



CONTACT ENERGY LIMITED

PROSPECTUS

for an offer of

Fixed Rate Bonds

ARRANGER AND ORGANISING PARTICIPANT

First NZ Capital Securities Limited

JOINT LEAD MANAGERS

First NZ Capital Securities Limited

ANZ, part of ANZ National Bank Limited

ABN AMRO New Zealand Limited

Forsyth Barr Limited

CO-MANAGER

Westpac Institutional Bank

23 February 2009

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Summary of the Bond Programme

This Prospectus is dated 23 February 2009 and relates to an offer of Bonds by Contact Energy Limited. The terms of these Bonds are set out on pages 8 to 13 of this Prospectus.

A copy of this Prospectus, duly signed by or on behalf of the Directors of Contact Energy Limited and having attached to it all documents and other materials required by section 41 of the Securities Act 1978, has been delivered to the Registrar of Companies at Auckland for registration under section 42 of the Securities Act 1978.

The documents required by section 41 of the Securities Act 1978 to be endorsed on or attached to the copy of this Prospectus delivered to the Registrar of Companies for registration are:

- the report of the auditors of Contact Energy Limited in respect of certain financial information included in this Prospectus, as set out on pages 44 to 47 of this Prospectus;
- the signed consent of the auditors to the auditors' report appearing in this Prospectus;
- copies of the material contracts referred to on page 54 which have not previously been filed with the Registrar of Companies;
- an acknowledgement from NZX to the effect that application has been made to NZX for permission to list the Bonds and all requirements of NZX for the listing of the Bonds that can be complied with at that time have been duly complied with;
- the Trustee's statement, as set out on page 43 of this Prospectus; and
- letters of authority authorising this Prospectus to be signed by the agent of directors of Contact Energy (where appropriate).

This Prospectus only constitutes an offer of Bonds to the public in New Zealand and to investors in other jurisdictions where the Bonds may be lawfully offered. No action has been or will be taken by Contact Energy which would permit an offer of Bonds to the public, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand). Bonds may only be offered for sale or sold in conformity with all application laws and regulations in any jurisdiction in which they are offered, sold or delivered. No Bondholder, or any other person, may purchase, offer, sell, distribute or deliver Bonds, or have in its possession, publish, deliver or distribute to any person, any offering material or any documents in connection with the Bonds, in any jurisdiction other than in compliance with all applicable laws and regulations. By purchasing the Bonds, each Bondholder who is an original subscriber is deemed to have indemnified Contact Energy and each of the Joint Lead Managers, the Co-Manager and the Trustee for any loss suffered by any of them by reason of the breach of the above selling restrictions.

Capitalised words and expressions appearing in this Prospectus are defined in the Glossary to this Prospectus.

The issuer

The issuer of the Bonds is Contact Energy Limited ("**Contact Energy**"). Contact Energy's registered office is located at Level 1, Harbour City Tower, 29 Brandon Street, Wellington.

Further information about Contact Energy is contained elsewhere in this Prospectus.

The Bond Programme

Contact Energy has established a Bond Programme which allows the issue of bonds from time to time to refinance its existing debt, to provide funding for capital development projects and for general operational purposes. The Bond Programme permits Contact Energy to issue, from time to time, bonds with different features, particularly with different Maturity Dates and Interest Rates.

Under the Bond Programme, bonds are constituted and issued in Series. A Series comprises of at least one Tranche of bonds and may comprise of a further Tranche or Tranches of bonds which are expressed to be consolidated and form a single Series and in respect of which all terms are identical (except for the respective Opening and Closing Date, Interest Rate, Maturity Date, frequency of payment of Interest and Interest Payment Dates).

Contact Energy may offer Bonds pursuant to this Prospectus in various Tranches between 2 March 2009 and 30 September 2009. In respect of each Tranche of Bonds offered, details of the applicable Opening Date and Closing Date, Interest Rate, Maturity Date, frequency of payment of Interest, Interest Payment Dates and brokerage will be set out in the applicable Rate Card.

Rating

On 23 February 2009 the Bonds were assigned a rating BBB by Standard & Poor's ("**Standard & Poor's**"). Further information about the rating is available at: www.standardandpoors.com.

The rating referred to in this Prospectus is not a recommendation to buy, sell or hold the Bonds, and the rating may be subject to revision or withdrawal at any time by Standard & Poor's. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Apart from the above statement, Standard & Poor's has not been involved in the preparation of this Prospectus. Standard & Poor's and its affiliates provide financial data, analytical research and investment and credit opinions to the global capital markets and have many years experience in the provision of corporate and infrastructure finance ratings.

Standard & Poor's has given its consent to the inclusion of their credit rating of Contact Energy and of the Bonds in the form and context in which it is included and to being named in this Prospectus in the form and context in which they are named.

No Underwriting

Contact Energy may arrange for a particular Series of bonds issued under the Bond Programme to be partly or fully underwritten. None of the Bonds offered under this Prospectus will be underwritten.

Listing

Application has been made to NZX for permission to list the Bonds offered at the date of this Prospectus on the NZDX Market and all the requirements of NZX relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However, NZX accepts no responsibility for any statement in this Prospectus.

Contact Energy is the issuer and sole obligor

For the purpose of the Securities Regulations 1983, Contact Energy is the "issuer" and, at the date of this Prospectus, the "borrowing group" and is the sole obligor in respect of the Bonds. No other party, including the Trustee, each of the Joint Lead Managers, the Co-Manager or any of Contact Energy's subsidiaries guarantees Contact Energy's obligations under the Bonds.

FASTER transfer

Listed Bonds may be transferred electronically using the FASTER system operated by NZX. All NZX brokers are connected. FASTER allows for the real time processing of all buy and sell orders into a central system for matching and settlement.

As soon as allotted Bonds are issued, new Bondholders will be advised by mail of their FIN (FASTER Identification Number). Separately, the Registrar will send a FASTER statement. There are no certificates. Further statements can be requested at any time.

Institutional settlement is handled via the Austraclear, New Zealand System which provides a delivery versus payment service to banks, brokers and institutions in New Zealand.

Bondholders of listed Bonds will be required to quote their FIN in all dealings with a broker or the Registrar, as well as their CSN (Common Shareholder Number) which they will have if they have an existing relationship with a broker.

Summary of the Bonds

The following is a summary of the main terms that will apply to the Bonds. The full terms and conditions of the Bonds are set out at pages 8 to 13 of this Prospectus.

Trust Documents

All terms and conditions relating to the Bonds are set out in the Master Trust Deed and the Supplemental Trust Deed. The Trust Documents also incorporate and modify certain provisions of the Deed of Negative Pledge. To the extent of any inconsistency between the Supplemental Trust Deed and the Master Trust Deed, the Supplemental Trust Deed prevails. A summary of the principal provisions of the Master Trust Deed and the Supplemental Trust Deed is set out on pages 35 to 42 of this Prospectus.

Registered Bonds

The Bonds will be registered Bonds and not bearer Bonds. This means that title to a Bond will be determined solely by who is entered on the Register in relation to that Bond. Contact Energy will rely on the relevant Register for the purpose of determining entitlements to interest payments on each Interest Payment Date, and for repayment of the Principal Amount on the relevant Maturity Date.

Interest Rate, payments and maturity

Interest Rate

The Bonds will be fixed rate instruments. Each Tranche of the Bonds will pay Interest at the Interest Rate specified in the relevant Rate Card. Interest shall accrue from day to day and shall be paid to the Bondholder in arrears on each Interest Payment Date for that Interest period.

Interest Payment Dates

Interest on each Bond will be payable in arrears at the frequency set out in the relevant Rate Card, commencing on the first Interest Payment Date, and ending on the Maturity Date (each an Interest Payment Date). If Interest would fall due on a day other than a Business Day it will be payable on the next Business Day.

Interest will be paid to the original subscriber of that Bond in respect of the first Interest Payment Date, as specified in the relevant Rate Card.

Maturity

The Bonds will mature on the date specified in the relevant Rate Card.

New Zealand taxation

Interest paid on the Bonds to a Bondholder who is resident in New Zealand for New Zealand income tax purposes or who is engaged in business in New Zealand through a fixed establishment in New Zealand ("**Resident Bondholder**") will be income that is taxable at the Bondholder's relevant tax rate, and may be required to be spread under the financial arrangements rules.

Resident withholding tax will be deducted at the applicable rate from interest paid on the Bonds to a Resident Bondholder. Resident withholding tax will not be deducted if a Resident Bondholder holds a valid RWT exemption certificate (and has provided a copy to the Registrar).

Approved issuer levy will be deducted from Interest paid on the Bonds to a Bondholder that is not a Resident Bondholder, unless the Bondholder requests that non-resident withholding tax be deducted at the applicable rate instead.

Neither Contact Energy nor the Trustee is obliged to gross-up or otherwise pay any additional amounts to Bondholders as a consequence of the deduction of any withholding tax or approved issuer levy.

A more detailed description of the applicable New Zealand taxes will be sent out in the relevant Investment Statement. The above statements are based on applicable taxation legislation current at the date of this Prospectus.

Status of Bonds

The Bonds issued under this Prospectus will constitute unsecured and unsubordinated obligations of Contact Energy and rank equally with each other. The Bonds also rank equally with all other unsecured and unsubordinated indebtedness of Contact Energy, except indebtedness preferred by law.

Further Tranches and Series of Bonds

Under the Master Trust Deed, Contact Energy may from time to time, without the consent of existing Bondholders, issue further Tranches and Series of bonds subject to the execution by Contact Energy and the Trustee of a Supplemental Trust Deed. Contact Energy may, subject to compliance with the Trust Documents and the Deed of Negative Pledge, also issue other bonds, notes or other debt instruments which may rank ahead of the Bonds.

Applications

Applications for the Bonds must be made in the manner and by the times specified in the Investment Statement.

Important Dates

Opening Date:	As per the applicable Rate Card
Initial Rate Set Date:	The Business Day before the Opening Date
Closing Date:	As per the applicable Rate Card
Issue Date:	For each bond that Contact Energy has agreed to issue, the date on which the Issue Price payable by the applicant for the Bond has been lodged to Contact Energy's bank account.
Expected quotation of Bonds on the NZDX:	Within a reasonable time after the Closing Date for the Tranche, and in any event not more than 10 Business Days after that date

Terms and Conditions of the Bonds

The terms and conditions of the Bonds as contained in Schedule 1 of the Supplemental Trust Deed are set out in this section.

1. GENERAL

1.1 The Bonds are subject to the provisions of the Trust Documents and, to the extent imported by the Trust Documents, the Deed of Negative Pledge and Guarantee. Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the Trust Documents.

1.2 Words and expressions defined in the Trust Documents and used in the Conditions have the meanings given to them in the Trust Documents, as applicable, unless otherwise defined. In addition, unless the context otherwise requires:

Accrued Interest means, on any date and in respect of any Bond, all interest on the Principal Amount of that Bond which has accrued in accordance with these Conditions but has not been paid to the relevant Bondholder and includes, where the context requires, interest overdue for payment.

Bondholder means a holder of Bonds.

Contact Energy means Contact Energy Limited.

Interest Payment Date means in respect of a Tranche of Bonds, each date for the payment of interest for that Tranche in each year and including the Maturity Date as set out in the applicable Rate Card.

Interest Rate means, in relation to a Bond offered under the Investment Statement and Prospectus, the initial rate of interest per annum payable on the face value of that Bond as set by Contact Energy in consultation with the Joint Lead Managers, and set out on the Rate Card applicable to that Bond.

Investment Statement means the investment statement dated on or about 23 February 2009 in relation to the Bonds.

Joint Lead Managers means First NZ Capital Securities Limited, ANZ, part of ANZ National Bank Limited, ABN AMRO New Zealand Limited and Forsyth Barr Limited.

Minimum Holding means Bonds with an aggregate Principal Amount of \$5,000.

Principal Amount means, in relation to a Bond, the amount (other than interest) payable on redemption or repayment of that Bond, being the amount recorded as such in the Register in respect of that Bond.

Prospectus means the registered prospectus dated on or about 23 February 2009 in relation to the Bonds.

