1,541,053**
Total non-financial liabilities								866,836
Total liabilities								**2,407,889**

Parent 30 June 2012	Note	Held for trading $000	Loans and receivables $000	Available-for-sale financial assets $000	Other financial liabilities $000	Derivatives designated as fair value hedging instruments $000	Derivatives designated as cash flow hedging instruments $000	Total $000
Assets								
Cash and short-term deposits	12	-	3,533	-	-	-	-	3,533
Receivables		-	349,572	-	-	-	-	349,572
Derivative financial instruments		934	-	-	-	-	2,919	3,853
Total financial assets		**934**	**353,105**	**-**	**-**	**-**	**2,919**	**356,958**
Total non-financial assets								5,728,261
Total assets								**6,085,219**
Liabilities								
Borrowings	22	-	-	-	1,303,929	-	-	1,303,929
Derivative financial instruments		42,568	-	-	-	129,563	12,215	184,346
Payables and accruals		-	-	-	365,411	-	-	365,411
Total financial liabilities		**42,568**	**-**	**-**	**1,669,340**	**129,563**	**12,215**	**1,853,686**
Total non-financial liabilities								908,365
Total liabilities								**2,762,051**

Parent 30 June 2011	Note	Held for trading $000	Loans and receivables $000	Available-for-sale financial assets $000	Other financial liabilities $000	Derivatives designated as fair value hedging instruments $000	Derivatives designated as cash flow hedging instruments $000	Total $000
Assets								
Cash and short-term deposits	12	-	47,191	-	-	-	-	47,191
Receivables		-	244,549	-	-	-	-	244,549
Derivative financial instruments		71	-	-	-	771	1,184	2,026
Total financial assets		**71**	**291,740**	**-**	**-**	**771**	**1,184**	**293,766**
Total non-financial assets								5,309,020
Total assets								**5,602,786**
Liabilities								
Borrowings	22	-	-	-	1,084,912	-	-	1,084,912
Derivative financial instruments		31,326	-	-	-	150,160	45,005	226,491
Payables and accruals		-	-	-	261,054	-	-	261,054
Total financial liabilities		**31,326**	**-**	**-**	**1,345,966**	**150,160**	**45,005**	**1,572,457**
Total non-financial liabilities								885,378
Total liabilities								**2,457,835**

Capital risk management objectives

Contact's capital includes share capital, reserves and retained earnings. 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, and to maintain an optimal capital structure to reduce the cost of capital.

In order 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 cash flow metrics required to sustain an investment grade credit rating.

Contact manages its capital structure to ensure it can continue to attract capital from investors and banks on reasonable terms. Contact seeks to retain a modest gearing ratio of net debt to total capital funding and maintain earnings sufficient to cover its interest borrowing costs satisfactorily.

Net debt is calculated as total borrowings less short-term deposits. Total borrowings are calculated using the New Zealand dollar equivalent value of unsecured loans after the effect of foreign exchange hedging of the borrowings and before the deduction of deferred financing costs.

Total capital funding is calculated as shareholders' equity, adjusted for the net effect of the fair value of financial instruments, plus net debt.

The gearing ratios at 30 June 2012 and 30 June 2011 are as follows:

Group	Note	30 June 2012 $000	30 June 2011 $000
Net debt			
Current borrowings (excluding current portion of term borrowings)	22	(4,125)	(3,012)
New Zealand dollar equivalent of notional borrowings - after foreign exchange hedging and before deferred financing costs:			
Fixed rate senior notes	22	(587,299)	(587,299)
Retail fixed rate bonds	22	(550,000)	(550,000)
Wholesale fixed rate bonds	22	(100,000)	(100,000)
Capital bonds	22	(200,000)	-
Other non-current borrowings	22	(1,597)	(1,726)
Cash and short-term deposits	12	5,892	47,267
Total net debt		**(1,437,129)**	**(1,194,770)**
Equity			
Shareholders' equity		(3,417,672)	(3,235,610)
Remove net effect of fair value of financial instruments after tax		(36,611)	(52,561)
Adjusted equity		**(3,454,283)**	**(3,288,171)**
Total capital funding		**(4,891,412)**	**(4,482,941)**
Gearing ratio		**29.4%**	**26.7%**

24 Payables and accruals

	Note	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Electricity purchases accrual		112,353	49,732	106,998	45,460
Other trade payables and accruals*		260,707	272,005	241,163	249,550
Advances from subsidiaries	29	-	-	99,969	86,438
Employee benefits		24,086	22,754	24,086	22,754
Interest payable		12,149	10,202	12,149	10,202
Total payables and accruals		**409,295**	**354,693**	**484,365**	**414,404**

* Other trade payables and accruals include transactions with Origin and its subsidiaries. Refer to note 29.

25 Provisions

Group	Note	Restoration/ environmental rehabilitation $000	Other $000	Total $000
Balance at 1 July 2011		56,503	4,382	60,885
Provisions made during the year		559	5,971	6,530
Provisions used during the year		(1,672)	(2,415)	(4,087)
Unwind of discount rate	6	4,626	418	5,044
Balance as at 30 June 2012		**60,016**	**8,356**	**68,372**
Current		1,136	3,483	4,619
Non-current		58,880	4,873	63,753
		60,016	**8,356**	**68,372**

Parent	Note	Restoration/ environmental rehabilitation $000	Other $000	Total $000
Balance at 1 July 2011		54,070	4,382	58,452
Provisions made during the year		420	5,971	6,391
Provisions used during the year		(1,641)	(2,415)	(4,056)
Unwind of discount rate	6	4,492	418	4,910
Balance as at 30 June 2012		**57,341**	**8,356**	**65,697**
Current		1,112	3,483	4,595
Non-current		56,229	4,873	61,102
		57,341	**8,356**	**65,697**

The restoration and environmental rehabilitation provision includes estimates of future expenditure for the abandonment and restoration of areas from which natural resources are extracted and the expected cost of environmental rehabilitation of commercial sites. The provision also includes estimates of future expenditure for the removal of asbestos from generation properties and the decommissioned New Plymouth power station. Cash outflows are typically expected to coincide with the end of the useful lives of the sites, with the exception of asbestos removal costs, which are expected to be incurred within the next five years.

Other provisions cover a range of commercial matters that are the subject of legal privilege and/or confidentiality arrangements.

26 Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are offset on the face of the Statement of Financial Position.

Group	Assets 30 June 2012 $000	Assets 30 June 2011 $000	Liabilities 30 June 2012 $000	Liabilities 30 June 2011 $000
Property, plant and equipment	-	-	(738,301)	(716,334)
Investment in associates	-	-	-	(2,863)
Inventories	2,716	2,537	-	-
Employee benefits	6,407	6,488	-	-
Provisions	13,897	12,379	-	-
Derivative financial instruments	13,365	17,079	-	-
Other	1,437	510	-	-
Total	**37,822**	**38,993**	**(738,301)**	**(719,197)**

Parent	Assets 30 June 2012 $000	Assets 30 June 2011 $000	Liabilities 30 June 2012 $000	Liabilities 30 June 2011 $000
Property, plant and equipment	-	-	(732,131)	(710,720)
Investment in associates	-	-	-	(162)
Inventories	2,716	2,537	-	-
Employee benefits	6,407	6,488	-	-
Provisions	12,928	11,196	-	-
Derivative financial instruments	13,365	17,079	-	-
Other	1,267	498	-	-
Total	**36,683**	**37,798**	**(732,131)**	**(710,882)**

Movement in deferred tax

Group	Balance 1 July 2011 $000	Recognised in income statement $000	Recognised in other comprehensive income $000	Change in tax rate* $000	Balance 30 June 2012 $000
Property, plant and equipment	(716,334)	(21,967)	-	-	(738,301)
Investment in associates	(2,863)	2,800	63	-	-
Inventories	2,537	179	-	-	2,716
Employee benefits	6,488	(81)	-	-	6,407
Provisions	12,379	1,518	-	-	13,897
Derivative financial instruments	17,079	3,222	(6,936)	-	13,365
Other	510	927	-	-	1,437
Total	**(680,204)**	**(13,402)**	**(6,873)**	**-**	**(700,479)**

Group	Balance 1 July 2010 $000	Recognised in income statement $000	Recognised in other comprehensive income $000	Change in tax rate* $000	Balance 30 June 2011 $000
Property, plant and equipment	(673,977)	(45,409)	-	3,052	(716,334)
Investment in associates	(2,270)	(675)	(123)	205	(2,863)
Inventories	2,113	454	-	(30)	2,537
Employee benefits	5,884	1,067	-	(463)	6,488
Provisions	17,831	(5,413)	-	(39)	12,379
Derivative financial instruments	19,440	1,782	(3,765)	(378)	17,079
Other	(7,211)	7,757	-	(36)	510
Total	**(638,190)**	**(40,437)**	**(3,888)**	**2,311**	**(680,204)**

Parent	Balance 1 July 2011 $000	Recognised in income statement $000	Recognised in other comprehensive income $000	Change in tax rate* $000	Balance 30 June 2012 $000
Property, plant and equipment	(710,720)	(21,411)	-	-	(732,131)
Investment in associates	(162)	162	-	-	-
Inventories	2,537	179	-	-	2,716
Employee benefits	6,488	(81)	-	-	6,407
Provisions	11,196	1,732	-	-	12,928
Derivative financial instruments	17,079	3,222	(6,936)	-	13,365
Other	498	769	-	-	1,267
Total	**(673,084)**	**(15,428)**	**(6,936)**	**-**	**(695,448)**

Parent	Balance 1 July 2010 $000	Recognised in income statement $000	Recognised in other comprehensive income $000	Change in tax rate* $000	Balance 30 June 2011 $000
Property, plant and equipment	(669,686)	(44,208)	-	3,174	(710,720)
Investment in associates	(174)	-	-	12	(162)
Inventories	2,113	454	-	(30)	2,537
Employee benefits	5,741	1,210	-	(463)	6,488
Provisions	16,738	(5,587)	-	45	11,196
Derivative financial instruments	19,440	1,782	(3,765)	(378)	17,079
Other	(7,552)	8,086	-	(36)	498
Total	**(633,380)**	**(38,263)**	**(3,765)**	**2,324**	**(673,084)**

* The change in tax rate column reflects the net change in deferred tax as a result of the reduction in the corporate income tax rate to 28 per cent effective for Contact's income tax year ended 30 June 2012.

Unrecognised deferred tax assets and liabilities

There are no unrecognised deferred tax assets and liabilities.

27 Commitments

Capital and investment commitments

	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Not later than one year	110,030	296,761	110,030	296,761
Later than one year and not later than five years	14,716	96,766	14,716	96,766
Later than five years	-	272	-	272
Total capital and investment commitments	**124,746**	**393,799**	**124,746**	**393,799**

Operating lease commitments

The operating leases are of a rental nature and are on normal commercial terms and conditions. The majority of the lease commitments are for buildings and accommodation. The remainder relates to vehicles, and plant and equipment.

	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Not later than one year	5,871	7,577	4,523	6,039
Later than one year and not later than five years	12,618	17,859	9,464	14,021
Later than five years	7,995	9,798	3,728	5,057
Total operating lease commitments	**26,484**	**35,234**	**17,715**	**25,117**

Lease commitments are stated exclusive of GST.

Operating lease income

The operating lease income is of a rental nature and on normal commercial terms and conditions.

	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Not later than one year	1,456	1,355	1,302	1,216
Later than one year and not later than five years	2,234	2,235	1,642	1,858
Later than five years	284	217	58	50
Total operating lease income	**3,974**	**3,807**	**3,002**	**3,124**

Operating lease income is stated exclusive of GST.

Gas commitments

Maui contracts with Maui Development Limited

Contact has entered into four contracts to secure Maui gas from Maui Development Limited, each with a 1 April 2007 first delivery date and a 31 December 2014 expiry date. Under the four contracts, and while the contracts remain in effect, Contact has agreed to make fixed annual payments for the right to take gas. The contracts require Contact to have arrangements in place to transport the gas in the Maui pipeline.

OMV New Zealand Limited

Contact has a contract with OMV New Zealand Limited giving Contact rights to gas from the Pohokura gas field until 31 December 2013. The contract has a first delivery date of 1 April 2012 and expiry date of 31 December 2013. Under the contract, Contact has agreed to make fixed annual payments for the right to take gas. The contract requires Contact to have arrangements in place to transport the gas in the Maui pipeline.

Gas transmission contracts

Contact has contracts with Vector Gas Limited relating to the transport of natural gas. Under these contracts, Contact is committed to pay minimum fees for reserved pipeline capacity.

Gas sale and repurchase arrangement

Contact has entered into a sale and repurchase arrangement to deliver a fixed amount of gas between 1 July 2012 and 31 December 2013 and to receive a fixed amount of gas from 1 January 2014 to 31 December 2015. The contract requires Contact to have arrangements in place to transport the gas in the Maui pipeline.

28 Resource consents

Contact holds resource consents (authorisations to use land, water and air obtained under the Resource Management Act 1991) which allow the construction and operation of its geothermal, thermal and hydro power stations and its Ahuroa underground gas storage facility, and also to enable the direct supply of geothermal energy to industry in Taupō. Once exercised, the duration of resource consents may vary up to a maximum of 35 years except for land use consents issued by territorial authorities that run for an indefinite period. The current resource consents within which Contact's power stations operate are due for renewal at varying times.

In December 2011, Contact purchased the Whirinaki diesel-fuelled power station in Hawke's Bay from the Crown and the consents for its operation have been transferred to Contact.

In addition to consents for its existing operations, Contact has consents for future generation projects utilising a variety of fuel types.

Contact has consent to construct and operate a net 220-megawatt (MW) geothermal power station at Te Mihi (near Taupō). Construction, which began in 2011, continues on the two-unit 166 MW Te Mihi power station. Contact also holds consents to install a third unit at Te Mihi. These consents expire in 2043.

Contact has consent to develop and operate a 250 MW geothermal power station and steamfield at Tauhara. Contact has exercised some of these consents and has until 2020 to exercise the remainder before they lapse. These consents expire in 2045.

At Ōtāhuhu, Contact holds resource consents to construct and operate a new 400 MW combined-cycle power station (Ōtāhuhu C). Contact also has consent to construct and operate a 120 MW open-cycle power station (Ōtāhuhu A). Contact has until 2015 to exercise these consents before they lapse. These consents expire in 2021.

In Taranaki, Contact holds resource consents to construct and operate an up to 500 MW combined-cycle or fast-start peaker power station at its Stratford site (TCC 2). Contact has until 2017 to exercise these consents. These consents expire in 2034.

In Central Otago, Contact holds resource consents to modify the existing Hawea Dam and install hydro turbines capable of generating 17.2 MW. Contact has until 2017 to exercise these consents before they lapse. These consents expire in 2017.

Contact holds resource consents to construct and operate a 156 MW wind farm at Waitahora, near Dannevirke in the Tararua district. These consents will lapse in 2016. These consents are of unlimited duration once exercised.

Contact holds resource consents to construct and operate a 504 MW wind farm (Hauāuru mā raki) on the Waikato coast. Contact has until 2016 to exercise the designations for a transmission line and until 2021 to exercise the wind farm consents before they lapse. These consents expire in 2061.

29 Related party transactions

Parent company

At 30 June 2012, Origin Energy Pacific Holdings Limited is the majority shareholder in the Parent, owning 52.2 per cent (2011: 51.8 per cent) of the ordinary shares of the Parent.

Further shares amounting to 0.8 per cent (2011: 0.8 per cent) of the Parent's ordinary shares are held by Origin Energy Universal Holdings Limited and Origin Energy New Zealand Limited at 30 June 2012. All three companies are 100 per cent owned by Origin, an Australian incorporated company.

The ultimate parent entity of Contact is Origin.

Identities of related parties with whom material transactions have occurred

Notes 18, 19 and 20 identify group entities, associates and a joint venture in which Contact has an interest. All of these entities are related parties of the Parent.

Related parties also include Origin entities, the directors and members of the leadership team.

Material related party transactions

Transactions with ultimate parent entity

- The Parent issued 8,201,342 and 8,279,521 ordinary shares to its Origin shareholders pursuant to the Parent's PDP on 27 September 2011 and 30 March 2012 respectively (2011: 7,679,632 on 27 September 2010 and 6,035,007 on 31 March 2011). As a result of elections, the Parent completed an off-market buy-back of 644,212 shares on 27 September 2011 and 631,513 shares on 30 March 2012 (2011: 606,849 on 27 September 2010 and 589,718 shares on 31 March 2011).

Amounts paid/payable

- Dennis Barnes, Chief Executive Officer of Contact, is seconded to Contact from his employer, Origin. Fees incurred or accrued during the year ended 30 June 2012 in relation to Mr Barnes' role as Chief Executive Officer totalled $1.4 million (2011: $0.4 million), which includes the cost of his salary and other employment benefits including a 2011/2012 short-term incentive payment. At 30 June 2012, $0.4 million remains outstanding (2011: $0.3 million). In addition, share-based compensation under Contact's Employee Long-Term Incentive Scheme amounting to $0.3 million (2011: $0.04 million) was accrued for Mr Barnes, being the fair value of the share-based compensation relating to this reporting period.

- David Baldwin, former Managing Director of Contact, was seconded to Contact from his employer, Origin, until 31 March 2011. Fees incurred or accrued during the year ended 30 June 2011 in relation to Mr Baldwin's role as Managing Director totalled $1.1 million, which included the cost of his salary and other employment benefits including a 2010/2011 short-term incentive payment. At 30 June 2011, $0.4 million of this amount remained outstanding. In addition, in the year ended 30 June 2011, share-based compensation under Contact's Employee Long-Term Incentive Scheme amounting to $0.6 million was accrued for Mr Baldwin, being the fair value of the share-based compensation.

- Contact and Origin have a Master Services Agreement for the provision of professional, consulting and/or administrative services between the parties. During the year ended 30 June 2012, five members of staff were seconded from Origin to Contact, and one staff member was seconded from Contact to Origin. These services were charged at normal commercial rates.

Transactions with Origin subsidiaries

Amounts paid/payable

- Contact and Origin Energy Resources NZ (TAWN) Limited have an agreement in respect of the development and operation of the Ahuroa gas storage facility. Transactions for the year ended 30 June 2012 amounted to $9.7 million (2011: $12.5 million). At 30 June 2012, $1.4 million remains outstanding (2011: $12.0 million).

- Contact, Origin Energy Resources NZ (TAWN) Limited and Origin Energy Five Star Holdings Limited have an agreement in respect of drilling and other costs associated with the development of assets for the Ahuroa gas storage facility. During the year ended 30 June 2012, the transactions under this agreement totalled $0.1 million (2011: $2.8 million). At 30 June 2012, $0.02 million remains outstanding (2011: $0.3 million).

- Contact has an agreement with Origin Energy Services Limited to provide infrastructure and data centre services for Contact's SAP system. Transactions for the year ended 30 June 2012 amounted to $3.5 million (2011: $2.6 million). At 30 June 2012, $0.4 million remains outstanding (2011: $0.2 million).

- Rockgas Limited and Origin Energy LPG Limited have an LPG Sale and Purchase Agreement for the purchase and shipping of imported LPG. Transactions for the year ended 30 June 2012 amounted to $5.1 million (2011: $7.4 million). At 30 June 2012, $2.7 million remains outstanding (2011: $1.9 million).

- Rockgas Limited has an agreement with Origin Energy Resources NZ (Rimu) Limited and Origin Energy Resources NZ (TAWN) Limited for the supply of LPG from the Rimu and Waihapa production stations. Transactions for the year ended 30 June 2012 totalled $0.6 million (2011: $0.9 million). At 30 June 2012, no amount remains outstanding (2011: $0.2 million).

- Rockgas Limited has an LPG Sales and Logistics Agreement with Origin Energy Resources (Kupe) Limited and Kupe Mining (No.1) Limited for the supply of LPG from the Kupe Production Station. Transactions for the year ended 30 June 2012 totalled $37.2 million (2011: $35.9 million). At 30 June 2012, $3.6 million remains outstanding (2011: $2.6 million).

Amounts received/receivable

- Contact and Origin Energy Resources NZ Limited have an electricity supply contract to supply Origin's facilities in Taranaki. Transactions for the year ended 30 June 2012 amounted to $0.8 million (2011: $0.8 million). At 30 June 2012, no amount remains outstanding (2011: $0.7 million).

Transactions with subsidiaries and associates

- Advances to/from subsidiaries and associates are included in notes 13 and 24, respectively. Advances are repayable on demand and are interest free.

- The Parent charges Empower Limited a management fee for various management services, which is calculated at arm's length. These charges totalled $5.1 million for the year ended 30 June 2012 (2011: $11. 3 million). All balances are settled through the intercompany account.

- The Parent charges Rockgas Limited a management fee for various management services. Total fees charged for the year ended 30 June 2012 amounted to $10.9 million (2011: $11.0 million). All balances are settled through the intercompany account.

- During the year ended 30 June 2012, Rockgas Limited had transactions with Rockgas Timaru in respect of the supply of LPG to Rockgas Timaru amounting to $1.2 million (2011: $1.0 million), which was calculated at arm's length. At 30 June 2012, $0.03 million remains outstanding (2011: nil).

- Contact pays various operating expenses on behalf of its wholly owned subsidiaries, which are passed on directly to those subsidiaries.

Transactions with key management personnel

- Fees paid or accrued to directors and officers for director services for the year ended 30 June 2012 totalled $1.1 million (2011: $1.0 million). At 30 June 2012, $0.04 million remains outstanding (2011: $0.3 million).

- New Zealand based directors and members of the leadership team purchase gas and electricity from the Group for domestic purposes.

Other related party transactions

- Contact has a 12.5 per cent share in the Gas Industry Company Limited, which is owned by industry shareholders and is funded by a levy on industry participants. For the year ended 30 June 2012, Contact made payments to the Gas Industry Company Limited in the form of levies and cost reimbursements totalling $1.5 million (2011: $1.8 million). At 30 June 2012, no amount remains outstanding (2011: nil).

30 Key management personnel

The table below includes remuneration of directors, the Chief Executive Officer and his leadership team.

	Group 30 June 2012 $000	Group 30 June 2011 $000	Parent 30 June 2012 $000	Parent 30 June 2011 $000
Directors' fees	**1,141**	**1,008**	**1,141**	**1,008**
Chief Executive Officer and Leadership Team				
Salary and other short-term benefits	5,282	6,068	5,282	6,068
Share-based compensation	1,337	1,493	1,337	1,493
Total Chief Executive Officer and Leadership Team	**6,619**	**7,561**	**6,619**	**7,561**
Total key management personnel	**7,760**	**8,569**	**7,760**	**8,569**

Group and Parent For the year ended 30 June 2012 Director	Position	Board fees $	Committee and special fees $	Total remuneration $
G King	Chairman	210,000	-	210,000
P Pryke	Deputy Chairman	131,500	37,000	168,500
B Beeren	Director	115,500	39,000	154,500
K Moses	Director	115,500	13,125	128,625
S Sheldon	Director	115,500	78,125	193,625
W Dewes	Director	115,500	39,000	154,500
D Baldwin	Director	115,500	15,750	131,250
Total		**919,000**	**222,000**	**1,141,000**

Group and Parent For the year ended 30 June 2011 Director	Position	Board fees $	Committee and special fees $	Total remuneration $
G King	Chairman	200,000	-	200,000
P Pryke	Deputy Chairman	125,000	35,000	160,000
B Beeren	Director	110,000	37,000	147,000
K Moses	Director	110,000	20,000	130,000
S Sheldon	Director	110,000	86,807	196,807
W Dewes	Director	110,000	37,000	147,000
D Baldwin*	Director	27,500	-	27,500
Total		**792,500**	**215,807**	**1,008,307**

* On 31 March 2011, David Baldwin's secondment from Origin ended. As Managing Director, Mr Baldwin did not receive any fees in his capacity as a director on the Board. Fees received by Mr Baldwin have been in his capacity as a non-executive director post 1 April 2011.

31 Contingent liabilities

There are no known material contingent liabilities at 30 June 2012 (2011: nil).

32 Subsequent events

On 13 August 2012, the Board declared a distribution pursuant to the PDP in the form of a non-taxable bonus issue for the year ended 30 June 2012 equivalent to 12.0 cents per share, for shares on issue at 28 August 2012, the record date, with bonus shares allocated and/or cash distributed, if elected, on 21 September 2012. Refer to note 8.

Independent auditor's report

To the shareholders of Contact Energy Limited

Report on the company and group financial statements

We have audited the accompanying financial statements of Contact Energy Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 2 to 52. The financial statements comprise the statements of financial position as at 30 June 2012, the income statements and 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, for both the company and the group.

Directors' responsibility for the company and group financial statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group 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 company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate 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 company and 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 financial statements.

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

Partners and employees of our firm also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditor of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion

In our opinion the financial statements on pages 2 to 52:

- comply with generally accepted accounting practice in New Zealand
- comply with International Financial Reporting Standards
- give a true and fair view of the financial position of the company and the group as at 30 June 2012 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1) (d) and 16(1) (e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required, and
- in our opinion, proper accounting records have been kept by Contact Energy Limited as far as appears from our examination of those records.

KPMG

13 August 2012

Wellington

Management discussion of financial results for the year ended 30 June 2012

Financial results for the year ended 30 June 2012

Key financial information	Year ended 30 June 2012 $m	Year ended 30 June 2011 $m	Variance $m	%
Revenue and other income	2,700.7	2,230.8	469.9	21%
Operating expenses [1]	(2,192.0)	(1,789.4)	(402.6)	(22%)
EBITDAF [2]	**508.7**	**441.4**	**67.3**	**15%**
Depreciation and amortisation	(193.1)	(166.3)	(26.8)	(16%)
Equity accounted earnings of associates	1.9	3.9	(2.0)	(51%)
Change in fair value of financial instruments	(11.5)	(5.9)	(5.6)	(95%)
Transition costs	(4.5)	-	(4.5)	0%
Clutha asset impairment and land sale	(2.1)	-	(2.1)	0%
Exit of investment in Oakey Power Holdings Pty Limited	27.9	-	27.9	0%
Earnings before net interest expense and income tax (EBIT)	**327.3**	**273.1**	**54.2**	**20%**
Net interest expense	(71.6)	(62.4)	(9.2)	(15%)
Income tax expense	(65.3)	(60.4)	(4.9)	(8%)
Profit for the year	**190.4**	**150.3**	**40.1**	**27%**
Underlying earnings after tax [3]	**176.4**	**150.9**	**25.5**	**17%**
Underlying earnings per share (cents)	**24.95**	**24.00**	**0.95**	**4%**
Shareholders' equity	**3,417.7**	**3,235.6**	**182.1**	**6%**

(1) Includes electricity purchases.

(2) Earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments and other significant items.

(3) Underlying earnings after tax represents profit for the year after tax and adjusted for significant items that do not reflect the ongoing performance of the Group.

Profit for the year

It has been a successful year for Contact Energy with profit for the year ended 30 June 2012 (FY12) of $190 million, up $40 million (27 per cent) compared to the prior year (FY11). This is primarily due to benefits gained from increasing diversity and flexibility in the fuel and generation portfolio, improved sales margin from Commercial and Industrial customers, and proceeds from the exit of the investment in Oakey Power Holdings Pty Limited partially offset by increased depreciation and amortisation, a reduction in capitalised interest and the change in the fair value of financial instruments.

	Year ended 30 June 2012 $m	Year ended 30 June 2011 $m	Variance $m	%
EBITDAF	**508.7**	**441.4**	**67.3**	**15%**
Depreciation and amortisation	(193.1)	(166.3)	(26.8)	(16%)
Change in fair value of financial instruments	(11.5)	(5.9)	(5.6)	(95%)
Equity accounted earnings of associates	1.9	3.9	(2.0)	(51%)
Transition costs	(4.5)	-	(4.5)	0%
Clutha asset impairment and land sale	(2.1)	-	(2.1)	0%
Exit of investment in Oakey Power Holdings Pty Limited	27.9	-	27.9	0%
Net interest expense	(71.6)	(62.4)	(9.2)	(15%)
Income tax expense	(65.3)	(60.4)	(4.9)	(8%)
Profit for the year	**190.4**	**150.3**	**40.1**	**27%**

Underlying earnings after tax

Underlying earnings after tax is calculated by adjusting profit for the year for significant items that do not reflect the ongoing performance of the Group. Underlying earnings after tax was $176 million, up $25 million (17 per cent) from FY11. The underlying adjustments are the removal of a gain on exit of Oakey Power Holdings Pty Limited, the change in fair value of financial instruments, transition costs as a result of Enterprise Transformation and associated activities in the Retail business, and the net cost of not proceeding with the Clutha development together with applicable tax.

	Year ended 30 June 2012 $m	Year ended 30 June 2011 $m	Variance $m	%
Profit for the year	**190.4**	**150.3**	**40.1**	**27%**
Change in fair value of financial instruments	11.5	5.9	5.6	95%
Transition costs	4.5	-	4.5	0%
Clutha asset impairment and land sale	2.1	-	2.1	0%
Exit of investment in Oakey Power Holdings Pty Limited	(27.9)	-	(27.9)	0%
Income tax expense	(4.2)	(1.8)	(2.4)	(136%)
Impact of change in corporate income tax rate	-	(3.5)	3.5	100%
Underlying earnings after tax	**176.4**	**150.9**	**25.5**	**17%**

EBITDAF

Contact's earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments and other significant items (EBITDAF) for FY12 was $509 million, $67 million higher than FY11 (15 per cent). The Electricity business segment grew strongly, with EBITDAF up $63 million (16 per cent). This was supported by a $4 million (12 per cent) increase in contribution from the Other (retail and wholesale gas, LPG, and meters) business segment.

In the Electricity business segment higher wholesale prices were offset by reduced hydro volumes. However, there was an improvement driven by savings in the unit costs of generation, greater market demand for thermal backed capacity and improved Commercial and Industrial customer margins.

The average wholesale spot price for FY12 was $92 per megawatt hour (MWh) compared to $50 per MWh for FY11 as record low South Island hydro inflows increased the demand for thermal generation. The gains from higher prices were offset by an unfavourable generation fuel mix with hydro generation volumes down 965 gigawatt hours (GWh) (25 per cent) in FY12 compared to FY11. FY12 has seen improvements in the unit generation costs for thermal generation with take-or-pay savings, a lower gas unit cost and an $11 per tonne reduction in carbon costs. Increasing portfolio flexibility and greater alignment between the location of generation and load enabled Contact to increase Contract for Difference (CfD) sales and provide more capacity to the ancillary services market.

Total retail sales for FY12 were in line with FY11 with the continued sales growth in the Commercial and Industrial market offset by the impact of Mass Market customer losses up until August 2011. As part of a competitive focus on retaining and gaining customers, the introduction in July 2011 of a higher prompt payment discount for residential customers who receive and pay their bills online (from 12 per cent to 22 per cent) has been successful with a net gain of 5,000 customers since its introduction. Mass Market sales volumes of 1,965 GWh in the second half of the 2012 financial year (2H12) were in line with the prior corresponding period. Stable average tariffs and increases in transmission costs for Mass Market have reduced the margin by $3 per MWh.

The EBITDAF contribution from the Other business segment was up $4 million (12 per cent) primarily due to the LPG sales volume increasing by 500 tonnes (1 per cent) and a 5 per cent improvement in the LPG margin due to improved wholesale fuel costs. This was supported by a reduction in carbon costs for the retail and wholesale gas, and LPG businesses.

Depreciation and amortisation

Depreciation and amortisation expense increased by $27 million (16 per cent). This increase was due to the full-year impact of the Ahuroa gas storage facility and Stratford peaker plant and the completion of the finance and generation waves of the Enterprise Transformation programme.

Change in fair value of financial instruments

Profit for the year included an unfavourable non-cash pre-tax movement of $11.5 million in the fair value of financial instruments. The movement was predominantly driven by a downward shift in New Zealand interest rates resulting in an unfavourable movement in the interest rate swap book. This compares to an unfavourable pre-tax movement of $6 million in FY11.

Interest expense

Net interest expense increased by $9 million (15 per cent) to $72 million. The increase was attributable to capitalised interest reducing by $9 million following the completion of the Ahuroa gas storage facility and the Stratford peaker plant.

Income tax expense

Income tax expense for the year was $65 million, representing an effective tax rate of 25.5 per cent. This is lower than the statutory rate of 28 per cent, principally due to non-taxable gains on the exit of investment in Oakey Power Holdings Pty Limited and the sale of the Clutha land, partially offset by the identification of further non-depreciable fixed assets.

Distributions to shareholders

The Contact Energy Board of Directors declared that a final distribution to shareholders would be the equivalent of 12 cents per share. In combination with the 11 cents per share interim distribution, the full-year distribution is stable at 23 cents per share. The distribution represents a payout ratio of 93 per cent of Contact's underlying earnings after tax for the year. The distribution will be made via a tax-free bonus issue under Contact's Profit Distribution Plan, which is expected to be the last opportunity to capture the benefits of using the Plan.

Financial performance and liquidity

Net debt at 30 June 2012 was $1,437 million, compared with $1,195 million at 30 June 2011. Balance sheet gearing increased from 27 per cent at 30 June 2011 to 29 per cent at 30 June 2012. The increase in debt came predominantly from the issue of $200 million of subordinated capital bonds, which was undertaken to support current capital spend and provide balance sheet flexibility.

Existing term debt comprises US$330 million (NZ$587 million) of United States private placements of various maturities, $550 million of fixed rate retail bonds maturing in May 2014, $100 million of fixed rate wholesale bonds maturing in April 2017 and the $200 million capital bonds maturing in February 2042. The first tranche of the USPP of US$75 million (NZ$135 million) matures in February 2013 and has moved into current liabilities.

Contact has additional liquidity available from $450 million of committed bank facilities ($3.2 million drawn at 30 June 2012) and an export credit agency facility with $92 million (of a maximum facility of $105 million) available and not drawn.

Looking forward

Contact's focus will continue through the 2013 financial year to be on delivery. The company's priorities over the coming year are completing Te Mihi, progressing the Enterprise Transformation programme and continuing to focus on customers.

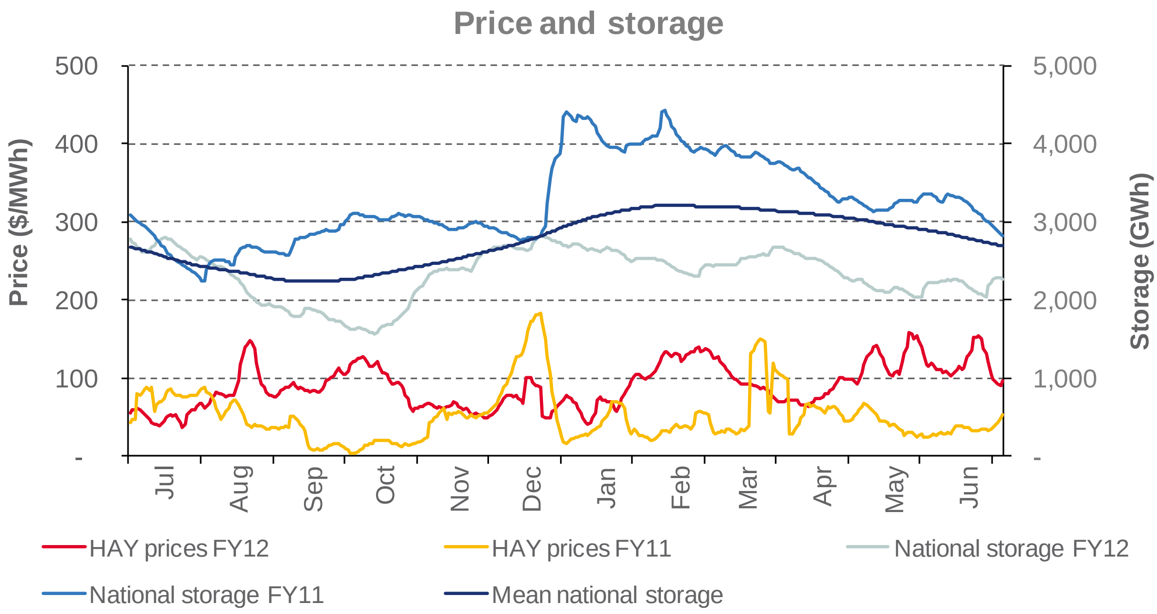
An important decision will be made in the next 18 months relating to the amount of gas we will contract and the resulting operating regime of our combined-cycle gas-fired power stations. The current high level of upstream exploration and development activity gives confidence that Contact will markedly improve its contracted position.