Record Date means, in relation to a payment due on a Bond, the tenth calendar day before the relevant Interest Payment Date or Maturity Date or if that tenth day is not a Business Day, the Business Day immediately preceding such day.

Register means the register kept in respect of the Bonds maintained by the Registrar.

Trust Documents means the Master Trust Deed and the Supplemental Trust Deed.

2. STATUS AND RANKING OF THE BONDS

2.1 Status

The Bonds constitute unsecured unsubordinated debt obligations of Contact Energy, will rank equally in all respects with each other and with all unsecured unsubordinated indebtedness of Contact Energy other than indebtedness preferred by law.

2.2 Relevant Provisions of Trust Documents

The order of priority of payment in which amounts received by the Trustee under or in respect of Bonds must be applied, and the provisions specifying the remedies of the Trustee and the Bondholder in relation to the Bonds, are set out in the Trust Documents.

2.3 Repayment on Maturity Date

Unless and until amounts owing under the Bonds are paid or repaid earlier under the Trust Documents or these Conditions, Contact Energy shall repay the Principal Amount owing under the Bonds, together with Accrued Interest, on the Maturity Date.

3. EVENT OF DEFAULT

At any time after the occurrence of an Event of Default (as defined in the Master Trust Deed) the Trustee at its discretion may, or upon being directed to do so by an Extraordinary Resolution must, declare the Bonds to have become immediately due and payable, whereupon the Bonds shall forthwith become immediately due and payable.

4. INTEREST

4.1 Interest Rate and Calculation of Interest

- (a) Each Bond bears interest on the Principal Amount at the Interest Rate.
- (b) Interest will be calculated on the Principal Amount of each Bond and will accrue daily from the date application monies were banked by the Registrar in respect of each Bond on the basis of a 365-day year (subject to Condition 4.2). Interest will cease to accrue on each Bond on the date on which it is repaid, repurchased or redeemed in full.

4.2 Payments

All payments in relation to a Bond may be satisfied by:

(a) *Post*

mailing cheques to the addresses of; or

(b) *Direct credit*

direct credit to any bank account nominated in writing (prior to the Record Date) by,

the Bondholder entered in the Register on the Record Date. Such mailing or direct credit will occur prior to 5:00pm on the relevant Interest Payment Date (or, if that date is not a Business Day, the next Business Day after that date) or other date on which payment is required to be made. Interest will be paid to the original subscriber on the first Interest Payment Date regardless of any prior transfer of the relevant Bonds.

4.3 Withholding Taxes

(a) *Deduction for Withholding*

Subject to Condition 4.3(b) (*Approved Issuer Levy*), all payments or credits to, or to the account of, Bondholders (including payments of, and credits in respect of, interest) will be made net of any tax or levy in respect thereof required by law to be withheld, deducted or paid by Contact Energy, except to the extent that the Registrar is satisfied that the Bondholder is exempt from any such tax or levy or is a person in respect of whom any such withholding, deduction or payment is not required to be made. Any Bondholder claiming any such exemption or to be such a person must provide the Registrar with such evidence as the Registrar may from time to time require to satisfy itself in respect of the validity of that claim.

(b) *Approved Issuer Levy*

Contact Energy will register the Bonds with Inland Revenue for approved issuer levy (within the meaning of section 86F of the Stamp and Cheque Duties Act 1971) (**AIL**). Unless otherwise agreed Contact Energy will, where it is lawfully able, pay AIL at the minimum rate permitted by law on payments made or credited to Bondholders who are not New Zealand tax residents and do not engage in business in New Zealand through a fixed establishment in New Zealand (**Non-Resident Bondholders**). The amount of AIL will be reimbursed to Contact Energy by Contact Energy deducting the amount from the interest otherwise to be paid or compounded to or for the benefit of the Non-Resident Bondholder. At the written request of a Non-Resident Bondholder, to be made to the Registrar, Contact Energy will not deduct AIL and will deduct non-resident withholding tax, at the rate required by law (as reduced by any applicable double tax agreement) from payments made or credited to that Non-Resident Bondholder. Where Bonds are held jointly by a New Zealand tax resident and a Non-Resident Bondholder, Contact Energy will deduct resident withholding tax at the rate required by law. Contact Energy or the Registrar may require satisfactory evidence as to a Bondholder's tax and residency status before agreeing to apply any particular withholding regime in respect of that Bondholder.

(c) *No gross-up*

The actual amount of interest payable to each Bondholder on each Interest Payment Date will be the gross amount of interest calculated in accordance with Condition 4.1, less any amount deducted or paid by Contact Energy under Condition 4.2 or 4.3. Contact Energy is not liable to increase any payment to a Bondholder on account of any deduction or payment made under Condition 4.2 or 4.3.

(d) *Taxation Indemnity from Bondholder*

If, in relation to any Bond, the Trustee or Contact Energy becomes liable to make any payment of or on account of tax payable by the Bondholder or in relation to any Bonds, the Trustee and Contact Energy is each indemnified by the Bondholder and the personal representatives or successor of that Bondholder (and, as concerns the Trustee, also by Contact Energy who shall in turn be indemnified by the relevant Bondholder) in respect of any such liability, and any moneys paid by the Trustee and Contact Energy in respect of any such liability may be recovered by action from such Bondholder and the personal representatives or successor of the such Bondholder (as the case may be) as a debt due to the Trustee or Contact Energy. Nothing in this Condition prejudices or affects any other right or remedy of the Trustee or Contact Energy.

5. TRANSFERS AND REPLACEMENTS OF BONDS

5.1 Transfers

The Bonds may be transferred in minimum Principal Amounts of \$1,000 or such lesser amount as Contact Energy may from time to time permit subject to this Condition 5, provided that, following any such transfer, the transferee (and the transferor, unless its holding is reduced to zero) holds Bonds with an aggregate Principal Amount of not less than the Minimum Holding.

5.2 Form of Transfer

Subject to these Conditions and the Trust Documents, a Bondholder may transfer any Bond held by him or her by:

(a) *Written instrument*

a written instrument of transfer in the usual or common form signed by the transferor and the transferee; or

(b) *FASTER system*

means of the FASTER system operated by NZX; or

(c) *Other method*

any other method of transfer of marketable securities which is not contrary to any law and which may be operated in accordance with any Listing Rules, and which is approved by Contact Energy.

5.3 Registration Process

(a) *Transfers other than through FASTER*

The following provisions apply to instruments of transfer other than any transfer under Condition 5.2(b) (*FASTER System*):

(i) the instrument of transfer must be left at the Registry and such other evidence as the Registrar or the Trustee requires to prove the transferor's title to, or right to transfer, the Bonds including the relevant holder and FASTER identification number, together with evidence that any applicable duties and taxes required to be paid by any relevant legislation in order for the Bonds to be transferred have been paid; and

(ii) on registration of a transfer of a Bond, a FASTER statement will be issued to the transferee of such Bond.

(b) *Fees*

The Registrar may charge a fee to Contact Energy for:

(i) registering transfers of Bonds; or

(ii) splitting holdings in relation to Bonds; or

(iii) issuing FASTER statements (where bound to do so) in relation to Bonds; or

(iv) using holder or FASTER identification numbers in relation to Bondholders; or

(v) effecting conversions between sub-registers (if any) of the Register; or

(vi) noting transfer forms in relation to Bonds.

5.4 Transfers must be Registered

Subject to this Condition 5 (*Transfers and Replacements of Bonds*), Contact Energy must direct the Registrar not to refuse to register or fail to register or give effect to, a transfer of Bonds.

5.5 Refusal to Register Transfers

Contact Energy may direct the Registrar to refuse to register any transfer of Bonds where these Conditions, the Trust Documents, any Listing Rules or any applicable legislation permits or requires Contact Energy to do so.

5.6 Notice of Refusal to Register

Where registration of a transfer of Bonds is refused under Condition 5.5 (*Refusal to Register Transfers*), Contact Energy must direct the Registrar to give written notice of the refusal and the precise reasons for the refusal to the party lodging the transfer, if any, within five Business Days after the date on which the transfer was lodged. The failure to give such a notice will not invalidate the decision not to register.

5.7 Retention of Transfers

Contact Energy is to direct the Registrar to retain all instruments of transfer of Bonds which are registered, but any instrument of transfer of Bonds the registration of which was declined or refused (except on the ground of suspected fraud) is to be returned to the party lodging the transfer.

5.8 Powers of Attorney

Any power of attorney granted by a Bondholder empowering the donee to deal with, or transfer Bonds, which is lodged, produced or exhibited to the Registrar will be deemed to continue and remain in full force and effect as between Contact Energy, the Trustee, the Registrar and the grantor of that power, and may be acted on, until express notice in writing that it has been revoked or notice of the death of the grantor has been received at the Registry.

5.9 Transmission by Operation of Law

Any person becoming entitled to any Bond by operation of law (including the death or bankruptcy of any Bondholder) may, upon producing such evidence of entitlement as is acceptable to Contact Energy, obtain registration as the Bondholder of such Bond or execute a transfer of such Bond. This provision includes any case where a person becomes entitled as a survivor of a person registered as joint Bondholder.

5.10 Notices

All notices given by Bondholders in accordance with these Conditions will be irrevocable.

5.11 Sale of less than Minimum Holding

The Board of Contact Energy may at any time give notice to any Bondholder holding less than a Minimum Holding of Bonds that if at the expiration of three months after the date the notice is given the Bondholder still holds Bonds which are less than a Minimum Holding, the Board may exercise the power of sale of those Bonds set out in this Condition 5.11. If that power of sale becomes exercisable:

- (a) the Board may arrange for the sale of those Bonds through the NZDX or in some other manner approved by NZX;
- (b) the Bondholder shall be deemed to have authorised Contact Energy to act on the Bondholder's behalf and to execute all necessary documents for the purposes of that sale;

- (c) Contact Energy shall account to the Bondholder for the net proceeds of sale of the Bonds (after deduction of reasonable sale expenses), which shall be held on trust for the Bondholder by Contact Energy and paid to the Bondholder for the Bonds sold; and
- (d) the title of a purchaser of any Bonds sold pursuant to this Condition 5.11 shall not be affected by any irregularity or invalidity in the exercise of the power of sale or the sale itself.

Industry & Business Description*

OVERVIEW

Contact Energy is one of New Zealand's largest publicly listed companies by market capitalisation with around 83,000 shareholders and a staff of about 1,000 employees. Contact's operations encompass electricity generation, wholesaling and retailing, and supply of reticulated natural gas, and liquefied petroleum gas ("LPG").

Contact:

- owns New Zealand's most diversified generation portfolio by geographic location, technology and fuel type
- is New Zealand's second largest electricity generator
- is New Zealand's second largest electricity retailer

Overview of Market Position in Generation

- owns and operates ten power stations throughout New Zealand comprising 1,960 megawatts ("MW") of hydro, gas and geothermal generation capacity
- generated on average about 26% of New Zealand's total annual electricity output in 2008
- is contracted to operate the 155 megawatt Crown-owned reserve generation plant at Whirinaki in Hawke's Bay
- holds a 25% shareholding interest in the 282 megawatt Oakey power station in Queensland, Australia

Overview of Market Position in Retail

- has approximately 500,000 retail electricity customers, 70,000 reticulated natural gas customers and 54,400 LPG customers
- has approximately 26% of New Zealand's total retail electricity market share by customer numbers
- has an estimated 35% of New Zealand's retail reticulated natural gas market by volume
- through Rockgas (a wholly owned subsidiary of Contact Energy), has approximately 48% of New Zealand's LPG market by volume

Contact is also advancing a significant generation investment programme including construction of a gas storage facility and more than 1,400 megawatts of geothermal, gas-fired, hydro and wind generation projects.

In this "Industry & Business Description" section, references to Contact include Contact Energy and its subsidiaries. Contact Energy is the most significant operating entity in the Contact group and as at 31 December 2008 represented approximately 98% of Contact's shareholder funds. Contact Energy is the issuer of the Bonds and the sole obligor in respect of the Bonds. The Bonds are not guaranteed by any of Contact Energy's subsidiaries.

* Unless specifically noted, information such as market share statistics, generator capacity and customer numbers has been calculated by Contact management using appropriate publicly available information.