Completing the current asset and systems investment programme, leveraging existing investments to reduce costs and continuing to improve our fuel purchase costs will position Contact to grow earnings in coming years.

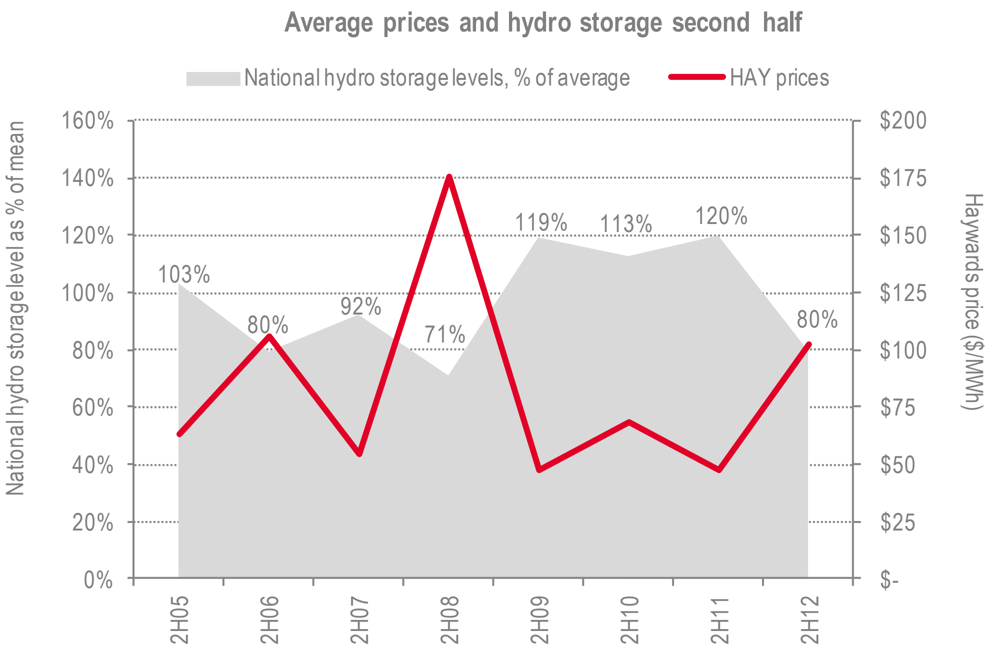
Overview of performance for the period

Electricity market conditions

Hydrological conditions in FY12 were generally dryer than in FY11. As a result, the average wholesale spot price Contact received for FY12 was $92 per MWh compared to $50 per MWh for FY11.



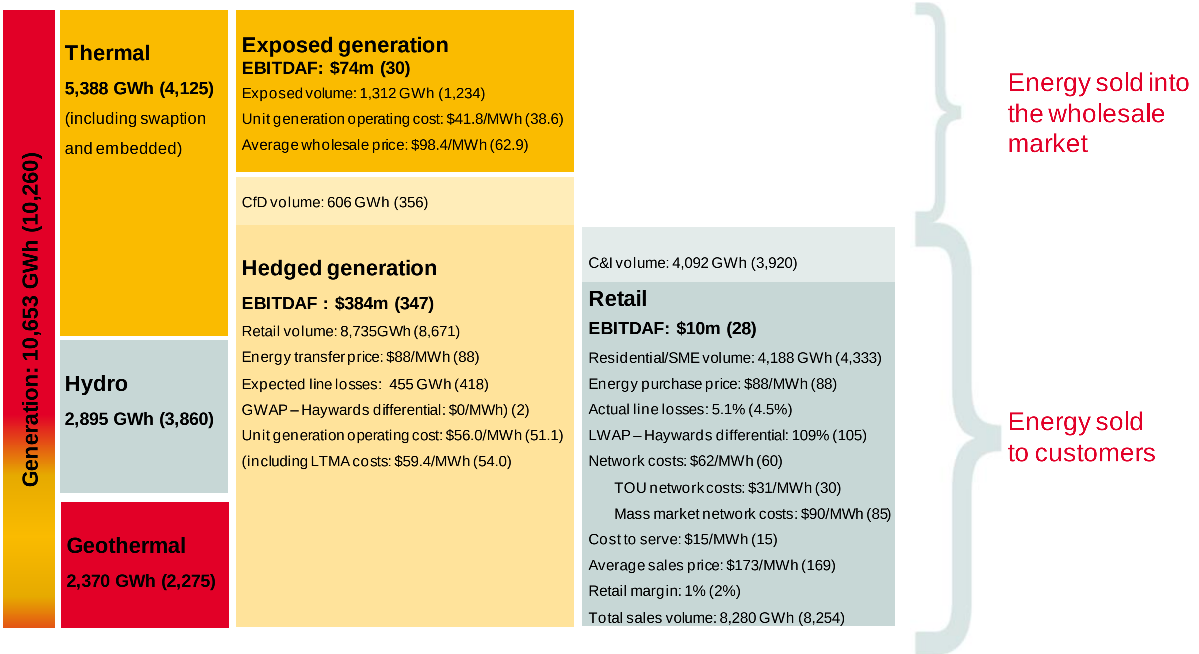
As national storage levels averaged 80 per cent of mean in 2H12, the Haywards price rose to $100 per MWh.



Segment results

The operational performance data for FY12 (FY11 in parentheses) is provided in the chart below, and in the table on the following page.

Electricity segment



Note: Line losses in hedged generation are based on an expected annual level of line losses; actual line losses are reflected in Retail.

Electricity Segment	12 Months Ended 30 June 2012 $m	12 Months Ended 30 June 2011 $m	Variance $m	%
Wholesale Electricity Revenue	970.5	505.7	464.8	92%
Retail Electricity Revenue	1,480.4	1,443.6	36.8	3%
Steam revenue	20.4	19.7	0.7	4%
Total Electricity Revenue	**2,471.4**	**1,969.0**	**502.4**	**26%**
Electricity Purchases	(861.2)	(486.0)	(375.2)	(77%)
Electricity Transmission, Distribution and Levies	(556.6)	(532.0)	(24.7)	(5%)
Gas Purchases and Transmission	(321.0)	(279.3)	(41.7)	(15%)
Carbon Emissions	(13.2)	(25.1)	11.9	47%
Meter lease internal charge	(28.4)	(29.2)	0.8	3%
Labour Costs and Other Operating Expenses	(222.7)	(212.4)	(10.4)	(5%)
Total Operating Expenses	**(2,003.2)**	**(1,563.9)**	**(439.3)**	**(28%)**
EBITDAF	**468.2**	**405.1**	**63.1**	**16%**
Depreciation and Amortisation	(181.9)	(156.5)	(25.4)	(16%)
Segment Result	**286.2**	**248.5**	**37.7**	**15%**
Average Wholesale Electricity Price ($ per MWh) (1)	$91.92	$49.69	42.2	85%
Cost of exposed generation ($ per MWh)	($41.82)	($38.61)	(3.2)	8%
Cost of hedged generation ($ per MWh)	($59.39)	($51.05)	(8.3)	16%
Hedged generation margin ($ per MWh)	$41.10	$38.43	2.7	7%
Gas Used in Internal Generation (PJ)	38.7	30.1	9	28%
Swaption Generation - Hedged (GWh)	16	-	16	-
Swaption Generation - Exposed (GWh)	607	384	224	58%
Thermal Generation - Hedged (GWh)	4,053	2,858	1,195	42%
Thermal Generation - Exposed (GWh)	705	850	(144)	(17%)
Geothermal Generation (GWh)	2,370	2,275	95	4%
Hydro Generation (GWh)	2,895	3,860	(966)	(25%)
Embedded Generation (GWh)	7	33	(26)	(79%)
Total Generation including Swaption (GWh)	**10,653**	**10,259**	**393**	**4%**
Average Electricity Purchase Price ($ per MWh) (1)	($98.31)	($55.14)	(43.2)	(78%)
Retail Electricity Purchases (GWh)	8,719	8,635	84.2	(1%)
Generation - Exposed (GWh)	1,313	1,233	79.6	(6%)
CfD Sales (GWh)	606	356	250.8	(71%)
Retail Electricity Sales (GWh)	8,280	8,254	26	0%
Electricity Customer Numbers	443,000	447,000	(4,000)	(1%)
(1) This price excludes contracts for differences.				

Wholesale price and volume

In FY12, the volumes used by Contact customers, including CfDs, increased by 314 GWh to 9,341 GWh. Purchases by Commercial and Industrial, and Mass Market customers were stable at 8,735 GWh. Below mean storage levels resulted in CfD sales increasing by 250 GWh as industry participants sought to reduce their exposure to spot electricity prices. Total exposed generation volumes increased by 79 GWh to 1,312 GWh in FY12. The average price earned by the exposed generation was up 56 per cent, or $35 per MWh, to $98 per MWh.

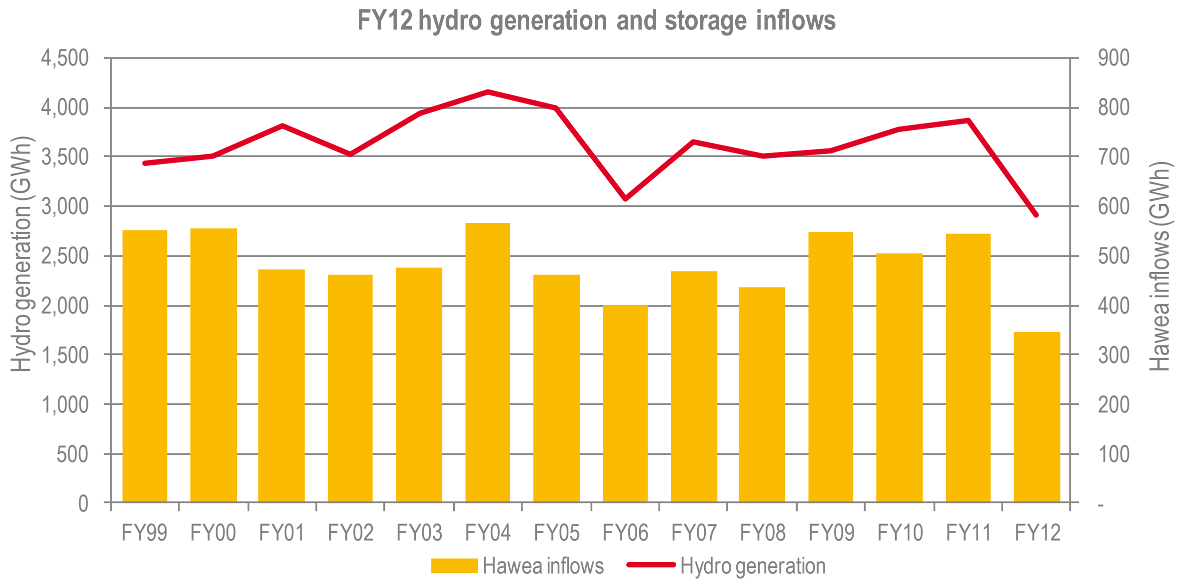
Periods of significant price separation were seen in 2H12, particularly during May when higher water values created high reserve pricing for capacity to flow over the HVDC. A continuation of the strategy to align load with the location of generation was reinforced by the dry conditions of 2H12. With around 71 per cent of load now located in the North Island, Contact was able to largely cover its own load and benefit by offering reserve cover during these higher priced periods.

During 1H12, Contact also increased its North Island reserves capability leading to a reduction in annual reserve costs and increased frequency keeping capability at the Stratford power stations, enabling it to cover its own costs and to provide additional capacity to the market.

Traded volume and open interest on the Australian Securities Exchange (ASX) continued to grow significantly across FY12, with over 8,700 GWh trading (a 415 per cent increase from FY11) and unmatched open interest reaching 2,200 GWh.

Generation

Contact’s total generation in FY12 was 10,653 GWh, 393 GWh or 4 per cent higher than FY11. This was largely due to the benefits of a diverse generation portfolio that enabled increased generation from the thermal power stations to meet national demand as hydro generation decreased. Hydro generation was down 965 GWh (25 per cent) in FY12 with inflows to the Hawea storage lake being the lowest in the past 14 years. Total inflows to the Clyde and Roxburgh dams were down 37 per cent on FY11.



Contact's geothermal generation was up 95 GWh to 2,370 GWh in FY12, primarily due to increased generation from the Wairakei steamfield and efficiency improvements at Poihipi following the completion of a steamfield improvement project in September 2011.

The Stratford peaker plant generated 356 GWh during its first full year of operation. The peakers have increased Contact's ability to respond to market prices and manage portfolio risk, particularly during planned and unplanned outages of other plant. The total generation from the combined-cycle power stations increased by 678 GWh to 4,085 GWh, while the average price received increased by $33 per MWh. Generation from the swaption was 239 GWh higher in FY12 than in FY11.

Unit generation costs

Average unit generation costs for the generation portfolio increased $5 per MWh due to the increased proportion of thermal generation. However, there were improvements in gas and carbon unit costs as well as an overall improvement in the average availability of the portfolio which increased 2 per cent to 90 per cent.

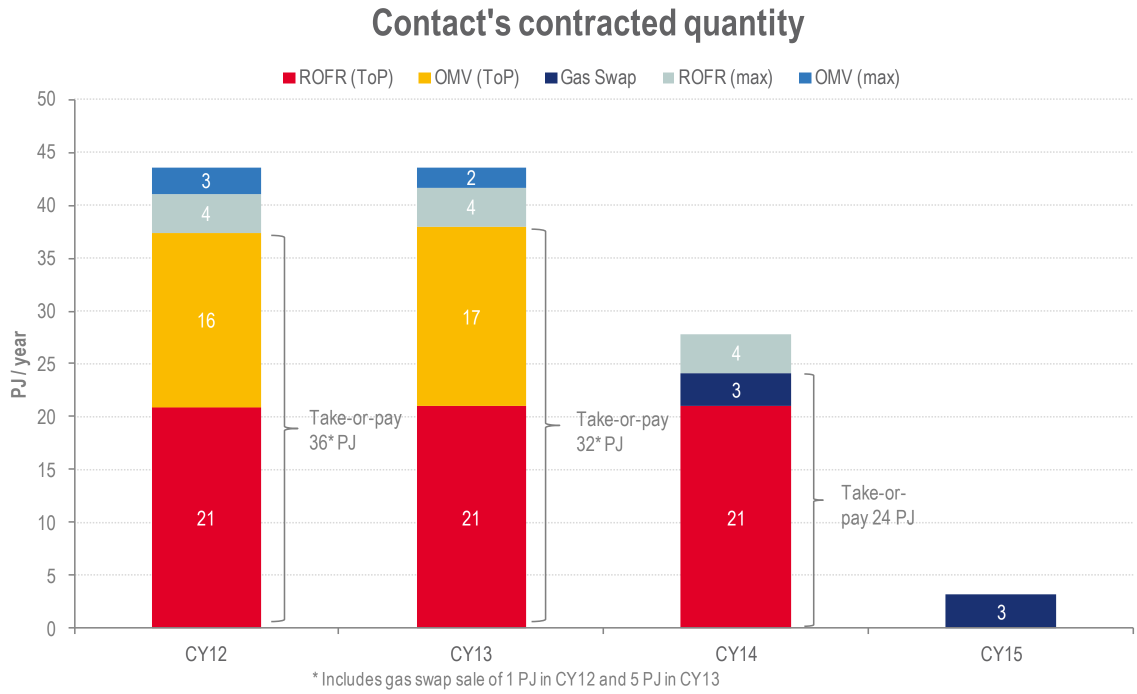
Gas costs

Reduced gas contract levels and higher thermal generation saw Contact meet its gas take-or-pay commitments in FY12 with no take-or-pay costs or distressed sales. This is a $24 million improvement over FY11 take-or-pay costs.

The average contracted cost of gas used in generation fell 16 cents per gigajoule (GJ) in FY12. This predominantly occurred in 2H12 (reduced by 34 cents per GJ) as progress made in restructuring the gas portfolio to improve unit costs and flexibility more than offset inflationary increases in gas contract costs. Lower cost spot purchases of 0.4 petajoules (PJ) were also completed.