NEW ZEALAND ENERGY SECTOR

Electricity Sector

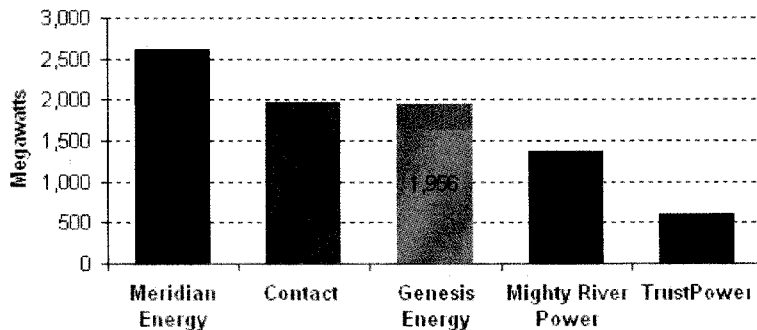
Deregulation of the New Zealand electricity sector began in 1987 with the corporatisation of the Electricity Corporation of New Zealand ("ECNZ"), then the owner of most of New Zealand's generation and transmission assets. Corporate separation of the locally owned retail and distribution electricity utilities followed in 1993 pursuant to the Energy Companies Act 1992, and in 1994 the national transmission grid operator Transpower New Zealand Limited ("Transpower") was separated from ECNZ. In 1996, ECNZ was split into two with the establishment of Contact and in 1999, the residual assets of ECNZ were split into three state owned enterprises: Meridian Energy Limited ("Meridian"), Mighty River Power Limited ("Mighty River Power") and Genesis Power Limited ("Genesis"). The Electricity Industry Reform Act 1998 (the "Reform Act") divided the electricity sector into four operating segments, Generation, Retail, Transmission and Distribution with restrictions on ownership between Generation/Retail on the one hand, and Transmission and Distribution on the other (above a limited threshold).

The Electricity Commission was established in September 2003 to assume responsibility for overseeing the electricity industry and for security of supply.

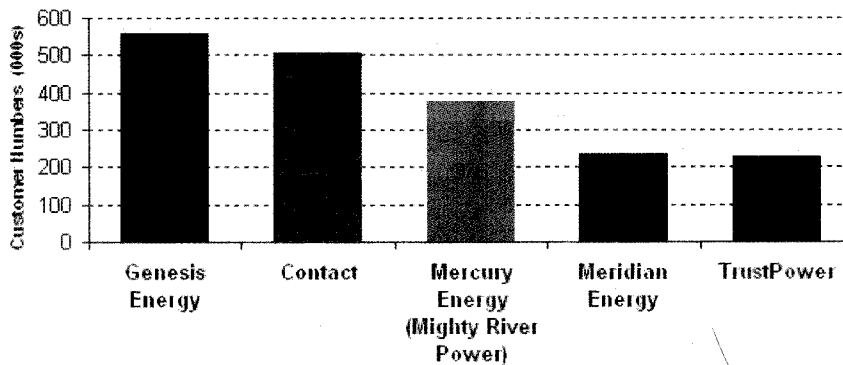
Generation and Wholesale

Over the past three years, New Zealand generation was fuelled approximately 65% by renewable resources (hydro, geothermal, wind and biomass) with the predominant source being hydro electricity. The major generators are Contact, Meridian, Genesis, Mighty River Power and TrustPower Limited ("TrustPower"). All of the main generators have a significant retail customer base which has the effect of providing a hedge against the wholesale price received by the generator for electricity produced.

Major Electricity Generators' Current Capacity



Major Electricity Retailers' Customer Numbers



Source: Electricity Commission data

The wholesale electricity market was established in 1996 and involves the sale and purchase of physical electricity at prices established half hourly (the spot market) at approximately 250 different points of connection (nodes) to the national grid located across New Zealand. Large users and retail electricity companies bid to purchase electricity from the spot market. Generators offering the lowest prices get dispatched first to meet national demand. The clearing price at each node for each half hour is the lowest marginal price at which demand is satisfied at that node or location. Prices offered by generators vary according to the type of generation and the clearing price can therefore be affected by factors such as hydrology, fuel costs and availability, transmission constraints and plant availability. As there is no maximum price at which spot prices are capped, prices can rise to high levels at times of constraint – usually caused by fuel or transmission capacity constraints. At other times wholesale prices can be low driven by excess generation over demand – usually caused by high hydro inflows and/or low demand periods.

Transmission

Transpower owns the high voltage electricity transmission system in New Zealand. Transpower:

- transports bulk electricity from where it is generated (by companies like Contact) to cities, towns and some major industrial users (such as New Zealand Steel and Rio Tinto's Aluminum Smelter)
- connects with electricity distribution businesses (like Vector and Orion) who deliver that power to New Zealand's homes and businesses
- manages New Zealand's power system (as the System Operator) so that electricity is delivered to where it is required on a real-time basis so that supply and demand match.

The grid consists of around 12,000km of high voltage alternating current (HVAC) transmission lines and a high voltage direct current (HVDC) transmission line that links the North and South Islands by way of submarine cable. The average age of Transpower's transmission asset base is increasing, with many assets older than 40 years and some older than 70 years. With demand continuing to rise and little investment in transmission, these assets have become increasingly constrained. Transpower is progressing a significant investment programme designed to improve grid capacity and reliability.

Distribution

There are 29 electricity distribution businesses providing local area lines networks through which electricity is transmitted from the transmission grid exit points to end users. Most of these distribution businesses were formed in 1992 when the Government required the existing entities (then power boards or municipal electricity departments of local authorities) to be corporatised. The corporatisation process resulted in a number of different ownership structures with shares in the new companies ranging from local council owned, trust owned (with beneficial ownership of the shares in the hands of the consumer or the community generally) and public ownership. In 1998 the Reform Act required corporate separation of the distribution business from the retail business.

The Commerce Commission regulates electricity distribution by setting thresholds (e.g. price paths and quality) against which it assesses the performance of the distributors. If one or more of the thresholds are breached the Commerce Commission can further investigate the business and, if required, control prices or quality.

Retailing

Electricity retailers acquire electricity from a grid exit point and use distribution networks to deliver that electricity to end users. Most of the retailers are also generators and entered retailing through the acquisition of customer bases from the distribution companies when they were required to separate their distribution and retail businesses. Retail electricity supply is deregulated with any party able to offer to sell energy in competition with other energy retailers to any retail customer.

The major costs of an electricity retailer comprise energy cost, distribution costs and metering costs. Metering services are provided by a range of retail, distribution and independent companies. Retail tariffs are not subject to price regulation and vary across New Zealand according to geographic location, local distribution network charges and the impact of nodal electricity pricing.

Natural Gas Sector

The development of the natural gas sector in New Zealand commenced with the discovery of the Kapuni field in 1959 and the Maui field in 1969. Unlike the electricity sector there is no legislation preventing ownership across each segment of the industry. While the Government was directly involved in the development of the gas sector in its early days, since the 1980s the sector has largely been privately held although subject to some regulation, particularly in relation to the transmission and distribution of gas. Although the New Zealand gas sector is small by global standards it plays a large role in the economy as natural gas is primarily used to generate electricity and approximately 25% of electricity is generated using thermal fuel.

Production and Wholesale

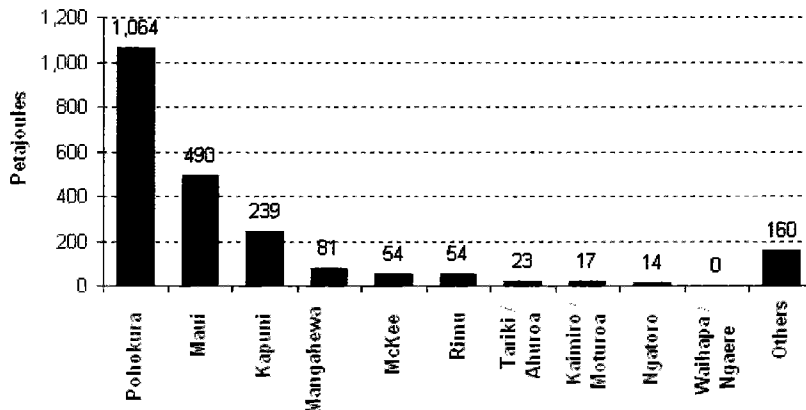
At 1 January 2008¹ total proven and probable reserves in New Zealand were 2,195 PJ from a range of gas fields. Annual production in 2007 from all fields was 181 PJ. Over 80% of New Zealand's natural gas reserves are at the Kapuni field, the Maui field and the new Pohokura field. The Kupe field is expected to commence gas production in 2009. In the short to medium term gas supplies are more than sufficient for electricity production and reticulation.

Gas Reserves by Field (excludes LPG)						
Field	Ultimate Recoverable (P50)			Remaining (P50) as at 1 January 2008		
	Mm3	Bcf	PJ	Mm3	Bcf	PJ
Maui	106636.0	3768.1	4199.7	12418.0	436.8	489.6
Kapuni	41053.0	1451.6	1112.3	8940.2	315.7	239.4
Pohokura	27729.0	979.8	1148.0	25692.0	907.8	1063.6
Kaimiro/Moturoa	847.0	29.9	31.4	484.1	17.1	17.0
Ngatoro	650.7	23.0	25.6	375.4	13.3	13.8
Tariki/Ahuroa	3270.7	115.5	128.8	578.8	20.4	22.5
Waihapa/Ngaere	816.6	28.6	32.1	0.3	0.0	0.0
Rimu	1820.3	64.3	75.4	1.6	46.0	53.9
McKee	5173.5	182.7	208.0	1342.2	47.4	54.0
Mangahewa	3335.7	117.8	129.8	2075.1	73.3	80.7
Others	4214.8	146.9	166.8	4047.1	142.9	160.1
Total	195,547.3	6,910.3	7,257.8	55,954.7	2,022.8	2,194.6
<i>Source: MED Energy Data File June 2008</i>						

Reserves from Non-Production Fields (Gas)				
Field	Estimated Recoverable Reserves			Petroleum Mining Permit Granted
	Mm3	Bcf	PJ	
Kupe (PML 38146)	5784.3	203.0	188.1	24th October 1992
Urenui/Ohanga (PMP 38161)	N.A.	10.0	10.5	28th April 2006
Radnor (PMP 38157)	152.4	6.0	5.0	19th May 2005
MacDonald	N.A.	171.3	N.A.	27th July 2007
Windsor (PMP 38152)	20.8	0.7	0.8	22nd September 2005
Total	5957.5	391.0	204.4	
<i>Source: MED Energy Data File June 2008</i>				

¹ This is the latest available information

Remaining Gas Reserves (P50) By Field (excl. LPG) as at 1 January 2008



Notes to tables and graph:

P50 Reserves are expected oil and gas reserves estimated as “proven and probable” with a greater than 50% probability of being technically and economically producible by field operators.

Ultimately recoverable reserves are estimates of the total amounts of oil and gas that can be extracted during the lifetime of each field.

Beyond the middle to end of the next decade there is uncertainty regarding the capacity of domestic gas resources to meet the total market demand. As a result, Contact has taken steps to ensure that it has possible backstop arrangements in the event that domestic supplies are not sufficient to meet demand requirements. Contact is in the process of developing a gas storage facility near Taranaki which could be used as storage in the event there is a need for imported LNG. In addition Contact is working with Genesis, via their Gasbridge joint venture, to investigate the development of facilities to allow for the importation of LNG with land based LNG storage and regasification. A site has been chosen near the New Plymouth power station and work is progressing on a resource consent.