Total gas usage	Volume (PJ)		Cost to generation ($m)		Average unit cost ($/GJ)	
	FY12	FY11	FY12	FY11	FY12	FY11
Gas used in generation	38.7	30.1	294.5	234.6	7.62	7.78
Retail sales	2.5	2.8	-	-	-	-
Wholesale (excl distressed sales)	2.3	3.1	-	-	-	-
Injected into storage	2.2	5.8	-	-	-	-
Loss on distressed sales	-	4.0	-	11.1	-	0.37
Gas paid and not taken	-	2.0	-	12.5	-	0.42
Total generation gas cost			294.5	258.2	7.62	8.57
Generation transmission costs	-	-	26.5	21.1	0.68	0.70
Generation gas cost (incl transmission)			321.0	279.3	8.30	9.27

As part of improving the flexibility of the gas portfolio, a series of sale and purchase agreements totalling 6.4 PJ have also been completed that move contracted volumes from calendar years 2012 (0.9 PJ) and 2013 (5.5 PJ) to calendar years 2014 and 2015. Increased usage in 2H12 and gas re-contracting has reduced the take-or-pay volumes remaining to 17 PJ for calendar year 2012 and 32.5 PJ for calendar year 2013.



At 30 June 2012, the Ahuroa gas storage facility held natural gas inventory of 11.9 PJ, with net injections during FY12 of 1.6 PJ reflecting an oversupplied gas market. A total of 0.6 PJ of gas was extracted during FY12, predominantly to cover supply constraints, provide additional volume during periods when all thermal units were operational and to minimise the impact of a six day transmission outage in October 2011 as a result of a leak in the Maui transmission line.

Carbon costs

The Electricity business segment incurs carbon costs based on the amount of gas used in generation and the amount of steam extracted for use in geothermal power stations. In FY12 this cost totalled $13 million compared to $25 million in FY11 as the unit cost of carbon fell from an average of $20 per tonne to $9 per tonne.

Asset changes

In December 2011, Contact completed the acquisition of the 150 MW Whirinaki diesel-fired peaker plant. Whirinaki provides additional portfolio flexibility, including insurance against unscheduled thermal generation outages or dry years, and assists in Contact's active development of an electricity hedge market in New Zealand. Since Contact acquired the Whirinaki power station in December 2011, the plant has been used seven times, generating a total of 0.2 GWh predominantly to manage portfolio risks during unplanned outages and transmission constraints.

Contact completed the exit of a 25 per cent shareholding in Australian-based Oakey Power Holdings Pty Limited in January 2012. Combined with the Whirinaki acquisition, this is a positive portfolio change, shedding a non-controlling offshore interest and gaining more flexible generation capacity in New Zealand.

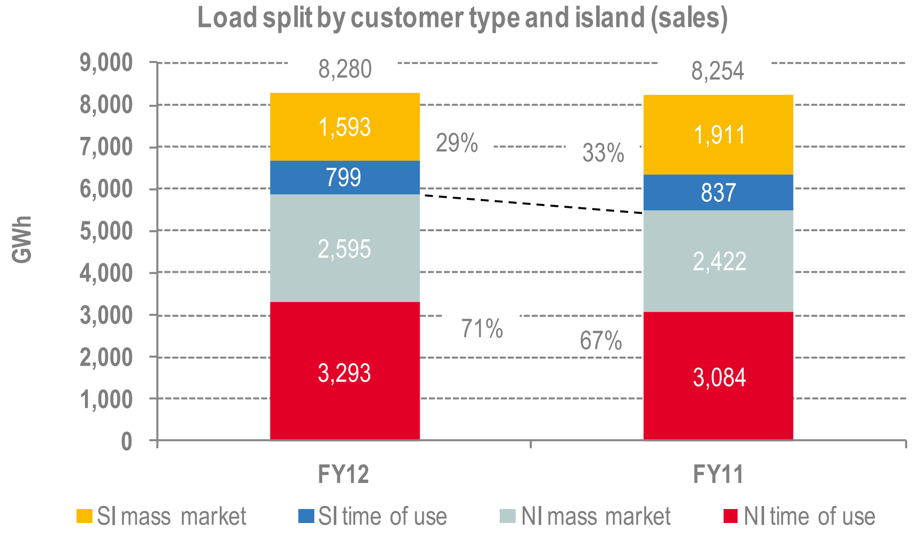
Contact has embarked on a two-year programme to sell non-core land holdings. Two property sales were completed in Wairakei and the lower Clutha in June 2012.

Retail

Total retail volumes increased from 26 GWh to 8,280 GWh, with Commercial and Industrial volumes increasing by 4 per cent to 4,092 GWh and Mass Market down 146 GWh to 4,188 GWh.

The continuing growth in Commercial and Industrial sales, principally in the North Island, has supported the strategy to manage dry year risk by reducing South Island exposure and winning customers closer to our geothermal developments. Commercial and Industrial margin has improved by $7 per MWh with volumes increasing 4 per cent to 4,092 GWh and the average tariff increasing to $9 per MWh.

The chart below illustrates the continuing shift in Contact's retail load during FY12. Overall, North Island retail load has grown 7 per cent, with Commercial and Industrial, and Mass Market both increasing. North Island load was 71 per cent of total load in FY12 compared to 67 per cent in FY11.



In June 2011, the Electricity Authority launched a campaign that encouraged electricity users to review their electricity costs. This increased the churn rates in the industry and Contact lost almost 16,000 customers during June and July 2011. In response, Contact introduced a higher prompt payment discount (from 12 per cent to 22 per cent) for residential customers who receive their bills online and pay on time. The product was successful in reversing customer losses with over 5,000 customers gained since September 2011. At 30 June 2012, approximately 160,000 customers were enrolled to receive the higher discount.

Average Mass Market tariffs have increased by 1 per cent after allowing for the additional prompt payment discount. This has been insufficient to offset increasing costs, resulting in a decrease in the Mass Market margin of $7 per MWh. The key cost movements are:

- Mass Market network costs up $5 per MWh, or 6 per cent
- an increase in location costs from $4.93 per MWh to $8.73 per MWh, which represents the increase in the price differential between the generation injection node and the purchase node or grid exit point (LWAP); location costs are allocated to retail electricity based on the difference between the LWAP and Haywards price node, and
- other retail costs, which are relatively flat at $90 million.

Other segment

The Other segment comprises Contact's retail and wholesale gas, LPG, and meters businesses.

Other segment	Year ended 30 June 2012 $m	Year ended 30 June 2011 $m	Variance $m	%
Wholesale gas revenue	22.4	50.9	(28.5)	(56%)
Retail gas revenue	69.4	72.4	(3.0)	(4%)
LPG revenue	116.5	117.0	(0.5)	(0%)
Meter leases revenue	13.5	12.7	0.8	6%
Meter leases revenue - internal (1)	28.4	29.2	(0.8)	(3%)
Other revenue	7.5	8.9	(1.4)	(16%)
Total other segment revenue	**257.8**	**291.1**	**(33.3)**	**(11%)**
Gas purchases and transmission	(68.8)	(101.8)	33.0	32%
LPG purchases	(83.1)	(85.4)	2.3	3%
Meter lease costs	(22.8)	(22.0)	(0.8)	(4%)
Carbon emissions	(1.6)	(5.2)	3.6	69%
Market levies	(1.3)	(1.0)	(0.3)	(30%)
Labour costs and other operating expenses	(39.7)	(39.4)	(0.3)	(1%)
Total operating expenses	**(217.3)**	**(254.8)**	**37.5**	**15%**
EBITDAF	**40.5**	**36.3**	**4.2**	**12%**
Depreciation	(11.1)	(9.8)	(1.3)	(13%)
Segment result	**29.4**	**26.5**	**2.9**	**11%**
Gas sales wholesale customers (PJ)	2.3	7.1	(4.8)	(68%)
Gas sales retail customers (PJ)	2.5	2.8	(0.3)	(11%)
Gas sales LPG customers (Tonnes)	65,715	65,201	514	1%
Gas customer numbers	62,500	60,000	2,500	4%
LPG customer numbers (including franchisees)	61,700	59,300	2,400	4%

Other segment EBITDAF increased by $4.2 million to $40.5 million driven by improved LPG volumes and margin.

Other segment contribution	FY12	FY11	Variance	%
Wholesale gas	(2.4)	(3.2)	0.8	(25%)
Retail gas	2.8	1.4	1.4	96%
LPG	12.2	7.2	5.0	70%
Meters	20.4	22.0	(1.7)	(8%)
Other	7.5	8.9	(1.3)	(15%)
Other segment EBITDAF	**40.5**	**36.3**	**4.2**	**11%**

In FY12, wholesale gas contribution increased by $0.8 million compared to FY11 to reflect less of a loss of $2.4 million compared to FY11. Wholesale gas volumes decreased to 2.3 PJ from 7.1 PJ in FY11 (FY11 included 4.0 PJ of distressed sales). Only one significant wholesale contract remains in place.

Retail gas contribution increased mainly due to lower carbon charges and $2.3 million relating to over allocation of gas purchases from prior periods. FY12 gas volumes were down 0.3 PJ to 2.5 PJ despite gas customer numbers increasing to 62,500 from 60,000 at 30 June 2011.

LPG contribution increased by $5.0 million to $12.2 million. LPG sales increased by 514 tonnes compared to FY11, with 2H12 sales increasing by 1,604 tonnes due to franchise customer numbers increasing by 4,000 during the year and a partial recovery of reticulated demand following the Christchurch earthquakes in 2011. Despite continuing pricing pressure, margin improved by $70 per tonne with New Zealand dollar purchase contracts agreed, and reduced carbon and operating costs. Domestic LPG demand is showing some signs of increasing from the stable base of 140,000 tonnes per annum, reversing the decline experienced over the last 4 years.

Meters contribution decreased mainly due to lower average retail electricity and gas meter numbers during FY12.

Other revenue decreased by $1.4 million due to a reduction in dividends resulting from the exit of the investment in Oakey Power Holdings Pty Limited.

2012 Full Year Results Presentation

14 August 2012

Year ended 30 June 2012

Dennis Barnes, Chief Executive Officer

Graham Cockroft, Chief Financial Officer

Disclaimer

This presentation may contain projections or forward looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties.

Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks.

Although management may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realised.

Furthermore, while all reasonable care has been taken in compiling this presentation, Contact accepts no responsibility for any errors or omissions.

This presentation does not constitute investment advice.

Agenda

1. Result Highlights	Dennis Barnes
2. Operational Overview	Dennis Barnes
3. Group Financials	Graham Cockroft
4. Strategy Update	Dennis Barnes

Supplementary Information

Successful year for Contact Energy
Investment in flexibility shows results

- Significant improvement in earnings
  - EBITDAF up $67m (15%) to $509m
  - Profit for the year up $40m (27%) to $190m
  - Underlying earnings after tax up $25m (17%) to $176m
  - Final distribution 12 cents per share via Profit Distribution Plan
- Competitive focus on retaining and gaining customers has been successful
- Diverse fuel and asset portfolio offset a period of record low hydro generation
- Committed projects progressed and transactions completed to exit Oakey and buy Whirinaki
- Balance sheet gearing remains strong
- Gas contracting moving in favour of the buyer, Contact well positioned

EBITDAF up $67m (15%) to $509m
Operational discipline and increasing flexibility provides strong result

Key financial information	Year ended 30 June 2012 $m	Year ended 30 June 2011 $m	Variance $m	Variance %
Electricity segment EBITDAF	468.2	405.1	63.1	16%
Other segment EBITDAF	40.5	36.3	4.2	12%
EBITDAF	508.7	441.4	67.3	15%
Profit for the year	190.4	150.3	40.1	27%
Underlying earnings after tax (1)	176.4	150.9	25.5	17%
Operating cashflow	440.3	378.5	61.8	16%
Capital expenditure	583.0	529.5	(53.5)	(10%)
Net debt	1,437.1	1,194.8	(242.3)	(20%)
Net debt / net debt + equity (%)	29%	27%	(2%)	(7%)

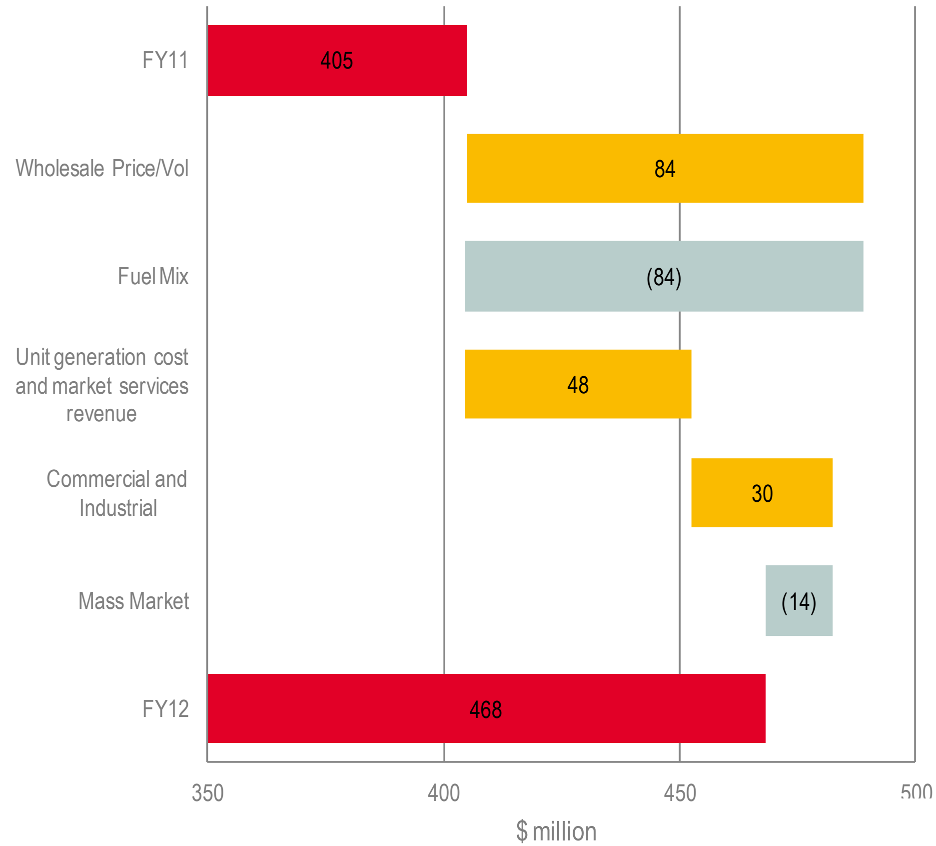
(1) Non-statutory measure presented to enable stakeholders to make an assessment and comparison of ongoing performance after adjusting profit for the year for significant items that do not reflect the ongoing performance of the Group.

Higher wholesale prices offset by reduced hydro volumes

Improvement in generation costs and Commercial and Industrial customer margins

- Spot price response to below mean storage largely offset by 25% reduction in hydro generation being replaced by thermal capacity
- Improved unit generation costs and market services revenue
  - Lower gas and carbon unit costs
  - Operating costs up, with particular increases in SAP licence and support costs, and insurance
  - Ancillary services capability increased in advance of market conditions
- Commercial and Industrial volume up 4%
- Mass market 2H12 sales in line with 2H11 but in highly competitive market not all costs passed through
- Other segment contribution up $4m (11%) driven by improved LPG margins

Electricity Segment EBITDAF movement: FY11 - FY12

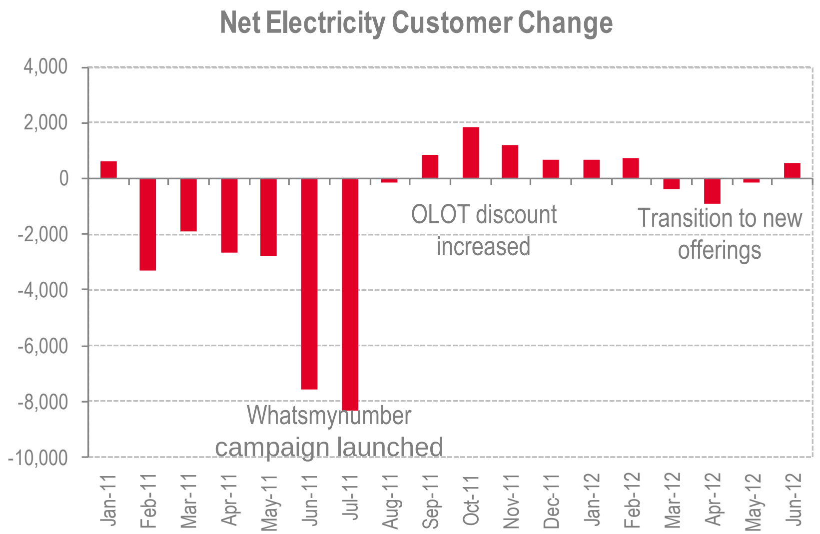


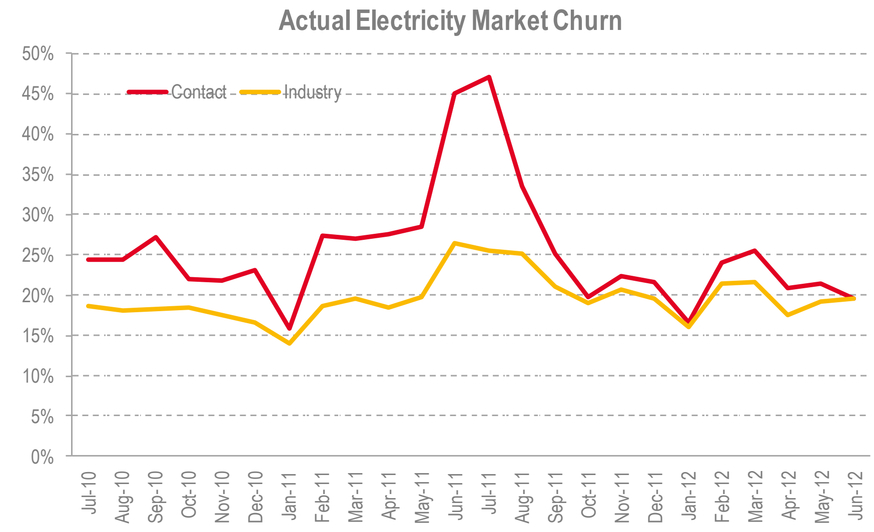
Note difference from segment reporting: the LWAP – HAY price separation has been included in wholesale price/vol and frequency keeping costs in retail segment netted against hedged electricity frequency keeping revenue