Transmission and Distribution

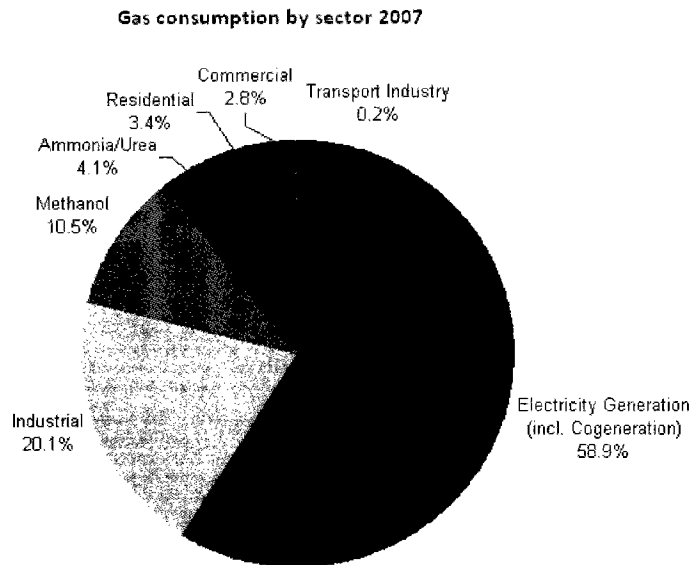
Natural gas transmission systems only exist in the North Island as New Zealand’s gas supplies are dominated by reserves from the Taranaki Basin. There are extensive low pressure gas reticulation networks in most cities in the North Island. Like electricity networks, gas transmission and distribution networks are regulated by the Commerce Commission.

Retailing

Gas retailers purchase natural gas and on sell it to industrial, commercial and residential end use customers. In 2007², approximately 59% of natural gas produced in New Zealand was consumed by electricity generation (Contact and Genesis being major consumers) and 15% by the petrochemical industry (for the production of methanol and ammonia-urea). The remaining 26% of gas produced was consumed in the retail market but only 3 to 4% was consumed by the residential market (the balance consumed by industry and commercial customers).

² This is the latest available information

Gas Consumption by Sector for 2007



Gas is considered to be a discretionary fuel source in the retail market and decisions by customers to use gas are largely driven by the price of gas in comparison with alternatives such as electricity. In recent years, as the price of gas has increased, the level of consumption in the residential and commercial segments has decreased.

LPG Sector

Contact has exposure to the LPG sector through Rockgas, a wholly owned subsidiary of Contact Energy. LPG is widely used as a source of energy throughout New Zealand, particularly in the South Island where there is no reticulated natural gas supply, or when connection to the network would be too expensive. LPG occurs naturally in crude oil and natural gas production fields and is also produced in the oil refining process. The New Zealand industry began in the 1920s when LPG was shipped from the United States in cylinders and, with the development of the natural gas industry in the 1970s, domestic production of LPG commenced. Consumption of LPG has grown strongly since the 1980s. Domestic production peaked in the 1990s when New Zealand began to export LPG. However, with the decline of the Maui gas field, New Zealand has had to import increasing volumes of LPG to meet demand. Imports are expected to reduce when the Kupe field starts producing LPG and at times during the year, the country may be required to export LPG given expected levels of LPG production from Kupe.

Since 2003 the cost of LPG has increased due to importation of LPG which is priced in United States dollars at prices reflecting international supply and demand. While the price of LPG is not directly linked to the price of oil, when oil prices move LPG prices generally move due to the level of switching between competing fuels and factors affecting demand (e.g. increases in demand from China and India). In management's view, although the level of imports is expected to decrease as domestic production increases again as new gas fields commence production, LPG prices in New Zealand are expected to continue to reflect international pricing rather than domestic factors.

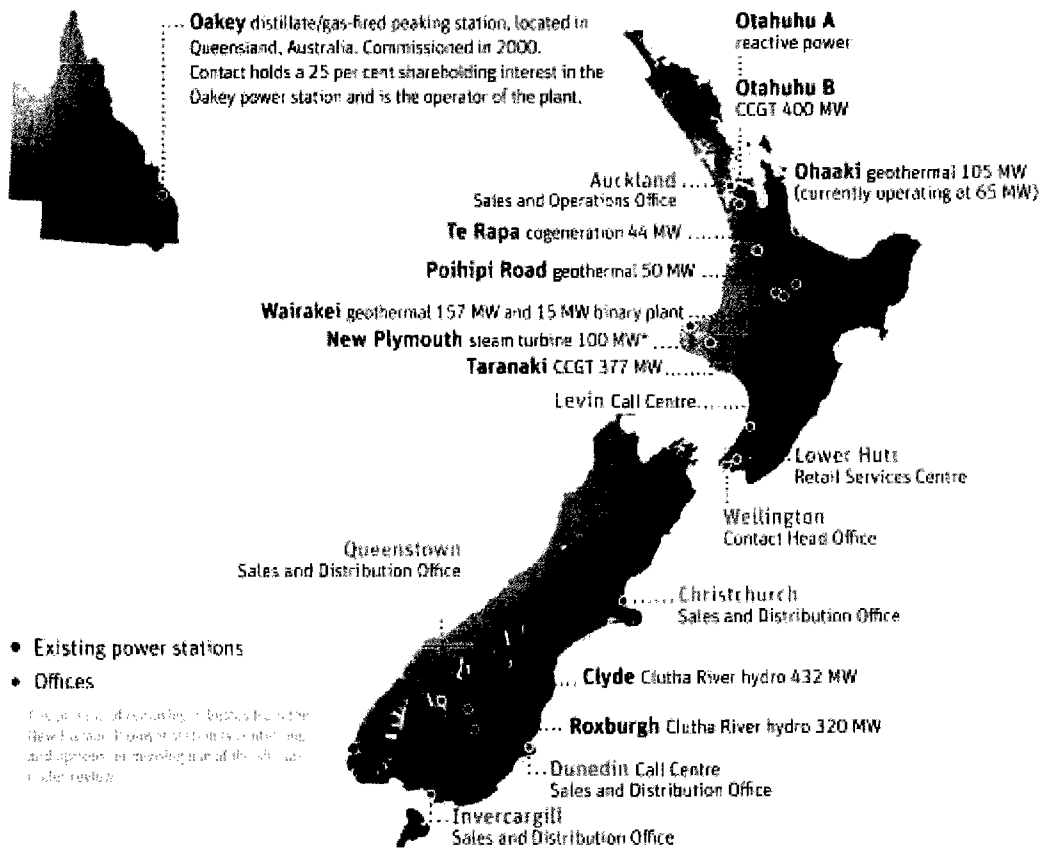
Traditionally LPG has been supplied in cylinders from service stations or distributed by trucks directly to the customer but in recent years reticulation systems have been developed (e.g. in Christchurch, Queenstown, Wanaka and Dunedin in the South Island). Rockgas is a supplier of LPG and has approximately 48% of the market (there being three other main suppliers).

CONTACT'S BACKGROUND

Contact commenced operations in February 1996 when the New Zealand Government separated the assets of the state owned monopoly generator ECNZ into two state owned enterprises. During the general industry restructuring which resulted from the 1998 Reform Act, Contact expanded into energy retailing by acquiring eight retail electricity companies (with a total of 346,000 customers) and in addition acquired Enerco New Zealand Limited's retail gas business (105,000 customers) in April 1999.

In May 1999 Edison Mission Energy ("**Edison**") acquired a 40% shareholding in Contact Energy from the New Zealand Government, and the remaining 60% of shares held by the Government were offered to investors through an initial public offering. Contact then listed on the New Zealand Stock Exchange in 1999. Through the acquisition of Empower in 2003, Contact consolidated and grew its electricity and gas retailing operations and continued to develop its integrated business model. Edison increased its shareholding to 51.2% in the period 2000-2001. In October 2004, Edison sold its entire interest in Contact Energy to Origin Energy Limited, ("**Origin Energy**"). Currently 51.4% of Contact Energy is owned by Origin Energy.

A map overview of Contact's current asset locations and key offices is outlined below:



STRATEGY

Contact is an integrated generator and retailer of energy with a generation portfolio using a diverse fuel base. Contact's future growth is founded on executing opportunities which support further development of the fuel portfolio from which further generation investments can be made. This will be achieved by securing a wide range of fuel options and being in a position to execute them as the market opportunity arises. At present Contact is developing options across the four key fuels: geothermal, gas, wind and hydro.

In the near term Contact has significant assets under development which will contribute to New Zealand's infrastructure including:

- geothermal generation assets which are generally the lowest cost of all current generation options in the New Zealand market and have the benefit of being renewable and able to operate base load
- a gas storage facility which enables Contact's fixed take gas commitments to be converted into flexible supply and enables Contact to take advantage of its gas commitments
- gas peaking plants which can operate at short notice and will therefore be more responsive to the market's need for capacity to back up increased wind generation and respond to other market intermittency.

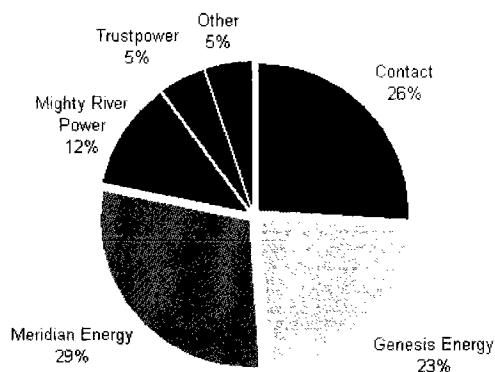
Contact is also securing options in wind generation and continuing to develop further gas fired options in Taranaki and Otago. Over the medium to longer term Contact believes that New Zealand will likely benefit from further investment in hydro generation and Contact is currently investigating a number of large scale hydro opportunities on the Clutha River.

Ultimately final investment decisions to pursue any of these options will be based on their economics which will be affected by matters such as the impact of any carbon cost regime, future gas costs and availability of gas and the long term capital cost of new generation sources. As the owner of the most diverse set of fuel options, Contact is well positioned over the long term to respond to changes in any of these factors.

GENERATION

Contact's portfolio of 10 power stations provides on average 26% of New Zealand's annual generation output. The current total capacity of Contact's portfolio is 1,960 megawatts (MW).

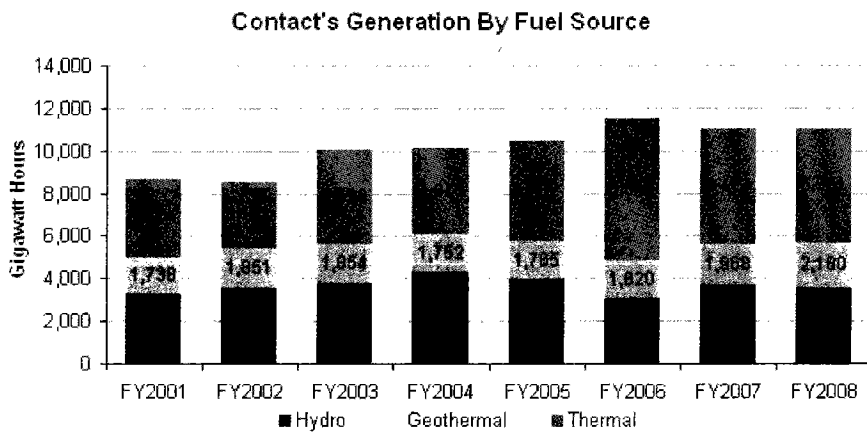
Generation Market Share by Volume (GWh)



Contact's power stations are fuelled by thermal, hydro and geothermal sources, and are located in both the North Island and South Island. The diversity of the generation fleet is demonstrated by Contact's generating pattern over the past eight years. The variability between thermal and hydro illustrates the ability of the thermal assets to respond to hydro conditions such as those experienced in the 2006 and 2008 financial years. The removal from service of pole 1 of the HVDC in November 2007 will likely constrain flows between the islands at times of extreme weather conditions and/or high demand periods. This could lead to periods in which the North and South Island will operate as separate markets and as a result prices may differ between the islands, increasing volatility in wholesale electricity prices as has occurred since November 2007.

In October 2007 Contact announced the discovery of asbestos at the New Plymouth gas fired power station in areas not previously documented on the site's asbestos register. The decision was made to decommission the plant and remove the asbestos. During that process an opportunity arose to temporarily recommission one of the 100 megawatt units and it operated during the winter of 2008 to cover a period of tight electricity supply. Given current market conditions the plant is not expected to be required in the short term and therefore the process of the removal of the remaining asbestos has now recommenced. Contact is currently reviewing longer term options for the use of the site.

At the time the decision was made to decommission the New Plymouth plant Contact made arrangements with another generator for risk management cover which provides Contact with access to 200 megawatts.

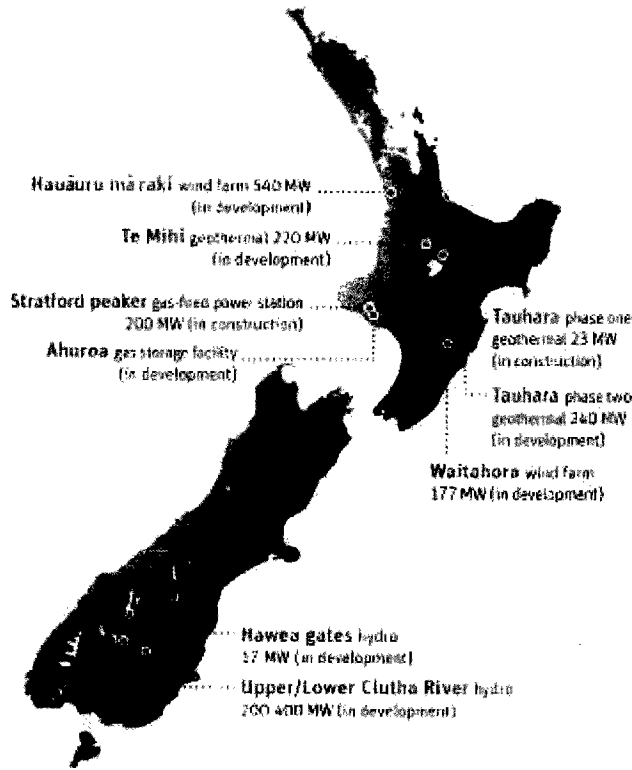


Note: For years prior to 1 October 2004 the reporting period was the year ended 30 September. For 2005 the reporting period was the nine months ended 30 June 2005, and the results of that period have been annualised where appropriate for the purposes of the above graph. For 2006 and subsequent years, the reporting period is the year ended 30 June.

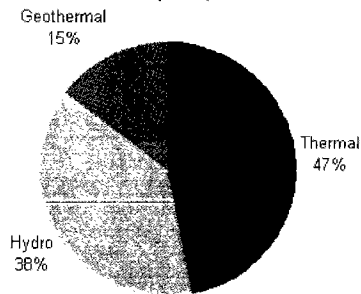
GENERATION DEVELOPMENT

Contact has approximately 1,400 MW of new generation projects, and a gas storage facility, under development or construction. These projects encompass hydro, geothermal, wind and thermal sources and represent a diverse and strategically significant portfolio of generation projects that will significantly lift the proportion of renewable generation owned by Contact in future years.

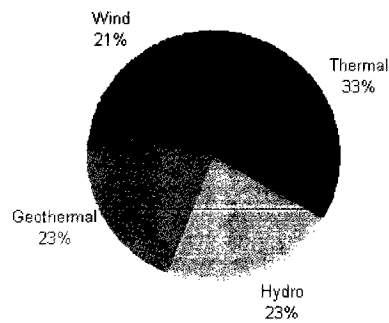
Contact's Generation Development Projects



Contact's Current Generation Portfolio By Capacity



Contact's Generation Portfolio (including Consented/Planned New Generation Assets) By Capacity



Geothermal generation development remains Contact's number one investment priority. Contact's analysis concludes that geothermal is the lowest cost source of new generation for New Zealand. Geothermal is the only form of renewable generation that does not depend on the weather and can produce large volumes of clean, baseload energy. Contact is developing projects which would, if approved, result in the investment of around \$1.5 billion in approximately 500 MW of new geothermal generation in the Taupo region (Te Mihi and Tauhara developments) over the next five years.

Contact has two key wind development projects (Hauāuru mā raki and Waitahora) with the potential to produce up to about 720 MW of electricity located in the Waikato and Hawke's Bay regions in the North Island. These are well located close to load centres and therefore transmission losses to the load centres are minimised. Resource

consent applications have been filed for both of these projects and the Waikato project (Hauauru ma Raki) has been called in by the Minister of the Environment under the Resource Management Act.

During the 2008 financial year, Contact received final resource consents for a small 17 MW hydro generation project at the company's control gates at Lake Hawea in Central Otago. Contact is also examining a number of larger scale hydro opportunities on the Clutha River for the medium to longer term.

While Contact believes that New Zealand can generate more of its electricity from renewable sources, gas-fired generation is expected to continue to have a pivotal role in ensuring New Zealand's security of supply. Two 100 MW gas-fired peaking turbines are under construction near the Taranaki power station and are expected to be commissioned in 2010. This peaking plant will play an important role in supporting higher levels of renewable generation by operating at times when renewable plant such as wind and hydro are unavailable or insufficient to meet peak demand, thus ensuring supply of electricity.

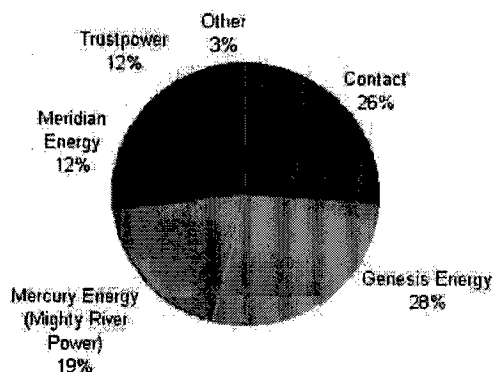
In addition, Contact continues to hold resource consents for a 400 MW combined cycle³ power station at the Contact's Otahuhu site and a second 500 MW combined cycle project at Contact's Taranaki combined cycle site. Contact is also investigating whether the New Plymouth power station site could be suitable as a combined cycle site.

In the 2008 financial year, Contact purchased the rights to use the Ahuroa gas reservoir as an underground gas storage facility enabling Contact to store gas at times when market conditions do not warrant its use in generation or sale and to extract it when market conditions justify its use. This facility is currently under development with the first stage underway with the commencement of gas injection using existing facilities at the site. It is expected to be fully available for both injection and extraction of gas by June 2010. This will be the first gas storage facility in New Zealand and the resulting supply flexibility is expected to enable Contact to maximise the value of gas and to manage more effectively its natural gas costs. In conjunction with the peaking plant, the gas storage facility will provide a key source of flexible generation to operate at short notice when renewable generation, particularly wind, is not available.

ELECTRICITY RETAIL

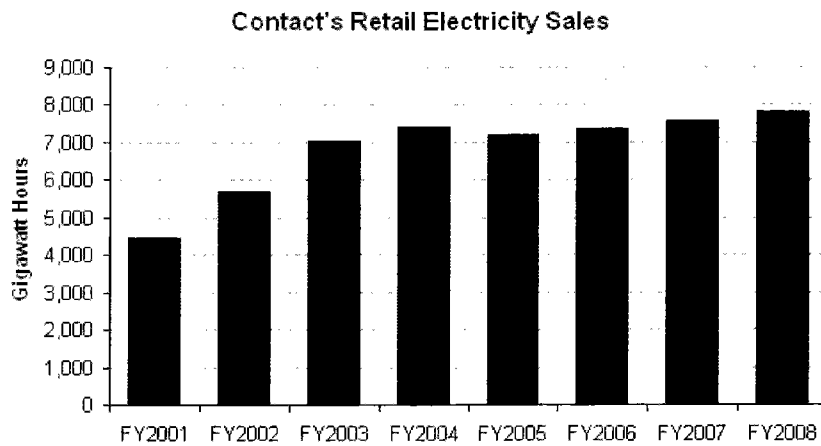
Contact is the second largest electricity retailer in New Zealand with approximately 500,000 customers and an estimated market share of 26% by customer numbers for January 2009. Contact supplies electricity to commercial and residential customers under the Contact and Empower brands.

Electricity retail market share by customer number

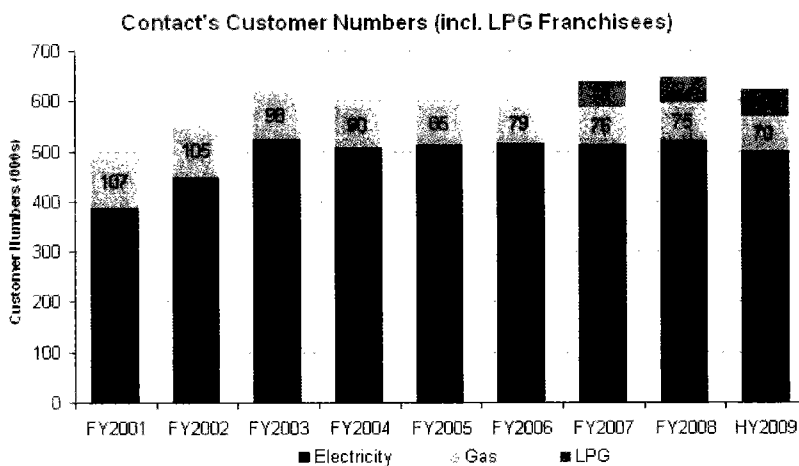


³ Combined cycle means a gas fired generation station which includes a second cycle of heat through a steam turbine enabling more efficient use of gas.

Contact supplied 7,800 GWh to its retail customers in the 2008 financial year. The access to its own generation significantly reduces the risks associated with purchasing electricity to supply Contact's retail customer base. Once short term financial hedges are taken into account, on average Contact has about 15% of its generation exposed to the spot price in any financial year.



Note: For years prior to 1 October 2004 the reporting period was the year ended 30 September. For 2005 the reporting period end was changed to 30 June 2005. The figures above for FY2005 are for the 12 months to 30 June 2005. For 2006 and subsequent years, the reporting period is the year ended 30 June.



GAS SUPPLY AND USE

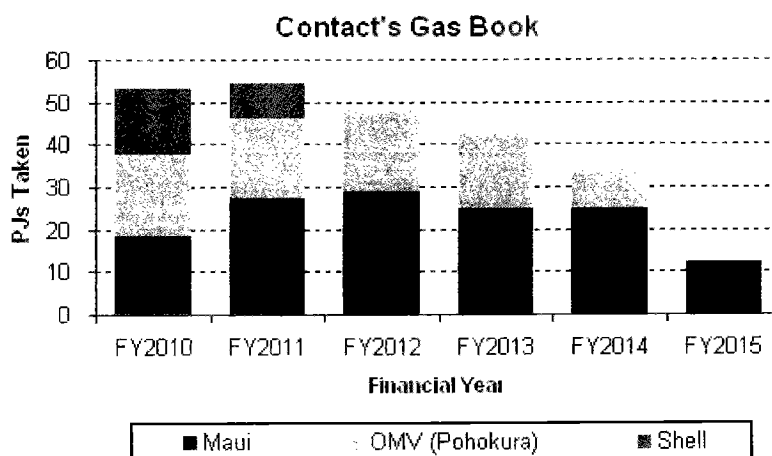
Contact acquires natural gas primarily for use in its thermal power stations and to supply its retail customer base. Contact currently retails gas to around 70,000 customers with an estimated market share of 35% by volume.

Contact also sells gas to other electricity generators and major customers. In the 2008 financial year, Contact utilised 42.0 petajoules of gas for internal generation, and sold 17.0 petajoules of gas to wholesale customers and 4.1 petajoules to its own retail customers.

Contact's Gas Use			
<i>Petajoules</i>	FY2006	FY2007	FY2008
Internal Generation	54.0	43.2	42.0
Sold to Wholesale Customers	13.8	9.5	17.0
Sold to Retail Customers	7.0	4.7	4.1

Source: Annual Report

Contact acquires gas from a number of contracted sources including gas from the Maui field, from OMV (sourced from the Pohokura field) and from Shell. Contact's underground gas storage facility being developed at the Ahuroa gas reservoir will help redress the loss of flexibility in Contact's gas supply contracts from the Pohokura field and the inability of those contracts to meet seasonal swing in New Zealand's generation requirements.



Source: Contact internal forecasts

Contact acquired Rockgas in 2007, which supplies LPG with approximately 48% market share of the New Zealand market by volume. This acquisition enables Contact to supply electricity or gas to any customer in New Zealand.