Operational Overview

Dennis Barnes

Competitive focus on retaining and gaining customers successful

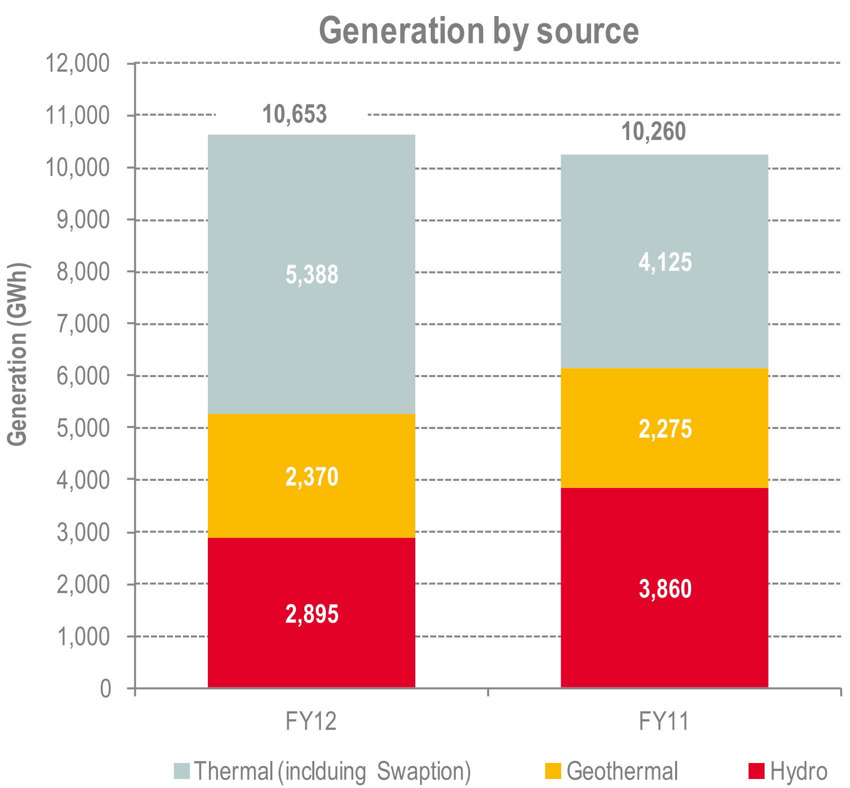




- Retail customer losses reversed; 5,000 electricity customer increase since September 2011
  - Contact retail electricity churn now at industry average
  - Retail gas and LPG customers up 2,500 and 2,000 respectively
- Commercial and Industrial has supported retail volume growth and maintained hedge levels
- Deliberate North Island growth continues (7% increase), aligning generation and retail location and reducing risk
- The Enterprise Transformation programme is now focussed on upgrading Contact's aging customer billing and service systems with SAP

Diverse portfolio provided risk management of record low hydro inflows

- Water is a valuable resource and in periods of scarcity Contact is able to manage its own risk and provide support to the industry with thermal capacity
  - Hydro generation down 25% due to record low inflows to the Clutha catchment
  - Geothermal volumes increased 4% due to Wairakei steamfield improvements
  - Thermal generation increased 1,263 GWh (31%)
  - Unit generation cost increased 10% to $54/MWh due to increased thermal generation, partially offset by lower gas and carbon unit costs

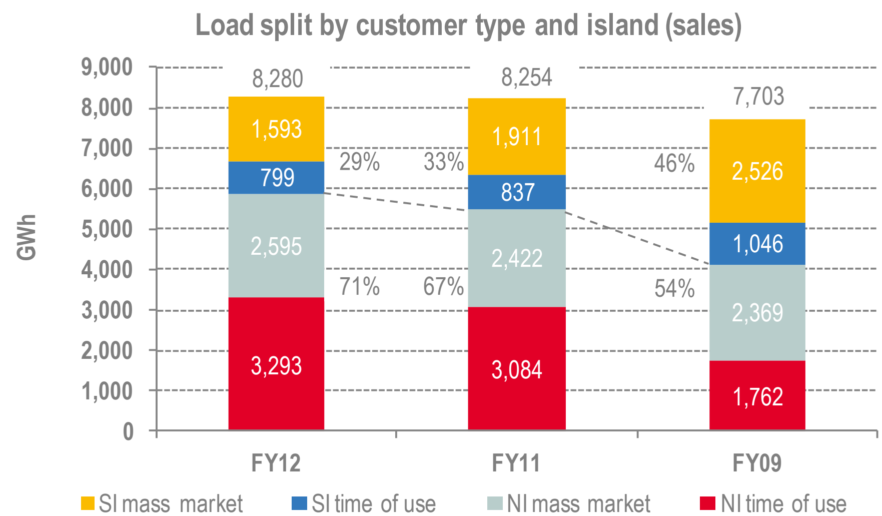


Stratford Peaker and Ahuroa gas storage operating as expected

- Peaker fully operational, 356 GWh generated (20% capacity factor)
  - Providing a combination of risk management capacity and merchant generation
- Whirinaki acquisition providing cover as intended
  - Ran seven times (0.2 GWh), successfully capping prices during unplanned price peaks
- Ahuroa gas storage used in extraction and injection mode in FY12, operating as expected
  - Ahuroa gas storage net extractions 0.3 PJ in 2H12
  - Extractions used to cover gas transmission outages, periods of peak demand and supply issues
  - 2.2 PJ of gas injected in 1H12 reflecting an oversupplied gas market
  - Current working volume 11.9 PJ

Leveraging portfolio flexibility and capacity delivers benefits

- Increased North Island reserves capacity reduced annual reserve costs
- Frequency keeping services contributed to FY12 earnings
- 251 GWh increase in CfD volumes
- Alignment of load location to generation limited the exposure to higher prices and price separation
- LWAP/GWAP ratio reduced from 111% in FY11 to 107% in FY12



Gas book improving

- Take-or-pay volumes remaining for CY12 is 17 PJ
- Full entitlement (24.65 PJ) of ROFR gas for CY14 confirmed
- Take-or-pay volume for CY12 and CY13 has been reduced through gas portfolio rebalancing that will see the volume returned in CY14 and CY15

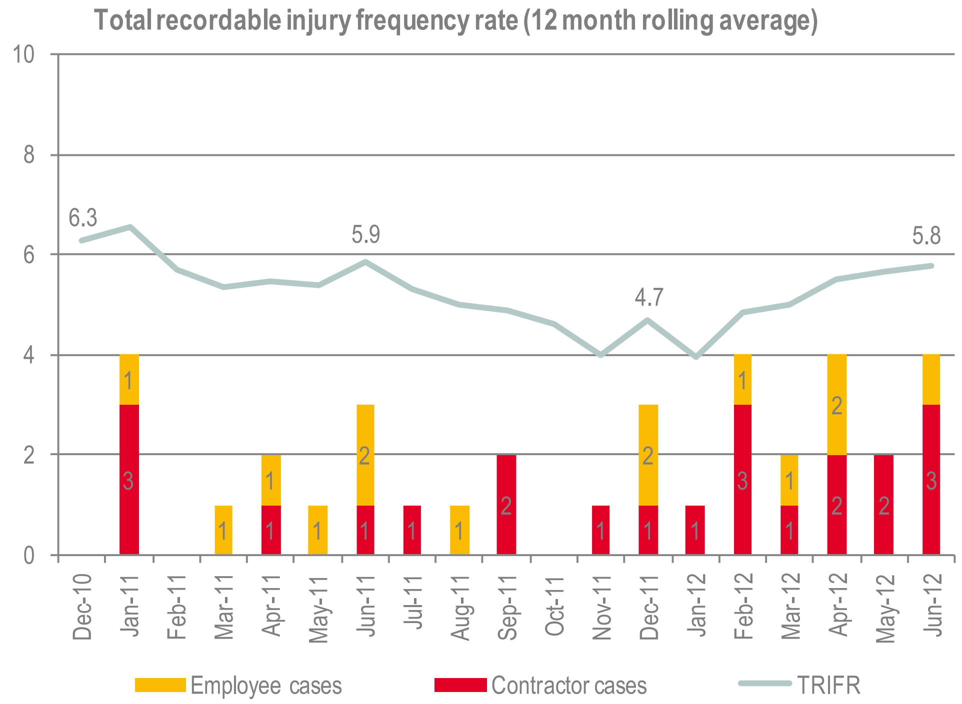
PJs	CY12	CY13	CY14	CY15
OMV and ROFR take-or-pay volume	37	38	21	
Gas portfolio changes	(1)	(5)	3	3
Current take-or-pay volume	**36**	**32**	**24**	**3**
Total contracted volume	44	44	28	3

The Wairakei Investment Programme continues to progress; will add 114 MW of additional renewable generation

Project	Contractor	Due Date	Status
Wairakei Steamfield Project	Hawkins	August 2011	Commissioned
Wairakei Bioreactor Project (bottom right)	Downers	August 2012	Commissioned on schedule and operating to expectations
Te Mihi Steamfield Project	Downers	October 2012	Design and procurement completed. Civil works completed and construction on target to meet Power Station commissioning schedule
Drilling (WRK and Te Mihi)	Century	Commissioning	On target to support station commissioning
Te Mihi Power Station Project (bottom left)	MSP JV	2013	Design completed, procurement nearing completion. All major equipment on site. Construction well advanced.
Operational Preparedness	Internal	Commissioning	On target. Operators recruited

Contact continues to aspire to Zero Harm
TRIFR slightly improved at 5.8

- The safety of our employees, contractors and visitors to any Contact site is the company's highest priority



- Total recordable injury frequency rate (TRIFR)

TRIFR: $\dfrac{\text{total number of recordable injuries}}{\text{million person-hours worked}}$

Group Financials

Graham Cockroft

Profit for the year up $40m (27%). Underlying earnings adjustments largely driven by the change in fair value of financial instruments and exit of investment in Oakey Power Holdings Pty Limited

contact

	Year ended 30 June 2012 $m	Year ended 30 June 2011 $m	Variance $m	Variance %
Profit for the year	**190.4**	**150.3**	**40.1**	**27%**
Underlying adjustments				
Change in fair value of financial instruments	11.5	5.9	5.6	95%
Other significant items				
Transition costs	4.5	-	4.5	-
Clutha asset impairment and land sale	2.1	-	2.1	-
Exit of investment in Oakey Power Holdings Pty Limited	(27.9)	-	(27.9)	-
Adjustments before income tax	**(9.8)**	**5.9**	**(15.7)**	**(266%)**
Income tax credit	(4.2)	(1.8)	(2.4)	(133%)
Impact of change in corporate income tax rate	-	(3.5)	3.5	(100%)
Adjustments after income tax	**(14.0)**	**0.6**	**(14.6)**	**(2433%)**
Underlying earnings after tax	**176.4**	**150.9**	**25.5**	**17%**
Distribution per Share (cents)	**23.0**	**23.0**	**0.0**	**0%**

- The change in fair value of financial instruments is an unrealised valuation change, caused by the downward shift in New Zealand interest rates resulting in an unfavourable movement in the interest rate swap book
- Contact exited its 25% investment in associate, Oakey Power Holdings Pty Limited in January 2012 recording a before tax gain of $27.9m

Underlying earnings after tax: up $25m (17%) to $176m

Full-year distribution stable at 23 cents per share

	Year ended 30 June 2012 $m	Year ended 30 June 2011 $m	Variance $m	%
EBITDAF	**508.7**	**441.4**	**67.3**	**15%**
Depreciation and amortisation	(193.1)	(166.3)	(26.8)	(16%)
Equity accounted earnings of associates	1.9	3.9	(2.0)	(51%)
Net interest expense	(71.6)	(62.4)	(9.2)	(15%)
Income tax expense	(69.5)	(65.7)	(3.8)	(6%)
Underlying earnings after tax	**176.4**	**150.9**	**25.5**	**17%**
Underlying earnings per share (cents)	**24.95**	**24.00**	**0.95**	**4%**
Distribution per share (cents)	**23.0**	**23.0**	**-**	**0%**

- Depreciation increase due to Stratford peaker and Ahuroa gas storage commissioning and implementation of Enterprise Transformation for finance and generation in FY11
- Net interest expense increased due to lower capitalised interest ($9m) following the commissioning of Ahuroa gas storage and the Stratford peaker
- FY12 income tax expense differs from the statutory rate of 28% due to non-taxable gains on the exit of investment in Oakey Power Holdings Pty Limited and the sale of Clutha land, partially offset by the identification of further non-depreciable fixed assets

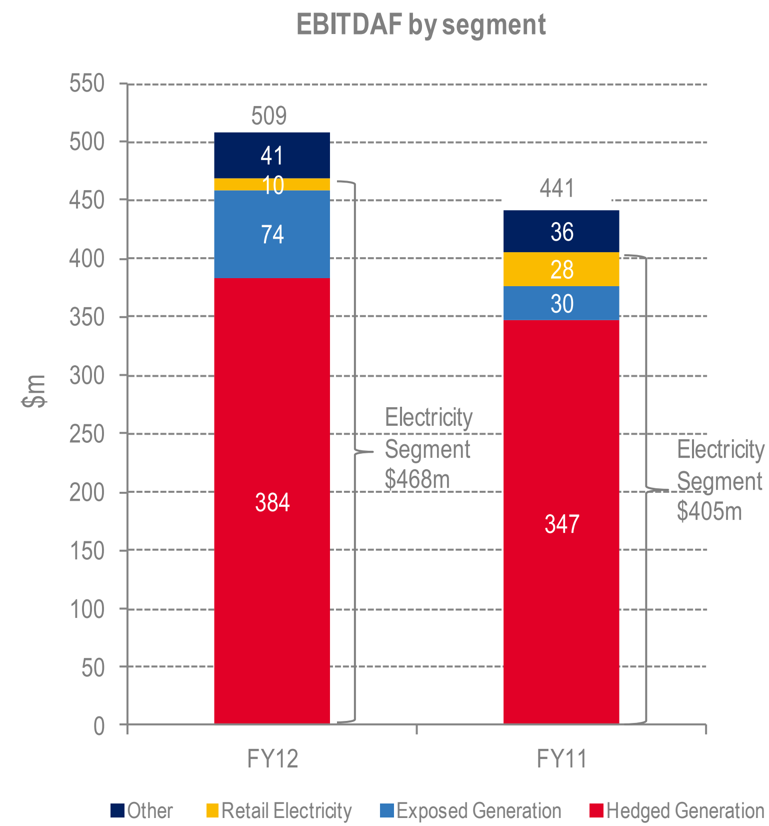
FY12 Segment overview

Electricity segment EBITDAF: up $63m (16%) to $468m:

- **Hedged generation:** Up $37m (11%) with benefits from lower gas and carbon unit costs offset by reduced hydro volumes
- **Exposed generation:** Up $44m (147%) due to increased volumes and higher wholesale prices
- **Retail:** Down $18m (64%) due to lower mass market volumes, increasing network costs and line losses more than offsetting the benefits of price increases and growth in Commercial and Industrial sales

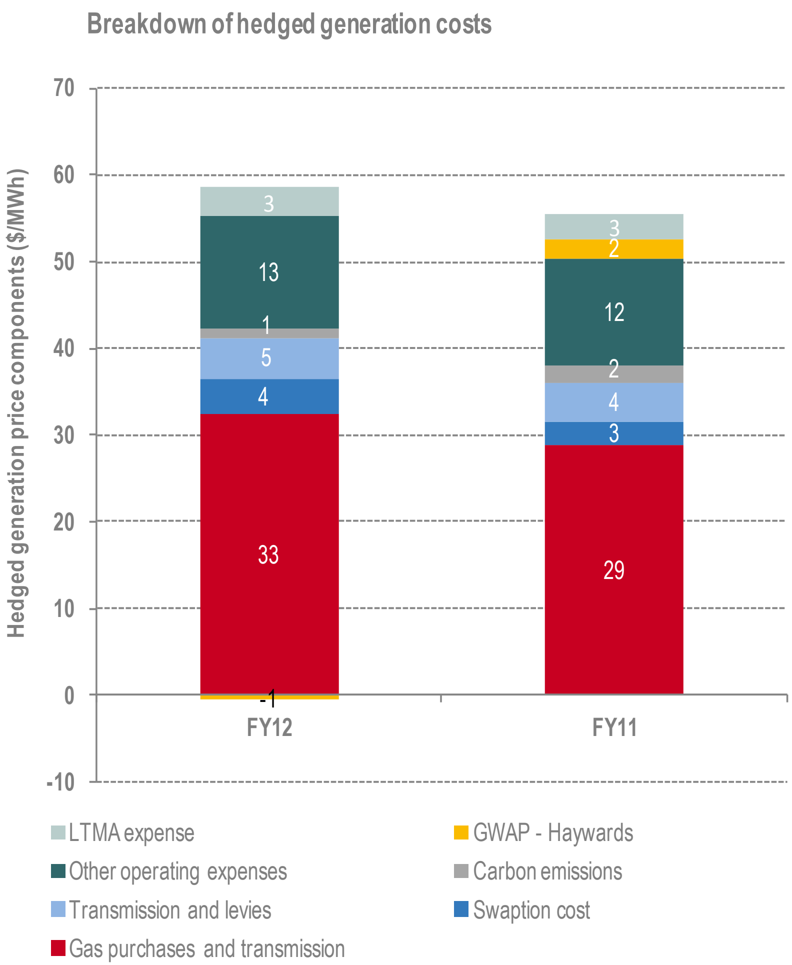
Other segment EBITDAF: up $4m (11%) to $41m:

- **LPG:** Up $5m (70%) due to improved product costs and sales volumes



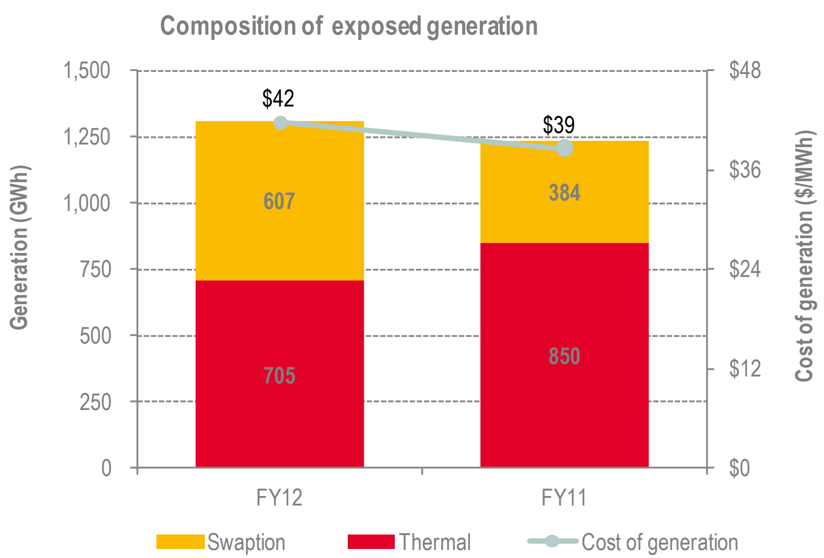
FY12 Hedged Generation – Up $37m (11%) to $384m
Benefits from reduced gas and carbon costs and CfD sales offset by reduced hydro volumes

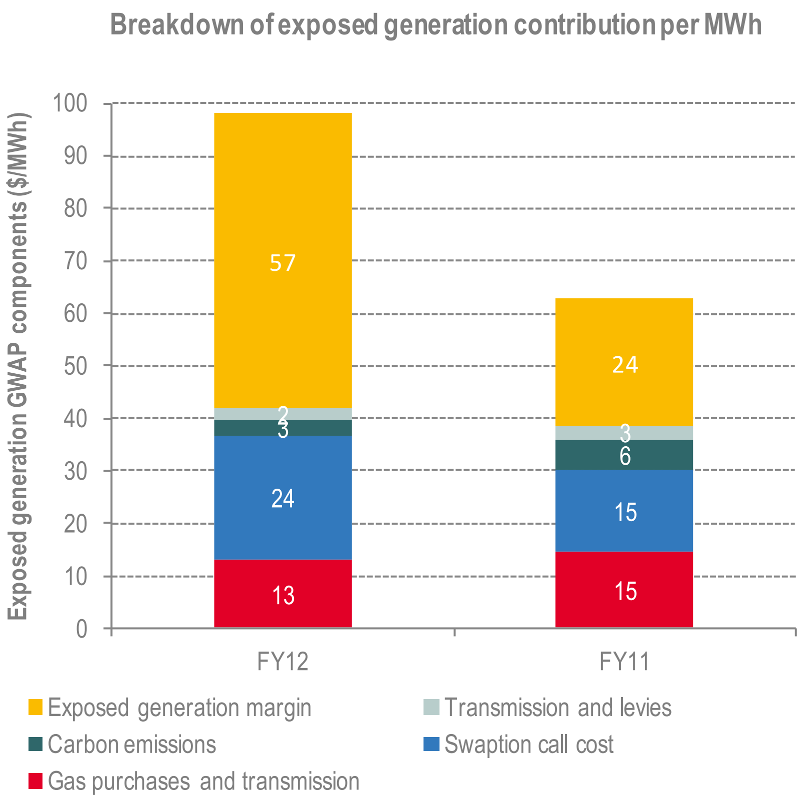
- Hedged generation volume increased 314 GWh
  - CfD volume up 251 GWh as industry participants sought to reduce exposure to spot electricity prices
  - Mass Market sales volume down 3% (145 GWh) offset by Commercial and Industrial up 172 GWh (4%)
- Unit generation cost up $5/MWh
  - Increase driven by fuel mix partially offset by savings in gas and carbon costs
- Location costs have decreased by $3/MWh ($26m decrease offset by $30m increase for retail)



FY12 Exposed Generation – Up $44m (147%) to $74m
Due to higher wholesale prices

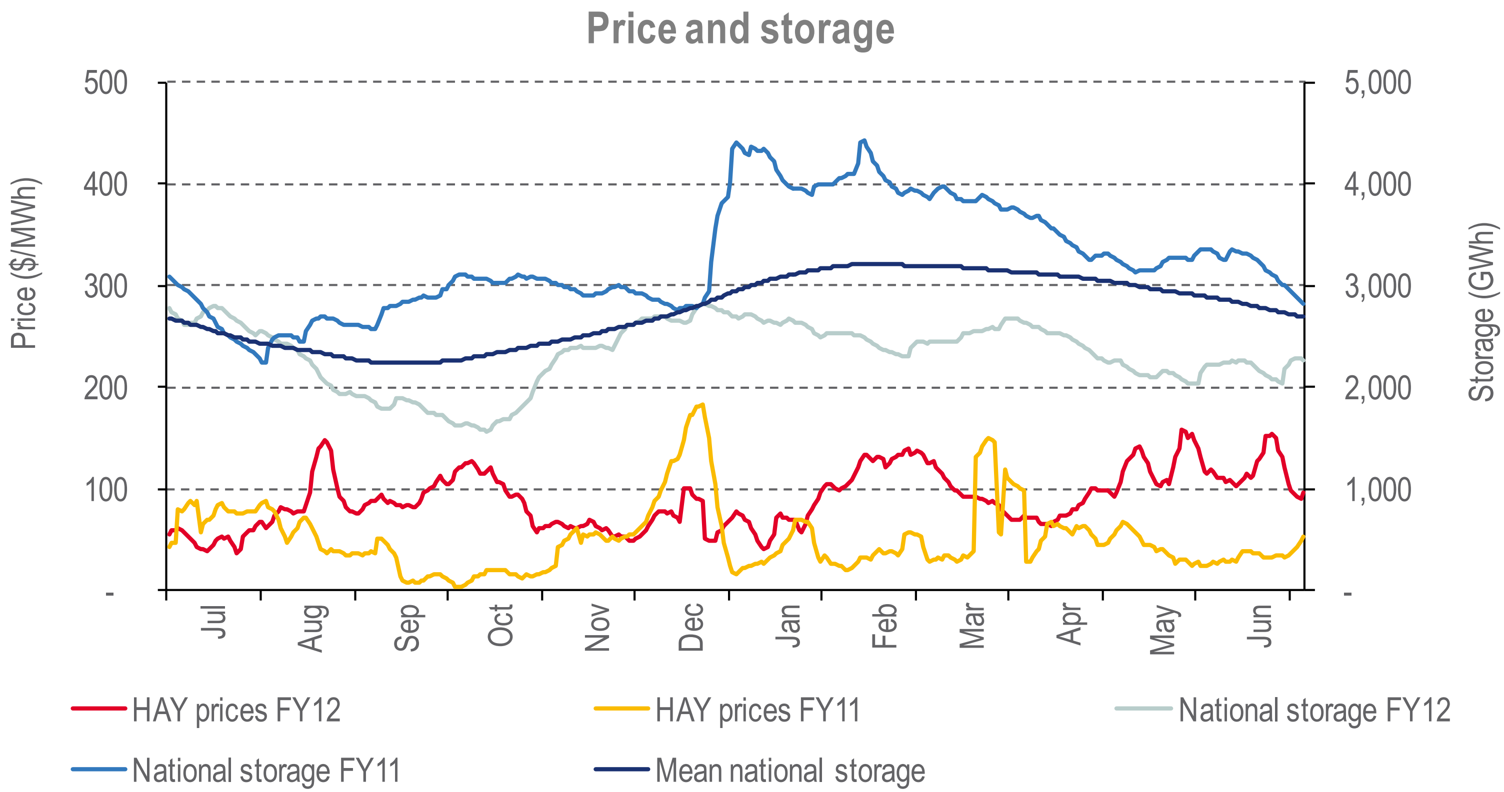
- Exposed price up $35/MWh to $98/MWh. Average peaker price $116/MWh
- Exposed volume up 80 GWh to 1,313 GWh
- Unit generation cost up $3/MWh due to increased swaption volume
- Larger exposed volumes limited by increased CfD contracts, price level and volatility





Spot prices in FY12 were $42/MWh higher at $92/MWh

Prolonged periods of below mean storage driven by record low inflows in the South Island, muted by significant oversupply caused by five years of limited demand growth

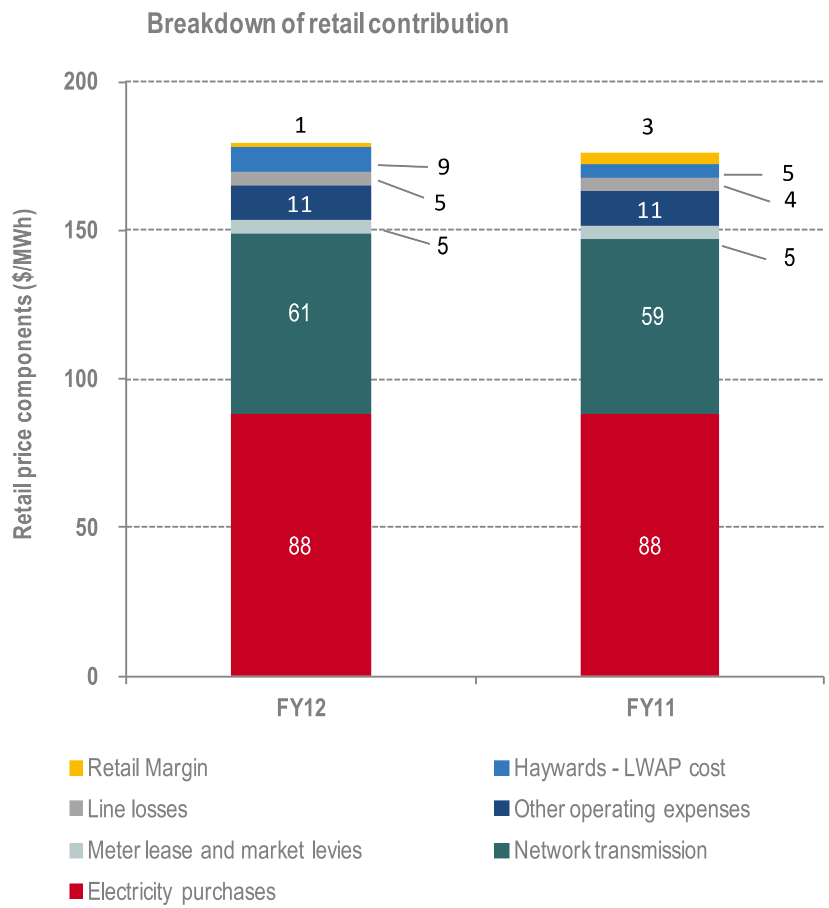


- 1H12 experienced three discrete periods of operation as storage started at mean and then dropped before returning to mean by the end of December
- 2H12 was dry in the South Island with record low inflows resulting in below mean storage levels. The North Island was much wetter with storage levels generally at or above mean

FY12 Retail Electricity – Down $18m (64%) to $10m

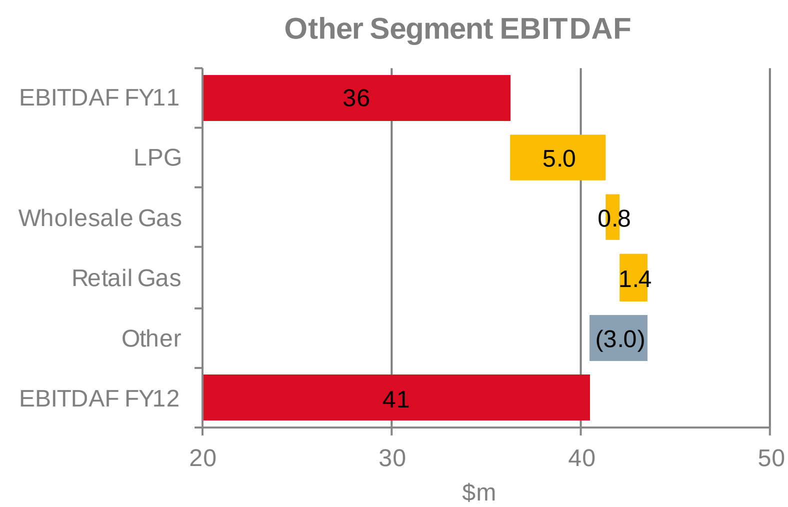
Due to reduced mass market margins and unfavourable location costs more than offsetting the benefits of margin increases and growth in Commercial and Industrial

- Commercial and Industrial growth on all metrics
  - Time of Use sales up 4% to 4,092 GWh
  - Margin up $7/MWh offset by a $2/MWh increase in network costs
- Mass Market responds to early losses
  - Negatively impacted by customer losses up until August 2011; Mass Market sales down 3% to 4,188 GWh
  - Price discounting successful in reversing losses, gained 5,000 customers
  - Price increases implemented increasing tariff by 1% to $214/MWh more than offset by network unit costs up $5/MWh. Cost to serve stable at $15/MWh
- Location costs have increased for retail by $30m ($26m decrease for hedged generation)



FY12 'Other' segment contribution up $4m (11%) to $41m driven by improved LPG volumes and margin

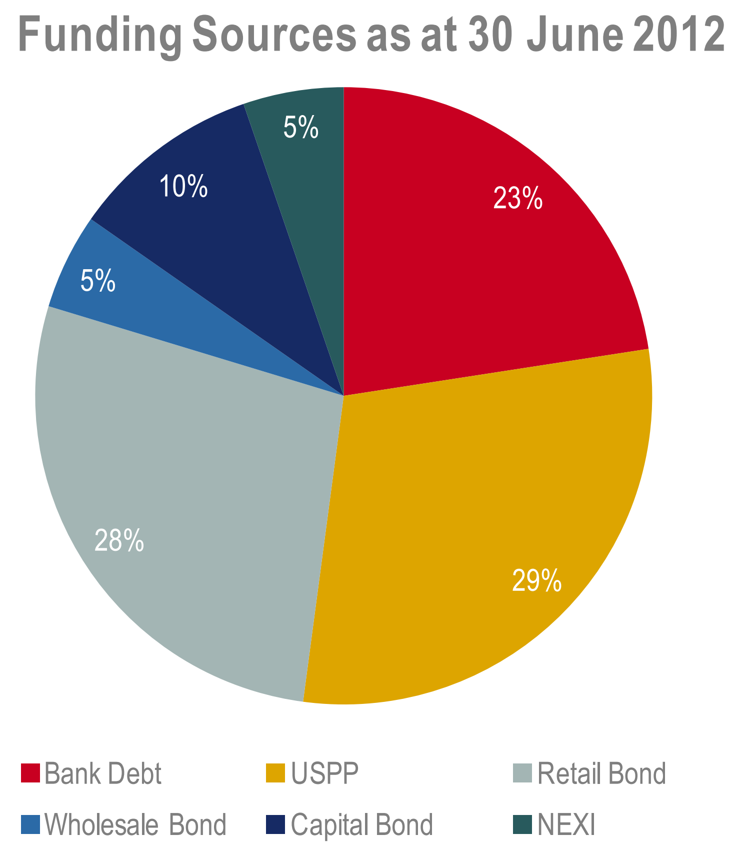
- LPG EBITDAF up $5m to $12m
  - Volumes up 514 tonnes to 65,715 tonnes
  - Margin improved $70 per tonne with NZ dollar purchase contracts agreed and reduced carbon and operating costs
- Wholesale gas EBITDAF up $1m to ($2m)
  - Volume down 0.8 PJ to 2.3 PJ (excluding distressed sales) with the expiry of a long term contract
  - Carbon costs down $1m



- Retail gas EBITDAF up $1m to $3m
  - Volume down 0.3 PJ (11%) to 2.5 PJ driven by lower average usage. Customer numbers up 2,500 to 62,500
  - $2.3m benefit due to over allocation of gas network costs from prior periods
- Other revenue down $3m, mainly due to lower average retail electricity and gas meter numbers during FY12 and a reduction in dividends resulting from the exit of the investment in Oakey Power Holdings Pty Limited

Capital structure

- Diverse funding portfolio expanded in FY12
  - First tranche of the USPP of US$75 million (NZ$135 million) matures in February 2013 and has moved into current liabilities
  - Successful $200m capital bond tapped NZ retail market demand for higher yield securities
  - NEXI/ANZ Japanese export credit agency financing provides 15-year amortising funding at competitive rates
  - Provides options for the upcoming USPP and bond refinancing
- Balance Sheet gearing level remains strong. As at 30 June 2012:
  - Net debt $1.44bn, up $242m on 30 June 2011
  - Gearing ratio 29%
  - $450m in available credit facilities ($3m drawn) plus $92m available under export credit agency facility (nil drawn)