OTHER ENERGY ASSETS

Contact has interests in other energy assets including:

- a 25% interest in the 282 MW natural gas or distillate fired open cycle peaking Oakey power station in Queensland, Australia. Contact provides operating and maintenance services to the plant under a fifteen year contract which terminates in 2014;
- a lease of the Whirinaki site in Hawke's Bay on which the Government has constructed a 155 megawatt diesel fired power station to provide reserve generation. Contact is contracted to operate the power station;
- a 50% interest in the Gasbridge joint venture with Genesis. The purpose of the joint venture is to investigate and evaluate the potential for importation of LNG should domestic natural gas production not meet gas demand; and
- a geographically diverse metering business comprising approximately 132,000 gas metering installations (representing approximately 50% market share) and approximately 216,000 electricity

metering installations, comprising over 376,000 electricity meters and over 138,000 load control relays (representing approximately 12% market share).

RECENT FINANCIAL PERFORMANCE

In January 2009 Contact advised the market that its financial performance for the financial year ended 30 June 2009 would be significantly lower than the previous financial year. This is reflected in the results for the period ended 31 December 2008 which are summarised under the heading "*Financial Information*" on page 28. The key drivers of that result, and the forecast for the remainder of the financial year, were a combination of extreme weather conditions, the loss of pole 1 of the HVDC transmission system and the temporary loss of significant demand at the Tiwai Point Aluminium Smelter. This combination led to:

- very high energy purchase costs in the South Island during August and September 2008 at a time of extreme drought in the South Island. With the restriction on transfer of energy from North to South Contact did not have enough South Island generation to cover its retail purchase requirements and was therefore supplying its customer at a loss; and
- a reversal of hydro conditions in the South Island from November 2008 together with the loss of 180 MW of demand from the Tiwai Point Aluminium Smelter in the lower South Island. The transmission constraints have restricted the amount of hydro generation able to reach the market and Contact has been forced to spill water from its hydro lakes and therefore has generated significantly less than it would normally expect to in similar conditions.

The forecast performance has also been impacted by unexpected increases in gas costs due to price escalation under the gas contracts.

Contact's guidance to the market in respect of the outlook for the remainder of this financial year is subject to the risk factors which are set out under the heading "*Risk factors*" on pages 29 to 34.

FINANCIAL INFORMATION

The financial information contained in this Prospectus relates to Contact Energy. Contact Energy is the most significant operating entity within the Contact group. A reconciliation extracted from the audited financial statements of Underlying Earnings After Tax, Profit for the Period, Earnings Before Net Interest Expense, Income Tax, Depreciation, Amortisation, Financial Instruments and Other Significant Items ("EBITDAF"), and Shareholders' Equity of Contact Energy to the Contact group for the six months ended 31 December 2008 and for the twelve months ended 30 June 2008 is summarised below:

For the 6 months ended 31 December 2008	Underlying Earnings After Tax ¹ \$'000	Net Change in Fair Value of Financial Instruments ² \$'000	Net Other Significant One-off Items ³ \$'000	Profit for the Period \$'000	EBITDAF \$'000	Shareholders' Equity \$'000
Contact Energy	59,344	(54,821)	-	4,523	193,643	2,827,655
Net Impact of Subsidiaries on Group	20,891	-	-	20,891	32,608	42,925
Equity Earnings from Associate after Tax and net of Dividends Received	(356)	-	-	(356)	(1,508)	3,424
Contact	79,879	(54,821)	-	25,058	224,743	2,874,004

For the 12 months ended 30 June 2008	Underlying Earnings After Tax ¹ \$'000	Net Change in Fair Value of Financial Instruments ² \$'000	Net Other Significant One-off Items ³ \$'000	Profit for the Period \$'000	EBITDAF \$'000	Shareholders' Equity \$'000
Contact Energy	243,980	(1,290)	5,626	248,316	580,063	2,878,112
Net Impact of Subsidiaries on Group	(11,332)	-	(68)	(11,400)	(11,105)	21,991
Equity Earnings from Associate after Tax and net of Dividends Received	150	-	-	150	(1,794)	3,968
Contact	232,798	(1,290)	5,558	237,066	567,164	2,904,071

1 Underlying Earnings After Tax is presented to allow stakeholders to make an assessment and comparison of underlying earnings after removing significant one-off items and the non-cash Change in Fair Value of Financial Instruments.

2 Net Change in Fair Value of Financial Instruments after tax.

3 Net Other Significant One-off Items after tax.

Risk factors

The principal factors which may, either individually or in combination, affect Contact Energy's ability to pay interest on and redeem the Bonds, are set out below. These include risks of a general nature and those that are specific to Contact Energy and its business.

An applicant for Bonds should carefully consider these risks, both general and specific (together with the other information in this Prospectus) before applying for Bonds. The summary of risks presented below is not exhaustive and this Prospectus does not take account of the personal circumstances, financial position or investment requirements of any one applicant in particular.

It is important that, before making any investment decisions, applicants give consideration to the suitability of an investment in the Bonds in light of their investment needs, objectives and financial circumstances. Applicants should read this Prospectus in its entirety and consult their share broker, accountant, or other professional adviser before deciding whether to apply for Bonds.

The original investment may not be recovered in full, or Interest may not be paid on the Bonds.

The principal risks for Bondholders in relation to the Bonds are that:

- they may not receive timely, or any, Interest payments on the Bonds;
- they may be unable to recoup all or any of their original investment amount; and/or
- Contact Energy may be unable to repay the Bonds, in part or in full, on the Maturity Date.

This could happen for a number of reasons, including those set out below under "*Material business risks relating to Contact Energy*" if:

- there is a material deterioration in the operating performance or profitability of Contact Energy and, therefore, the financial performance of Contact Energy (including its ability to service its debt obligations);
- Contact Energy becomes insolvent, is placed in receivership, administration or liquidation, or otherwise becomes unable to pay interest due on, or other amounts in respect of, the Bonds.

By purchasing the Bonds, the original Bondholder is deemed to have indemnified Contact Energy and each of the Joint Lead Managers, the Co-Manager and the Trustee for any loss suffered by any of them by reason of a breach of the selling restrictions described on page 3 and may be required to make further payments in respect of that indemnity. Original Bondholders will not, in any other circumstances (including the insolvency of Contact Energy), be required to pay more money than the Issue Price for the Bonds allotted to them.

Insolvency

On the insolvency of Contact Energy, Bondholders may be unable to recover from Contact Energy all or any of the Principal Amount of the Bonds, and may not receive timely, or any, Interest payments on the Bonds.

These circumstances could arise if Contact Energy becomes insolvent for any reason, or is placed in receivership, liquidation or statutory management.

The Bonds are unsecured, unsubordinated obligations for borrowed money. In a liquidation or statutory management of Contact Energy, Bondholders' rights to repayment of any amounts owing under the Bonds will rank equally with all of Contact Energy's other unsecured and unsubordinated debt obligations. This will include, for example, most trade creditors and other financiers who have provided funding to Contact Energy on an unsecured and unsubordinated basis.

Bondholders' claims will rank after the claims of:

- persons to whom preferential payments must be made (including creditors of Contact Energy preferred by law); and
- secured creditors (if any).

As at the date of the latest statement of financial position contained or referred to in this Prospectus (being the interim financial statements for the 6 month period ended 31 December 2008), there were no securities of Contact Energy that were secured by a mortgage or charge over any of the assets of Contact Energy ranking in point of security ahead of, or equally with, the Bonds.

Market, liquidity and yield considerations

It is intended that each Tranche of the Bonds will be quoted on the NZDX Market. A secondary trading market for the Bonds is expected to develop over time, but there can be no assurance of the liquidity of such a market.

In the absence of a liquid secondary market for each Tranche of Bonds, Bondholders may not be able to sell their Bonds readily or at prices that will enable them to realise a yield comparable to that of similar instruments, if any, with a developed secondary market.

Even following the development of a secondary market, and depending on market conditions and other factors, Bondholders seeking to sell relatively small or relatively large amounts of Bonds may not be able to do so at prices comparable to those that may be available to other Bondholders.

The price at which Bondholders are able to sell their Bonds may be affected by a deterioration, whether real or perceived, in Contact Energy's creditworthiness.

The secondary market for the Bonds also will be affected by a number of other factors independent of the creditworthiness of Contact Energy. These factors may include the time remaining to the maturity of the Bonds, the outstanding amount of the Tranche of Bonds, the amount of, and demand for, such Bonds being sold in the secondary market from time to time, any legal restrictions limiting demand for the Bonds, the availability of comparable securities, whether all the Bonds were issued with the same or different Interest Rates and are therefore fungible, and the level, direction and volatility of market interest rates and market conditions generally. Such factors will also affect the market value of the Bonds. In particular they may mean that Bondholders are unable to transfer their Bonds for a price equal to their Issue Price.

No applicant should purchase Bonds unless the applicant understands and is able to bear the risk that the Bonds may not be readily saleable, that the value of the Bonds will fluctuate over time, and that such fluctuations may be significant and could result in significant losses to the applicant. This is particularly the case for applicants whose circumstances may not permit them to hold the Bonds until maturity.

Further debt or other securities

Subject to the Deed of Negative Pledge Contact Energy may, from time to time and without the consent of the Bondholders, create and issue further Bonds, ordinary shares or other securities or incur additional indebtedness. Depending on their nature these obligations may rank *pari passu* with, junior to, or senior to, the Bonds and may otherwise be issued on such terms as Contact Energy may determine.

The level and pricing of Contact Energy's debt will be relevant, if there is a material downturn in the financial performance of Contact Energy, to its ability to service its obligations under the Bonds.

Unsecured Bonds

The Trust Deed does not create any security over the assets of Contact Energy or any of its subsidiaries, although the Trustee does hold the benefit of the Deed of Negative Pledge (as amended by the Trust Documents) on behalf of the Bondholders.

Accordingly, the Bonds constitute unsecured indebtedness of Contact Energy. Neither the Bondholders nor the Trustee have any secured or preferential claim against the assets of Contact Energy on its liquidation.

Material business risks relating to Contact Energy

Contact Energy's financial performance and creditworthiness is dependent on a number of specific and interrelated factors, any of which could have a material adverse effect on Contact Energy's future results.

Economy, Credit Crisis and Recent Developments

The world economy has, since mid 2007, been experiencing an ongoing credit crisis. This credit crisis is impacting on the New Zealand economy as well as others around the world, and the full effects are as yet unknown. It has led to extreme volatility in global financial markets and heightened prospects of global or regional recession. The associated economic downturn, the resulting recession in New Zealand as well as external geo-political events and the credit crisis itself, may have direct and consequential adverse effects for Contact Energy. Possible consequences include:

- reduced availability and increased cost of debt funding, resulting in operational or development constraints;
- increased counterparty risk, including in relation to retail and wholesale customers, suppliers of goods and services and other contractors;
- reduced demand for electricity; and
- increased regulatory change risk as governments worldwide take action to address the crisis.

From a more general economic perspective, Contact Energy currently predominantly operates in New Zealand. Changes in New Zealand's economic conditions generally may impact adversely on Contact Energy's performance. These include general changes in monetary and fiscal conditions affecting exchange and interest rates, inflation and costs, commodity prices, rates of economic growth, regulation, taxation and environmental laws, the industrial relations climate and customer demands.

Electricity generation asset performance

Contact Energy owns a variety of generation assets. Contact Energy is potentially exposed to a number of operational risks associated with the plant including equipment failures and breakdowns, reliance on information technology systems, contractor default, unplanned interruptions and unforeseen accidents, including accidents in the workplace or the further discovery of any unidentified asbestos. Generation performance is also subject to the risk of a major catastrophic event, such as a major earthquake, landslide, volcanic eruption, fire, flood, explosion or transmission cable or pipeline rupture. The long-term profitability of Contact Energy is dependent on the efficient operation and maintenance of these assets.

Geothermal generation is particularly dependent on continued production of steam from the geothermal reservoirs. Performance of the reservoirs may be impacted by factors such as by catastrophic events which may alter the physical state of the reservoir, as well as the continued success of drilling programmes targeted at maintaining and growing geothermal output.

Contact Energy has risk management systems in place to help mitigate these risks. They include maintenance programmes, occupational health, safety and environmental systems and contractual protection. In accordance with Contact Energy's insurance programme, Contact Energy maintains insurance over its assets in a manner commensurate with the value of the assets and Contact Energy's assessment of risks associated with those assets.