Strategy Update

Dennis Barnes

Contact Energy – strategic priorities

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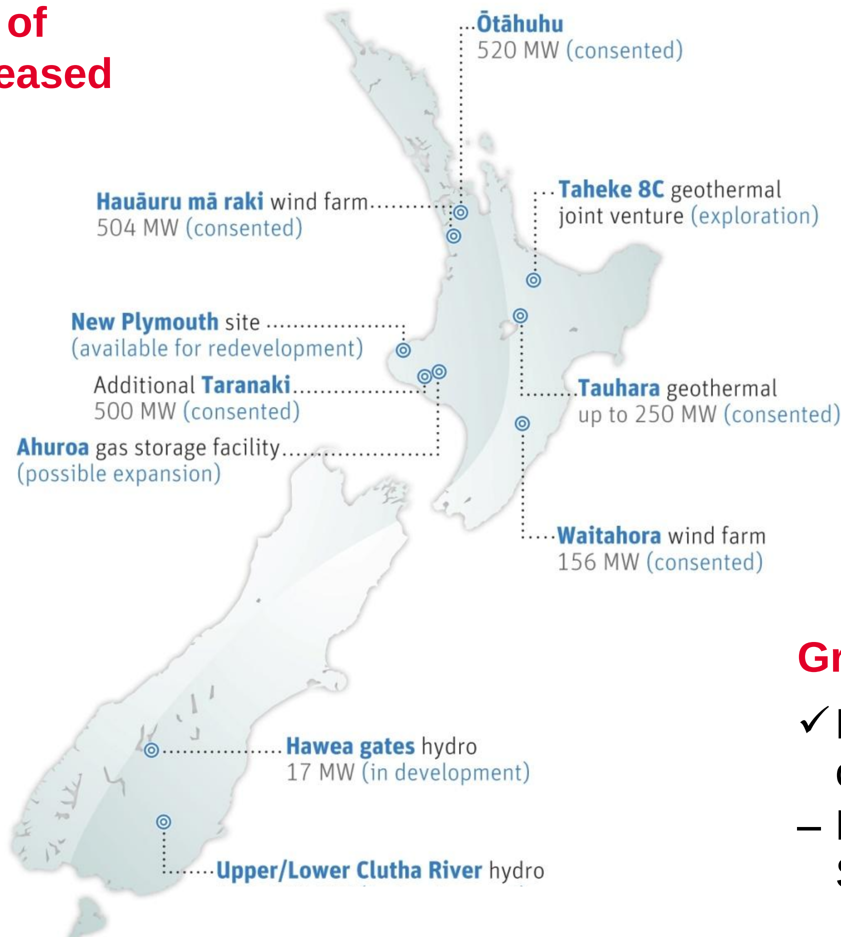
Lower average cost of generation and increased portfolio flexibility

✓166 MW Te Mihi
✓Peakers
✓Whirinaki
✓Gas storage
✓Swaption ends
✓Oakey divestment

- Gas recontracting commenced
- CCGT operating regime progressed



Positioned for growth

– Tauhara – next most competitive generation development in New Zealand
– Diverse range of development options across all fuels
– Will only be developed when market signals improve

Grow retail load

✓Reverse trend of customer losses
– Leverage the benefits of SAP implementation

Little sign of demand growth; further increases in supply to come

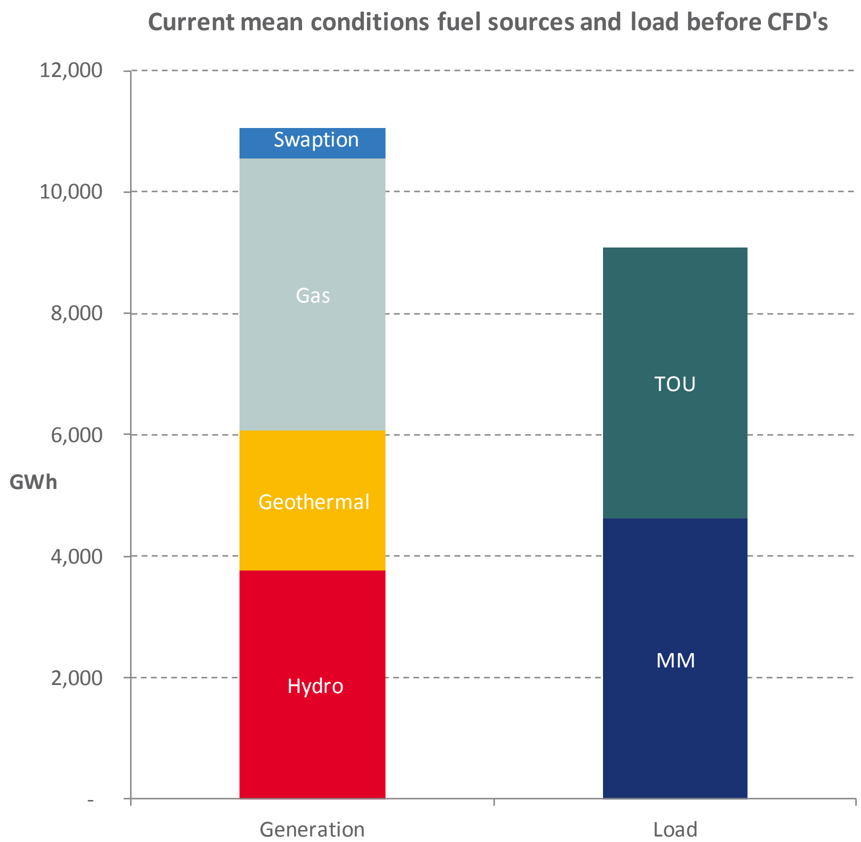
- Lack of demand growth since 2008 continues

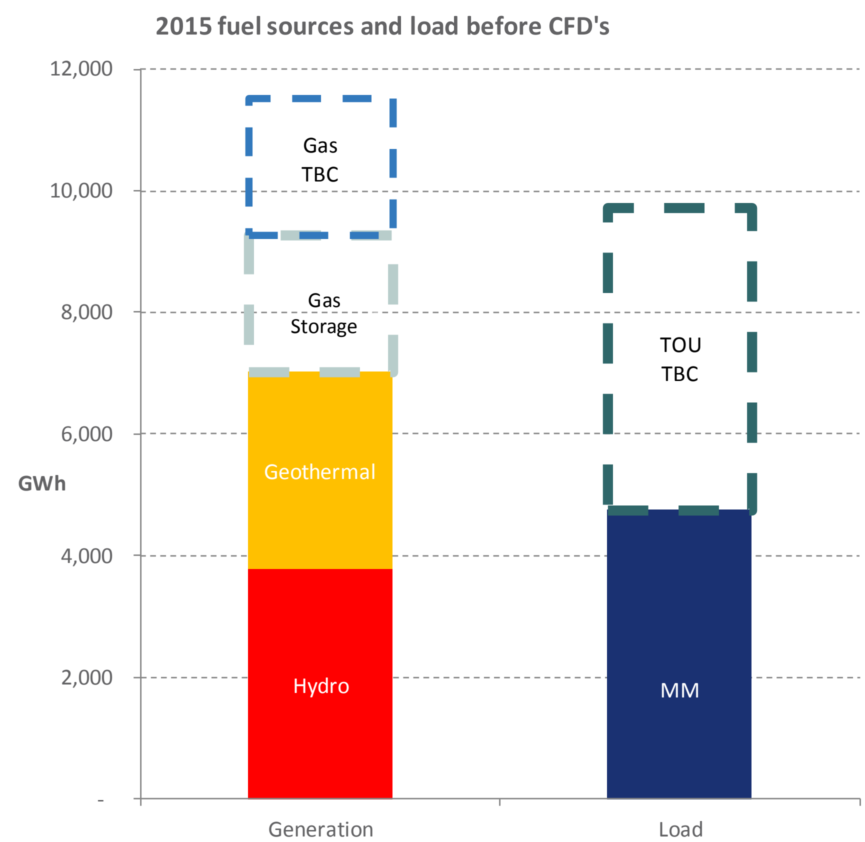
Demand	Annual demand GWh			Growth rate % p.a.	
	2012	2011	2010	1 year	2 year
North Island	24,879	24,896	24,550	(0.1%)	0.7%
South Island excluding Tiwai	9,267	9,287	9,609	(0.2%)	(1.8%)
Total	**34,146**	**34,183**	**34,159**	**(0.1%)**	**(0.0%)**

Source: SCADA data

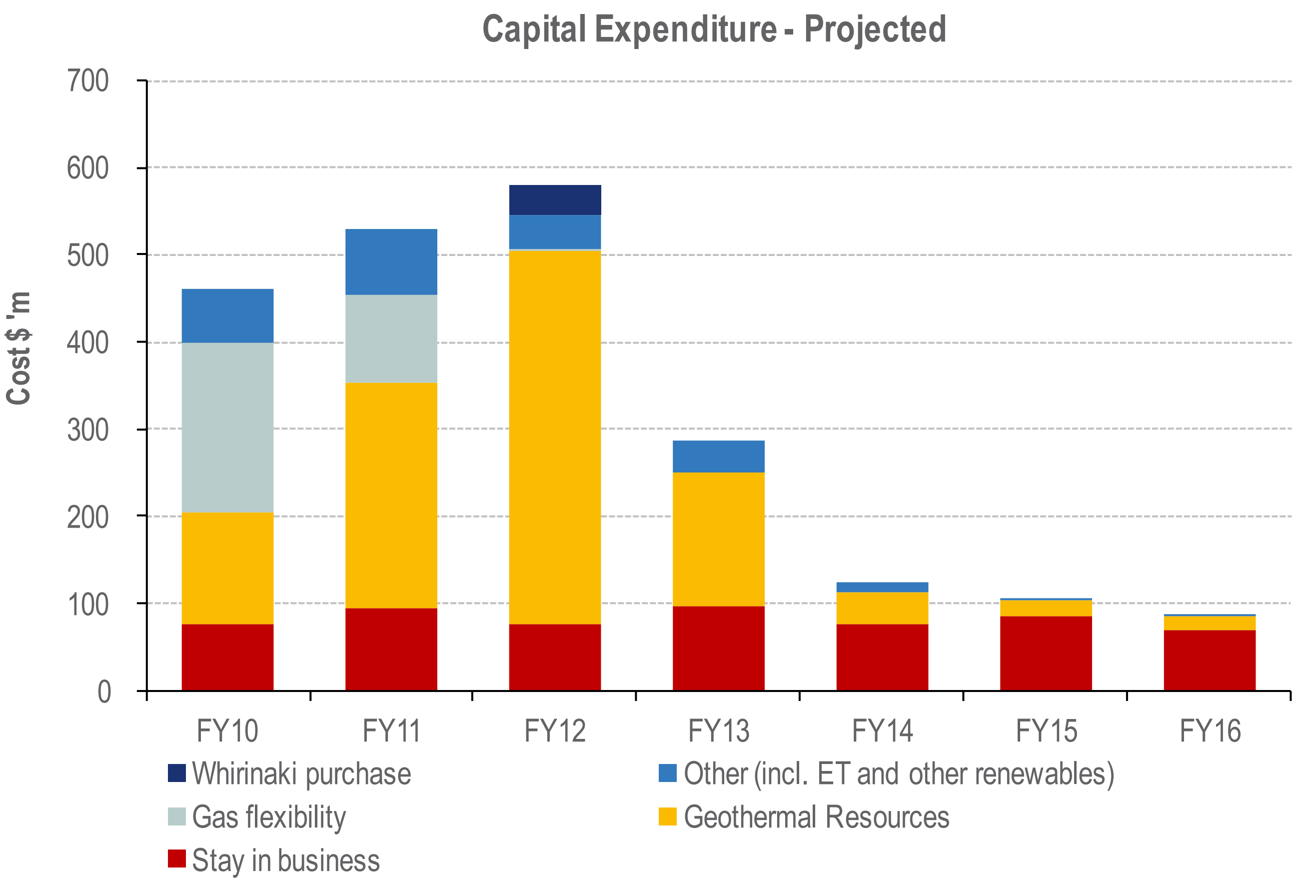
- Additional capacity will be added to the market by 2014
  - Te Mihi
  - Ngatamariki
  - Mill Creek
  - Todd Peakers
- Genesis have confirmed the closure of one Huntly unit in December 2012, with a second unit planned for closure in 2014

Reshaping contracted gas volumes from 2H14 will allow Contact to flexibly match its retail sales





Significant growth capex finishes in FY13 with completion of Te Mihi, which in turn releases free cash flow in FY14



Stay in business capex includes plant related expenditure

Geothermal capex beyond 2012/13 is resource related

- Ohaaki spend for reconsenting
- Taheke spend to clarify resource and project potential
- No further spend on Tauhara committed

Summary

Financial performance

- Diverse and increasingly flexible portfolio delivering measurable benefits
- Sales volume and margin increased. A more competitive offering for customers
- National demand remains stagnant, dryer conditions ease oversupply

Improving operational performance

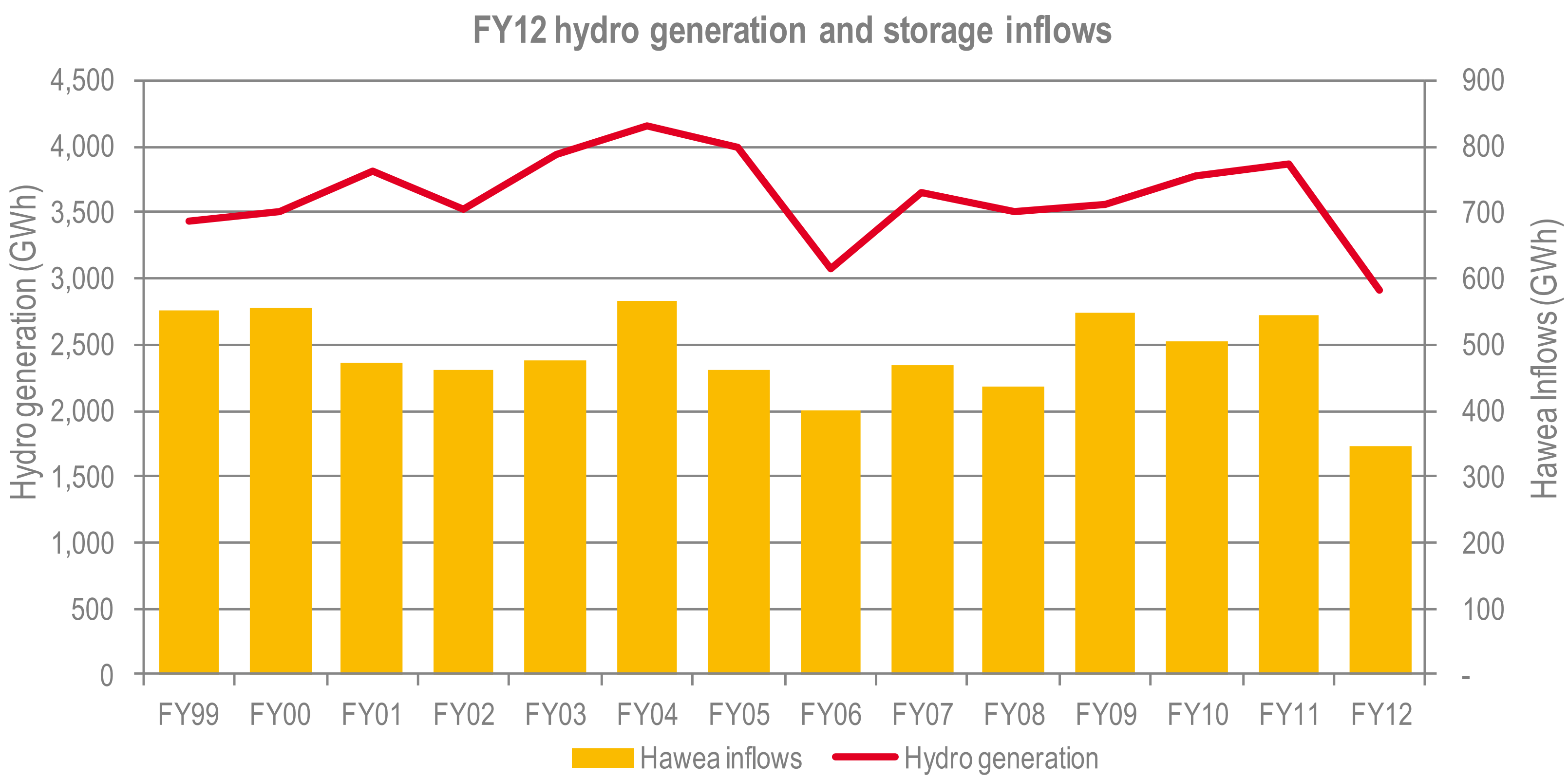
- Gas cost savings delivered, flexibility improved
- Net increase of 5,000 electricity customers since September
- Whirinaki purchase and Oakey divestment, land sales process commencing
- Diverse funding options gives strong Balance Sheet