Resource Management Act 1991

Contact Energy's ongoing operation of its generation assets relies on obtaining appropriate resource consents under the Resource Management Act 1991. A failure to maintain consents for Contact Energy's assets on appropriate terms, or to obtain consents at all, may adversely affect Contact Energy's financial performance. Contact Energy also depends upon the existence of an appropriate resource management planning environment in each area where it operates its generation assets. A change to district or regional or national planning policies or requirements that materially affected Contact Energy's ability to operate may adversely affect Contact Energy's financial performance.

Contact Energy's new investments also depend on obtaining consents on acceptable terms under the Resource Management Act 1991. The risk associated with this is well recognised by Contact Energy and considerable efforts are expended in managing these processes which are intended to ensure the best long term outcome for Contact Energy and the local communities affected.

Spot wholesale electricity prices

New Zealand's spot wholesale market prices are to a large degree weather-dependent in the short term, with between 60% and 70% of the country's generation coming from hydro sources and ambient temperature being a key driver of demand. Spot wholesale prices for electricity tend to be driven up during cold or dry weather (the "cold" creating high demand and the "dry" causing lower available hydro supply) and, conversely, spot prices tend to be lower during warm or wet weather (the "warm" resulting in low demand and the "wet" causing higher available hydro supply). Wholesale market prices may also be adversely affected by several other factors such as significant reduction in demand, the availability of fuel and other capacity in the market, and competitor behaviour, (including the introduction of new generation into the market). This could affect both the volume of energy Contact Energy can generate as well as the price it receives for generation.

Further volatility in earnings can be driven by the location of generation in relation to Contact Energy's retail load. The recent removal from service of pole 1 of the HVDC has also increased the incidence of transmission constraints which limit the flow of energy between the North and South Islands. This has increased the probability of price separation between the islands. Contact Energy has ongoing exposure to this price separation. In certain situations, such as when the South Island prices are higher than in the North Island, this may have an adverse impact on Contact Energy where its customer load can at times be greater than its generation. Contact Energy seeks to manage this exposure through setting appropriate risk margins in its retail tariffs and by ensuring that over the medium term, its customer acquisition strategy results in an appropriate location balance of load and generation capacity.

The wholesale market may also be affected by the loss of other key infrastructure such as other elements of the transmission system and key generating plant. Whether Contact Energy is adversely affected will depend on the specific circumstances and how it impacts Contact Energy's portfolio.

A key driver of current and future profitability is the management of Contact Energy's generation and retail assets in order to optimise revenue in different hydrological and spot price conditions. The diversity of generation type and location assists in the management of these issues. Further, Contact Energy seeks to minimise its earnings risk through appropriate hedging and actively reviews and manages its earnings at risk to ensure that forecasted profit is within acceptable levels.

Gas supply risks

Contact Energy is exposed to medium-term and long-term fuel supply risk in relation to its gas fired plant. Contact Energy is partially contracted until the middle of the next decade and maintains good relationships with gas suppliers to ensure it is well placed to contract for gas which is available in the market. Contact Energy has some contractual protection against the risk that the gas reserves deplete earlier than expected; however there is some risk that fields do not perform in accordance with expectations and that available reserves are less than currently expected. In relation to the longer term risk of supply within the New Zealand market, Contact Energy has options to develop imported LNG as a backstop either in conjunction with its gas storage investment, or through its joint venture with Genesis Energy to develop options for an LNG terminal.

Contact Energy is also exposed to the risk of short term field and transmission outages. Contact Energy takes out gas contingency business interruption insurance to mitigate the risk of financial loss arising from the interruption of gas supply to Contact Energy from certain gas fields. The development of gas storage is intended to assist in managing the risk of gas interruptions through providing Contact Energy with an alternative source of gas in the event of interruption.

Development of new generation

Contact Energy has plans to invest in new generation which are a significant driver of future value. The execution of these plans is dependent on a number of factors including ensuring that Contact Energy has access to high quality personnel; obtains acceptable resource consents in a timely manner; and secures sufficient funding at an acceptable cost.

Contact Energy is also exposed to the risk that the cost of new projects may be greater than expected at the time an investment decision is made. This may be caused by a number of factors such as unforeseen movements in foreign exchange, delays in completion of the project and changes in the design or scope of the construction. Contact Energy seeks to manage these risks through a range of tools such as hedging of currency risks at the time of the investment decision and entering into, where possible, arrangements which fix the price of the project and place appropriate incentives on contractors to minimise delay and manage other factors which could affect the cost to Contact Energy.

LPG risk

Contact runs a significant LPG business, with operational activities spanning LPG bulk storage and bottling facilities, installation and maintenance of LPG reticulation networks and road transportation of LPG in bulk and in bottled form.

The nature of LPG as a highly flammable hydrocarbon product means that these activities are inherently high risk requiring active management through well defined operating procedures. The majority of the Contact procedures are industry standard, being driven primarily from the current regulatory regime. As driving of LPG laden vehicles is the highest risk of all these activities, Contact, working closely with its contractors, undertakes close vetting and monitoring of all truck drivers, their working and driving hours and requires they undertake thorough intensive driver training on a regular basis.

Information technology

Contact Energy's retail business relies on a number of key information technology applications. Any failure in these applications may have an adverse effect on Contact Energy's business. Contact Energy is in the process of implementing a new enterprise wide information management system which is planned for completion over the next three to four years. Contact Energy is working on detailed plans for managing the risk and cost of this implementation within the business and ensuring continuity of the business through the transition.

Electricity transmission

There has been under investment in the state owned national transmission grid for more than a decade. Coupled with growth in electricity demand, this has meant that the grid is rapidly reaching capacity. As a consequence there are increasing incidences of transmission constraints, leading to "price separation" in the wholesale electricity market. Investments to alleviate transmission constraints are now underway although decisions depend on a number of regulatory approvals and may impose new or increased costs on Contact Energy's business.

Competitor behaviour

Contact Energy operates in the competitive wholesale and retail electricity and gas markets and Contact Energy's financial performance can be adversely affected by competitive pressure in these markets, resulting in customer churn and reduced margins. In addition, many of Contact Energy's major competitors are state owned entities, which are not subject to the same pressures as entities which are subject to public equity markets.

Regulatory environment

Contact Energy has exposure to changes in the regulatory environment, both in respect of the provision of energy to existing customers as well as to the introduction of new legislation to govern the way the industry operates, produces energy or the imposition of costs which are not fully recoverable from the market such as carbon or other fuel levies.

Over the past few years the electricity industry has been the subject of a number of reviews. These have not resulted in fundamental changes to the industry structure although in 2003 the Electricity Commission was established to oversee the industry and make recommendations to Government on possible areas for regulation.

Currently there are two main reviews underway:

- the Commerce Commission commenced a review of the retail and wholesale markets in 2005. The Commission has not yet released a report as a consequence of this review;
- the Electricity Commission has commissioned a review of the performance of the market during the 2008 winter. A report has been released for consultation which includes a number of recommendations. If implemented these are not currently expected to have a material impact on Contact Energy's business.

Other risks associated with an investment in Contact Energy

The above list of risk factors should not to be taken as exhaustive of the risks faced by Contact Energy. The above risks, and others not specifically referred to above, may in the future materially affect the financial performance of Contact Energy.

Summary of the Trust Documents

The Bonds will be issued pursuant to the Master Trust Deed and Supplemental Trust Deed. The Supplemental Trust Deed and the Master Trust Deed contain the Conditions of the Bonds. The Trust Documents are available for inspection at the places indicated in the section "*Places of Inspection of Documents*" on page 55 of this Prospectus.

Introduction

The following is a summary of the principal provisions of the Master Trust Deed and the Supplemental Trust Deed. Applicants requiring further information should refer to the Master Trust Deed and the Supplemental Trust Deed for the Bonds. Bondholders are bound by, and are deemed to have notice of, the provisions of the Trust Documents relating to the Bonds.

The Trustee and the Bondholders

The Trustee is appointed under the Master Trust Deed to act as trustee for the Bondholders and the holders of any further Series of bonds issued under the Master Trust Deed and any relevant Supplemental Trust Deed.

The Trustee does not guarantee the payment of Interest or the Principal Amount of the Bonds.

Issue and form of the Bonds

The Master Trust Deed does not create any security over the assets of Contact Energy or any of its subsidiaries.

The Master Trust Deed provides that Contact Energy may issue bonds (including Bonds) at such times, in such amounts, to such persons, on such terms and conditions and at the prices determined by Contact Energy. Without limiting the above, the Master Trust Deed provides that Contact Energy can issue bonds (including Bonds) with a fixed principal amount or a principal amount that is to be calculated by reference to an index, and, where bonds (including Bonds) are interest-bearing, that interest will be calculated by reference to a specific interest rate (which may be fixed or a margin over a base rate) or by reference to an index or both. In addition, the Master Trust Deed provides that bonds may be subordinated or unsubordinated as specified in the relevant supplemental trust deed.

Covenants

The Master Trust Deed contains a number of covenants by Contact Energy, including that for so long as any Bonds are outstanding:

- it will comply with and perform all material obligations under the Agency Agreement and use all reasonable endeavours to ensure that the Registrar also does so;
- it will ensure that a Register is maintained in respect of the Series and give notice to the Bondholders of any resignation or removal of the Registrar and the appointment of any replacement Registrar promptly following such event;
- it will use all reasonable endeavours to cause the Registrar for the Series to keep the Register for that Series pursuant to the Agency Agreement;
- it will obtain, effect and promptly renew from time to time all material authorisations required under any applicable law to enable it to perform and comply fully with the Conditions for that Series or required on its part for the validity or enforceability of the Master Trust Deed and the Supplemental Trust Deed for the Series;
- it will promptly notify the Trustee of the occurrence of any Event of Default;

- it will send copies to the Trustee of all notices given by it to Bondholders of the Series generally;
- it will maintain its corporate existence; and
- it will comply with provisions of the Financial Reporting Act 1993, the Securities Act 1978 and the Securities Regulations 1983 applicable to the Bonds.

Duties and powers of the Trustee

The principal duties of the Trustee under the Master Trust Deed in relation to the Bondholders are summarised as follows:

- upon the occurrence of any Event of Default specified in the Master Trust Deed which is continuing unremedied, the Trustee may in its discretion, and immediately upon being directed to do so by an Extraordinary Resolution passed by the Bondholders must, declare the Bond Moneys to be immediately due and payable by notice in writing to Contact Energy, exercise the powers of enforcement available to it and apply all moneys received in accordance with the provisions of the Master Trust Deed;
- to receive regular financial and other reports provided to it by Contact Energy;
- to perform a number of functions relating to the ongoing administration of the Trust Documents, including in relation to the meetings of Bondholders, and the exercise of discretions or the giving or withholding of consents (as appropriate) relating to such administration and other matters out of the ordinary, such as making an application to the High Court of New Zealand under the Securities Act 1978, the substitution of an obligor in place of Contact Energy in relation to the Bonds and agreeing to modifications of the Trust Documents, all upon the terms set out in the Trust Documents; and
- on being satisfied that all Bond Moneys have been paid or provided upon the terms of the Trust Documents, to execute a deed of release of the Trust Documents.

In addition, the Trustee has a statutory duty pursuant to the Securities Act 1978 and the Securities Regulations 1983 to exercise reasonable diligence to:

- ascertain whether or not there has been any breach of the terms of the Trust Documents or of the terms of any offer of the Bonds and to do all it is empowered to do to cause any such breach of those terms to be remedied (except where the Trustee is satisfied that the breach will not materially prejudice the interests of the Bondholders); and
- ascertain whether or not the assets of Contact Energy that are or may be available, are sufficient or likely to be sufficient to discharge the amounts of the Bonds as they become due.

The Trustee receives the benefit of a general indemnity from Contact Energy for any expenses, losses or liabilities it reasonably sustains or incurs while acting as Trustee unless the claim arises out of wilful default, gross negligence or wilful breach of trust. The Trustee is not indemnified against liability for wilful default, gross negligence or wilful breach of trust where the Trustee has failed to show the degree of care and diligence required of it having regard to the powers, authorities and discretions conferred on it under the Trust Documents and the provisions of the Master Trust Deed.