Positive outlook

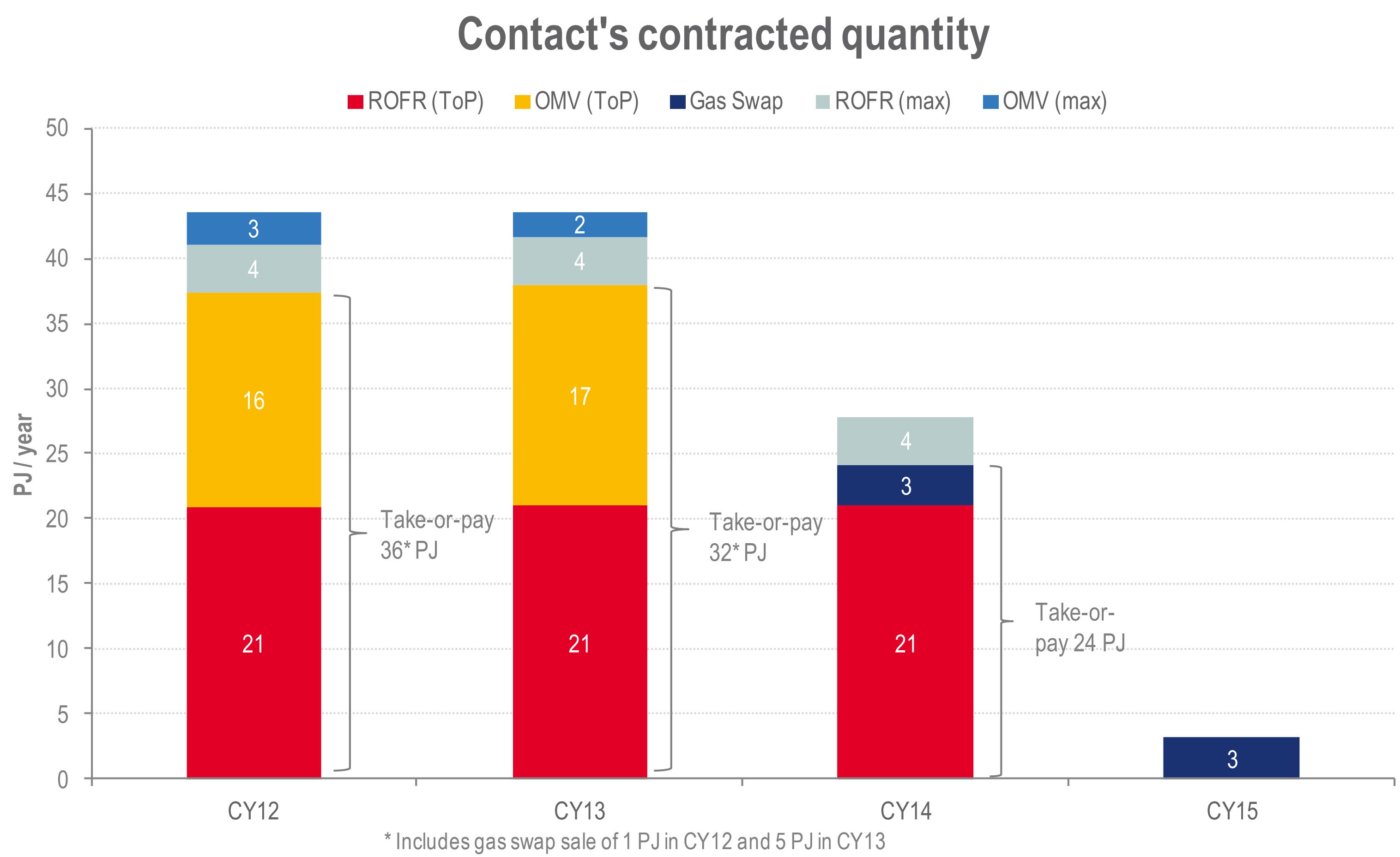
- Portfolio flexibility will continue to increase in the next two years
- Improving market conditions for gas buyers
- Leverage systems investment to increase efficiency and reduce costs
- The completion of Te Mihi ends the current investment programme. Limited prospects of New Zealand requiring significant additional generation development in the short to medium term will significantly bolster cash flows from FY14
- Diverse range of options for development maintained for when market signals improve

Supporting Material

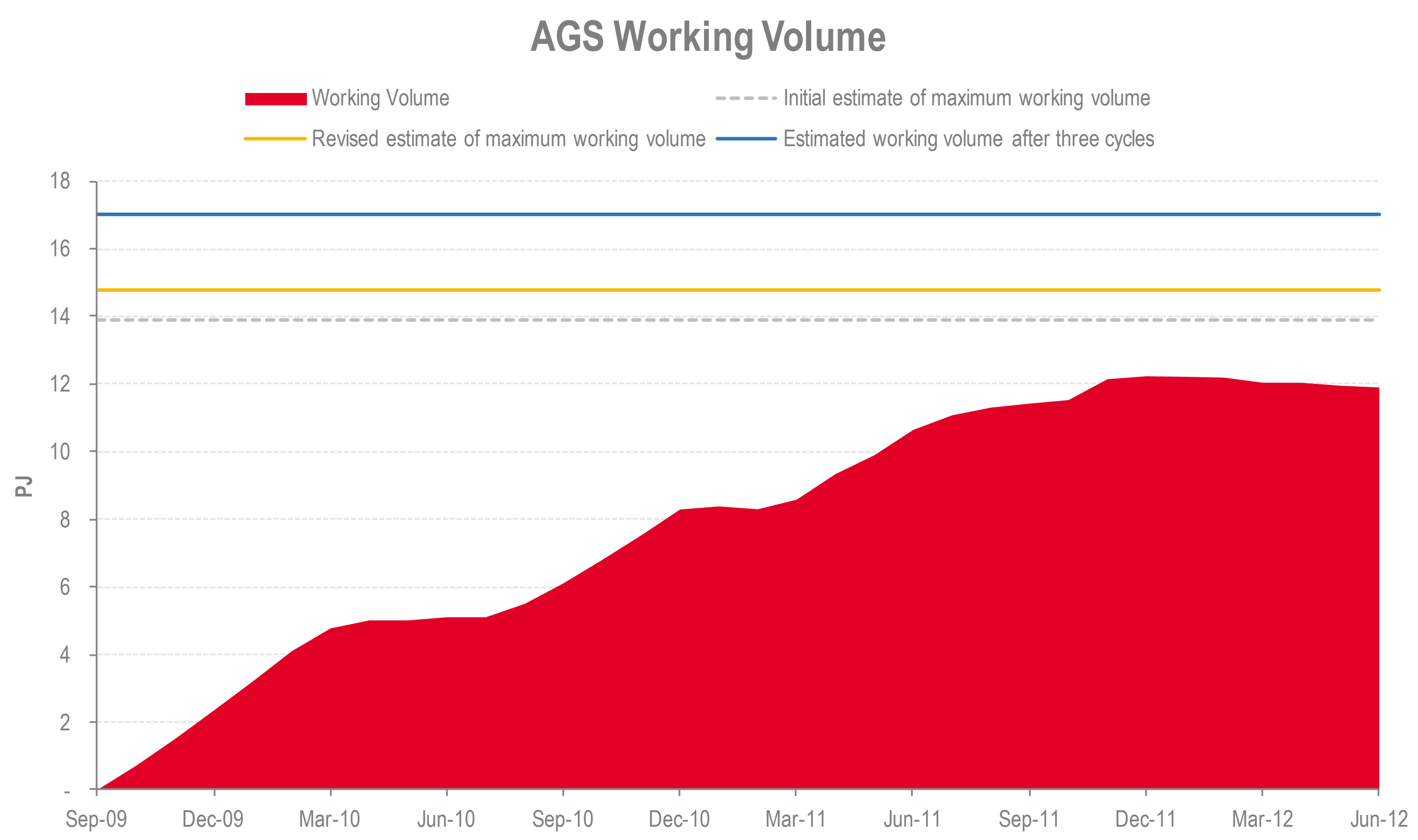
Record low hydro inflows and generation



Forward gas contracting position



Revised estimate of working capacity indicates mid-point of approximately 3 PJ of capacity remain for the first cycle. Current gas inventory 11.9 PJ



Gas Position

No direct gas take-or-pay costs; increased flexibility; lower average cost of gas

- Underlying generation gas costs decreased $0.97/GJ, no direct take-or-pay costs during 1H12
- Injections into storage mitigated 2.2 PJ (equivalent to $17m in costs) and extractions totalled 0.6 PJ. Current gas inventory 11.9 PJ
- Spot purchases totalled 0.4 PJ

Total gas usage	Volume (PJ)		Cost to generation ($m)		Average unit cost ($/GJ)	
	FY12	FY11	FY12	FY11	FY12	FY11
Gas used in generation	38.7	30.1	294.5	234.6	7.62	7.78
Retail sales	2.5	2.8	-	-	-	-
Wholesale (excl distressed sales)	2.3	3.1	-	-	-	-
Injected into storage	2.2	5.8	-	-	-	-
Loss on distressed sales	-	4.0	-	11.1	-	0.37
Gas paid and not taken	-	2.0	-	12.5	-	0.42
Total generation gas cost			294.5	258.2	7.62	8.57
Generation transmission costs	-	-	26.5	21.1	0.68	0.70
Generation gas cost (incl transmission)			321.0	279.3	8.30	9.27

Financial Results Summary

Key financial information	Year ended 30 June 2012 $m	Year ended 30 June 2011 $m	Variance $m	Variance %
Revenue and other income	2,700.7	2,230.8	469.9	21%
Operating expenses (1)	(2,192.0)	(1,789.4)	(402.6)	(22%)
EBITDAF (2)	**508.7**	**441.4**	**67.3**	**15%**
Depreciation and amortisation	(193.1)	(166.3)	(26.8)	(16%)
Equity accounted earnings of associates	1.9	3.9	(2.0)	(51%)
Change in fair value of financial instruments	(11.5)	(5.9)	(5.6)	(95%)
Transition costs	(4.5)	-	(4.5)	0%
Clutha asset impairment and land sale	(2.1)	-	(2.1)	0%
Exit of investment in Oakey Power Holdings Pty Limited	27.9	-	27.9	0%
Earnings before net interest expense and income tax (EBIT)	**327.3**	**273.1**	**54.2**	**20%**
Net interest expense	(71.6)	(62.4)	(9.2)	(15%)
Income tax expense	(65.3)	(60.4)	(4.9)	(8%)
Profit for the year	**190.4**	**150.3**	**40.1**	**27%**
Underlying earnings after tax (3)	**176.4**	**150.9**	**25.5**	**17%**
Underlying earnings per share (cents)	**24.95**	**24.00**	**0.95**	**4%**
Shareholders' equity	**3,417.7**	**3,235.6**	**182.1**	**6%**

(1) Includes electricity purchases.

(2) Earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments and other significant items.

(3) Underlying earnings after tax represents profit for the year after tax and adjusted for significant items that do not reflect the ongoing performance of the Group.

Electricity segment result

Electricity Segment	12 Months Ended 30 June 2012 $m	12 Months Ended 30 June 2011 $m	Variance $m	%
Wholesale Electricity Revenue	970.5	505.7	464.8	92%
Retail Electricity Revenue	1,480.4	1,443.6	36.8	3%
Steam revenue	20.4	19.7	0.7	4%
Total Electricity Revenue	**2,471.4**	**1,969.0**	**502.4**	**26%**
Electricity Purchases	(861.2)	(486.0)	(375.2)	(77%)
Electricity Transmission, Distribution and Levies	(556.6)	(532.0)	(24.7)	(5%)
Gas Purchases and Transmission	(321.0)	(279.3)	(41.7)	(15%)
Carbon Emissions	(13.2)	(25.1)	11.9	47%
Meter lease internal charge	(28.4)	(29.2)	0.8	3%
Labour Costs and Other Operating Expenses	(222.7)	(212.4)	(10.4)	(5%)
Total Operating Expenses	**(2,003.2)**	**(1,563.9)**	**(439.3)**	**(28%)**
EBITDAF	**468.2**	**405.1**	**63.1**	**16%**
Depreciation and Amortisation	(181.9)	(156.5)	(25.4)	(16%)
Segment Result	**286.2**	**248.5**	**37.7**	**15%**
Average Wholesale Electricity Price ($ per MWh) (1)	$91.92	$49.69	42.2	85%
Cost of exposed generation ($ per MWh)	($41.82)	($38.61)	(3.2)	8%
Cost of hedged generation ($ per MWh)	($59.39)	($51.05)	(8.3)	16%
Hedged generation margin ($ per MWh)	$41.10	$38.43	2.7	7%
Gas Used in Internal Generation (PJ)	38.7	30.1	9	28%
Swaption Generation - Hedged (GWh)	16	-	16	-
Swaption Generation - Exposed (GWh)	607	384	224	58%
Thermal Generation - Hedged (GWh)	4,053	2,858	1,195	42%
Thermal Generation - Exposed (GWh)	705	850	(144)	(17%)
Geothermal Generation (GWh)	2,370	2,275	95	4%
Hydro Generation (GWh)	2,895	3,860	(966)	(25%)
Embedded Generation (GWh)	7	33	(26)	(79%)
Total Generation including Swaption (GWh)	**10,653**	**10,259**	**393**	**4%**
Average Electricity Purchase Price ($ per MWh) (1)	($98.31)	($55.14)	(43.2)	(78%)
Retail Electricity Purchases (GWh)	8,719	8,635	84.2	(1%)
Generation - Exposed (GWh)	1,313	1,233	79.6	(6%)
CfD Sales (GWh)	606	356	250.8	(71%)
Retail Electricity Sales (GWh)	8,280	8,254	26	0%
Electricity Customer Numbers	443,000	447,000	(4,000)	(1%)

(1) This price excludes contracts for differences.

Other segment result

contact

Other segment	Year ended 30 June 2012 $m	Year ended 30 June 2011 $m	Variance $m	Variance %
Wholesale gas revenue	22.4	50.9	(28.5)	(56%)
Retail gas revenue	69.4	72.4	(3.0)	(4%)
LPG revenue	116.5	117.0	(0.5)	(0%)
Meter leases revenue	13.5	12.7	0.8	6%
Meter leases revenue - internal (1)	28.4	29.2	(0.8)	(3%)
Other revenue	7.5	8.9	(1.4)	(16%)
Total other segment revenue	**257.8**	**291.1**	**(33.3)**	**(11%)**
Gas purchases and transmission	(68.8)	(101.8)	33.0	32%
LPG purchases	(83.1)	(85.4)	2.3	3%
Meter lease costs	(22.8)	(22.0)	(0.8)	(4%)
Carbon emissions	(1.6)	(5.2)	3.6	69%
Market levies	(1.3)	(1.0)	(0.3)	(30%)
Labour costs and other operating expenses	(39.7)	(39.4)	(0.3)	(1%)
Total operating expenses	**(217.3)**	**(254.8)**	**37.5**	**15%**
EBITDAF	**40.5**	**36.3**	**4.2**	**12%**
Depreciation	(11.1)	(9.8)	(1.3)	(13%)
Segment result	**29.4**	**26.5**	**2.9**	**11%**
Gas sales wholesale customers (PJ)	2.3	7.1	(4.8)	(68%)
Gas sales retail customers (PJ)	2.5	2.8	(0.3)	(11%)
Gas sales LPG customers (Tonnes)	65,715	65,201	514	1%
Gas customer numbers	62,500	60,000	2,500	4%
LPG customer numbers (including franchisees)	61,700	59,300	2,400	4%

Hedged Generation

Up $37m (11%) with benefits from lower gas and carbon unit costs offset by reduced hydro volumes

Hedged segment contribution	Units	FY12	FY11	Var	Var (%)
Hedged generation	**GWh**	**9,340**	**9,026**	**314**	**3%**
Transfer price	**$ / MWh**	**88.21**	**88.21**	**-**	**-**
Hedged generation at GWAP transfer p	**$ 'm**	**823.9**	**796.2**	**27.7**	**3%**
Expenses					
Gas Purchases and Transmission	$ 'm	(303.9)	(261.2)	(42.7)	(16%)
Swaption call cost	$ 'm	(35.8)	(24.3)	(11.5)	(47%)
Electricity Transmission	$ 'm	(31.6)	(27.6)	(4.0)	(14%)
Market Levies	$ 'm	(7.7)	(5.8)	(1.9)	(33%)
Carbon Emissions	$ 'm	(9.6)	(17.7)	8.1	46%
Other Operating Expenses	$ 'm	(128.4)	(118.1)	(10.3)	(9%)
Total expenses	**$ 'm**	**(517.0)**	**(454.7)**	**(62.3)**	**(14%)**
Other generation (steam, CFD, ancillary, location costs adj, etc.)	**$ 'm**	**77.0**	**5.4**	**71.6**	**1,326%**
Hedged segment contribution	**$ 'm**	**383.9**	**346.9**	**37.0**	**11%**

Exposed generation
Up $44m (148%) due to increased volumes and higher wholesale prices

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Exposed segment contribution	Units	FY12	FY11	Var	Var (%)
Exposed generation volume	**GWh**	**1,313**	**1,233**	**80**	**6%**
Exposed GWAP	**$ / MWh**	**98.35**	**62.87**	**35.5**	**56%**
Revenue	**$ 'm**	**129.1**	**77.5**	**51.6**	**67%**
Expenses					
Gas Purchases and Transmission	$ 'm	(17.1)	(18.1)	1.0	6%
Swaption call cost	$ 'm	(31.2)	(19.0)	(12.2)	(64%)
Electricity Transmission	$ 'm	(2.4)	(2.6)	0.2	9%
Carbon Costs	$ 'm	(3.6)	(7.3)	3.7	51%
Market Levies	$ 'm	(0.6)	(0.6)	-	-
Other Operating Expenses	$ 'm	-	-	-	-
Total expenses	**$ 'm**	**(54.9)**	**(47.6)**	**(7.3)**	**(15%)**
Exposed segment contribution	**$ 'm**	**74.2**	**29.9**	**44.3**	**148%**

Retail: Down $18m (64%) due to lower mass market volumes; increasing network costs and line losses more than offsetting the benefits of price increases and growth in Commercial and Industrial sales

Retail electricity contribution	Units	FY12	FY11	Var	Var (%)
Sales	**GWh (ICP)**	**8,280**	**8,254**	**26**	**0%**
Revenue	**$'m**	**1,487.7**	**1,452.9**	**34.8**	**2%**
Cost of electricity - internal transfer price	$/MWh	(88.21)	(88.21)	-	-
Cost of electricity - LWAP - Haywards cost	$/MWh	(7.94)	(4.81)	(3.13)	(65%)
Actual line losses	%	5%	4%	(1%)	(25%)
Cost of electricity delivered	$/MWh	(102)	(98)	(4)	(4%)
Energy costs	$'m	(840.5)	(805.8)	(34.7)	(4%)
Transmission and market costs	$'m	(514.4)	(495.3)	(19.1)	(4%)
Meter lease costs	$'m	(28.4)	(29.2)	0.8	3%
Retail costs (other OPEX)	$'m	(94.3)	(94.3)	(0.0)	(0%)
Total expenses	**$'m**	**(1,477.6)**	**(1,424.6)**	**(53.0)**	**(4%)**
Retail electricity contribution	**$'m**	**10.1**	**28.3**	**(18.2)**	**(64%)**
Retail electricity margin	**%**	**1%**	**2%**	**(1%)**	**(50%)**