The Trustee has absolute discretion as to the exercise or non-exercise of its powers in relation to the Bonds. Under the Trust Documents, the Trustee may, amongst other things, in relation to the Bonds:

- refrain from exercising any power until directed by an Extraordinary Resolution of Bondholders or the affected class of Bondholders;

- decline to act or exercise any power, take any action or comply with any request or direction (including direction by an Extraordinary Resolution of Bondholders) unless it has first been indemnified to its satisfaction against all reasonable expenses, losses and liabilities it may sustain or incur by so doing;
- represent and act on behalf of Bondholders in any matter concerning them generally;
- invest any moneys held in its capacity as Trustee, in the name of the Trustee or its nominee, in any investment, with power to vary, deal with or dispose of such investment, and all income (less any commissions properly payable to the Trustee) arising from all such investments will belong to the person in respect of whom such moneys are held by the Trustee;
- in the performance of its duties, act on, or decline to act on, certificates signed by or on behalf of Contact Energy, and the advice or opinion of professional advisers; or
- require Contact Energy to report to Bondholders on certain matters, convene meetings of Bondholders or otherwise seek directions from the Bondholders or a court of New Zealand.

Reporting

Contact Energy covenants to supply to the Trustee various reports, certificates, annual and half-yearly financial statements and other information as to the financial condition of Contact Energy and its subsidiaries and as to compliance with the Trust Documents.

This includes a requirement that two Directors of Contact Energy, on behalf of the Board of Contact Energy, provide a report to the Trustee, following the end of each financial year and each financial half-year, as to various matters relating to Contact Energy and the Bonds, including details of any matter that has arisen relating to Contact Energy which would materially and adversely affect the ability of Contact Energy to perform its obligations under the Master Trust Deed and the Bonds, compliance by Contact Energy with the provisions of the Trust Documents, details of all Bonds that have been repaid on maturity in the immediately preceding financial year or half-year and due maintenance of the Register for the Bonds.

Events of Default

Upon the occurrence of any of the Events of Default, the Trustee may in its discretion, and immediately upon being directed to do so by an Extraordinary Resolution of Bondholders must declare the Bond Moneys to be immediately due and payable by notice in writing to Contact Energy. However, none of the events listed in the definition of Event of Default in the Trust Documents will constitute an Event of Default, and the Bond Moneys will not become immediately due and payable, unless the Event of Default is continuing unremedied.

The Events of Default are defined in the Trust Documents and listed in the Deed of Negative Pledge. In summary, the Events of Default include the following events:

- a failure to make any payment of the Principal Amount within two Business Days of the due date;
- a failure to make any payment of Interest on the Bonds within three Business Days of the due date;
- any breach by Contact Energy of any other obligation or undertaking under the Trust Documents or the Deed of Negative Pledge that, if capable of remedy, is not remedied within 30 days of Contact Energy receiving written notice from a Financier requiring that breach to be remedied;
- if Contact Energy breaches the Financial Covenant set out in the Deed of Negative Pledge and Contact Energy has received written notice from a Financier of the breach and it has not been remedied within 60 days of receipt;
- if Contact Energy becomes insolvent, is placed into liquidation or any analogous procedure occurs in respect of it; and

- if any indebtedness in excess of \$10,000,000 is not paid when due or within any applicable grace period by Contact Energy.

No enforcement by Bondholders

Bondholders have no direct enforcement rights and they may not bring proceedings directly against Contact Energy for the enforcement of any of their rights or remedies under the Trust Documents, unless the Trustee has failed to enforce such rights or remedies after having become bound to do so under the provisions of the Trust Documents.

Default interest

If any amount payable in respect of a Bond is not paid on its due date, interest will accrue on the unpaid amount at the rate determined by the Calculation Agent to be the aggregate of 2% and the relevant fixed rate, as the case may be, payable on the Bond compounded monthly until the unpaid amount is paid.

Further Issuers

Contact Energy shall be entitled to nominate any wholly-owned subsidiary of Contact Energy to be the issuer of the Bonds of this Series on the terms set out in the Supplemental Trust Deed, provided the new issuer enters into the relevant Supplemental Trust Deed and agrees to become bound by the terms of that Deed on terms satisfactory to the Trustee.

Substituted Obligor

The Trustee may, without the consent of the Bondholders, agree to any Substituted Obligor taking the place of Contact Energy under the Trust Documents in substitution for Contact Energy or a previous Substituted Obligor. Such substitution may only occur if a number of requirements are met, as set out in the Master Trust Deed. Those requirements include that:

- (a) the consent of the Trustee has been obtained;
- (b) the obligations of the Substituted Obligor under the Bonds are guaranteed by Contact Energy;
- (c) the Substituted Obligor becomes bound by all the Conditions of the Trust Documents for the Series;
- (d) such amendments are made to the other documents in respect of the Offer as the Trustee may reasonably deem appropriate;
- (e) two directors of the Substituted Obligor, on behalf of the board of the Substituted Obligor, certify that the Substituted Obligor will be solvent immediately after such substitution;
- (f) any public rating assigned to the Bonds is maintained or increased;
- (g) Contact Energy and the Substituted Obligor comply with such reasonable requirements as the Trustee may direct which the Trustee reasonably considers are in the interests of the Bondholders, which may include a requirement that Contact Energy remains bound by all or certain provisions of the Master Trust Deed in respect of the Bonds;
- (h) prior to the substitution being effected, the Substituted Obligor warrants and represents to the Bondholders that
 - (i) it has obtained all necessary authorisations;
 - (ii) that the authorisations for the performance of its obligations under the Trust Documents are in full force and effect;

- (iii) the obligations assumed by it are its legal, valid and binding obligations enforceable against it in accordance with their terms; and
- (i) legal opinions have been delivered to the Trustee confirming that following such substitution:
- (i) the Trust Documents and the Bonds will constitute legal, valid and binding obligations on the Substituted Obligor;
 - (ii) the Substituted Obligor is validly incorporated in its jurisdiction of incorporation;
 - (iii) all necessary authorisations are in full force and effect; and
 - (iv) amounts payable to any Bondholder will not be reduced by the existence of any applicable taxes except for such taxes in respect of which the Substituted Obligor has agreed to make compensating payments to the Bondholders.

Meetings

The Master Trust Deed contains provisions for meetings of Bondholders and the matters that may be determined by ordinary or Extraordinary Resolutions.

Contact Energy must call a meeting of Bondholders, or a class of Bondholders, at the request in writing of the Bondholders of at least 10% of the aggregate Principal Amount of the Bonds, or that class of Bonds (as the case may be). The Trustee may convene a meeting of Bondholders at any time.

An Extraordinary Resolution passed at a meeting of Bondholders or a class of Bondholders properly convened and held is binding on all Bondholders, or all Bondholders of that class (as the case may be), whether or not they were present at such meeting. However:

- a resolution which affects a particular Bondholder only, rather than the rights of all Bondholders generally, or of a particular class of Bondholders generally, will not be binding on such Bondholder unless such Bondholder agrees to be bound by the terms of such resolution;
- a resolution which affects one class only of Bonds is deemed to have been duly passed if passed at a properly convened and held meeting of the Bondholders of that class;
- a resolution which affects more than one class of Bonds, but does not give rise to a conflict of interest between the Bondholders of any of the classes so affected, is deemed to have been duly passed if passed at a single properly convened and held meeting of the Bondholders of all classes so affected; and
- a resolution which affects more than one class of Bonds and gives rise to a conflict of interest between the Bondholders of any of the classes so affected is deemed to have been duly passed if passed at separate properly convened and held meetings of the Bondholders of each class so affected.

After the occurrence of an Event of Default and while it continues unremedied, Bondholders of a Series may by an Extraordinary Resolution direct the Trustee to declare the Principal Amount of Bonds of that Series, together with accrued interest thereon, to be immediately due and payable by notice in writing to Contact Energy.

Bondholders have the power exercisable by Extraordinary Resolution to agree, approve, authorise, ratify and sanction various acts, matters or things in relation to, or in connection with, the Trust Documents, the Bonds and the exercise or performance by the Trustee of its powers, duties and discretions. For example, the Bondholders may, by an Extraordinary Resolution:

- sanction the release of Contact Energy from payment of all or any part of the Bond Moneys;
- postpone or, with the agreement of Contact Energy, accelerate the Maturity Date of the Bonds and suspend or postpone for a time the payment of Interest on the Bonds;

- sanction any exchange of Bonds for other obligations or securities of Contact Energy or any other company;
- sanction any alteration, release, modification, waiver, variation or compromise or any other arrangement relating to the rights of the Bondholders against Contact Energy or its assets;
- assent to any amendment to the terms of the Trust Documents;
- sanction, assent to, release or waive any breach or default by Contact Energy or the Trustee under any of the provisions of the Trust Documents;
- sanction any scheme for the reconstruction of Contact Energy or for the amalgamation of Contact Energy with any other corporation where such sanction is necessary;
- subject to section 62 of the Securities Act 1978, discharge, release or exonerate the Trustee from all liability in respect of any act or omission for which the Trustee has or may become responsible under the Trust Documents; and
- subject to the provisions of the Trust Documents, remove the Trustee and approve the appointment of, or appoint, a new Trustee.

An Extraordinary Resolution is a resolution passed at a meeting of Bondholders (or of a class of Bondholders) properly convened at which at least three-fourths of the persons voting or, if a poll is properly demanded then not less than three-fourths of the votes given on such a poll, voted in favour of the resolution. A quorum for the purpose of passing an Extraordinary Resolution is two or more Bondholders (present in person or by representative) holding or representing a majority in Principal Amount of the Bonds or, in the case of a meeting of any class of Bondholders, of the Bonds of the relevant class. If a quorum is not present and the meeting is adjourned, a quorum at the adjourned meeting is all Bondholders present (in person or by representative). Anything that may be done by Bondholders (or a class of Bondholders) by an ordinary resolution or an Extraordinary Resolution passed at a meeting of Bondholders (or that class of Bondholders) may be done by a resolution in writing signed by not less than 75% of Bondholders (or that class of Bondholders) having the right to vote on that resolution and holding in aggregate the right to cast not less than 75% of the votes which could be cast on that resolution.

Amendment of Trust Documents

The terms and conditions of the Master Trust Deed may be altered with the approval of Bondholders (or a class of Bondholders, if applicable) by an Extraordinary Resolution at a meeting of Bondholders (whether convened by Contact Energy or Bondholders) and, in limited circumstances, with the approval only of the Trustee and Contact Energy. A description of the requirements for an Extraordinary Resolution is set out in the preceding paragraph of this Prospectus.

The following amendments do not require Bondholder approval:

- amendments of a minor, formal, administrative or technical nature;
- amendments that are to correct a manifest error;
- amendments that are to comply with the requirements or a modification of the requirements of any applicable law or any rules of any stock exchange in New Zealand or elsewhere;
- amendments that are necessary for the purpose of obtaining or maintaining a quotation of the Bonds on any stock exchange in New Zealand or elsewhere; and
- amendments in respect of any of the provisions of the Trust Documents relating to reporting to the Trustee, the Trustee's fees, expenses and indemnities or the exercise of the Trustee's powers.

The above circumstances are also subject to the general requirement that Contact Energy and the Trustee must each be of the opinion that the amendment will not be materially prejudicial to the interests of Bondholders generally.

The Trustee may agree to amend or temporarily vary the Trust Documents or the Bonds to reflect an exemption granted to Contact Energy, or an exemption that is applicable to Contact Energy, in relation to any obligation imposed upon Contact Energy by or pursuant to the Securities Act 1978, the Financial Reporting Act 1993, the Securities Regulations 1983 or the listing rules of any stock exchange which is materially the same as or analogous to any obligation of Contact Energy under the Master Trust Deed or the Bonds, provided two authorised officers of Contact Energy certify that such amendment, temporary variation or waiver will not have a material adverse effect on Contact Energy or be materially and adversely prejudicial to the general interests of Bondholders.

In addition, the Trustee may temporarily vary the provisions of the Trust Documents, or waive any breach or anticipated breach by Contact Energy, for such period and on such terms as:

- may be deemed appropriate provided that the Trustee is satisfied that the interests of the affected Bondholders generally will not be materially and adversely prejudiced; or
- may be agreed by the Trustee to reflect an exemption of the nature referred to above as an amendment that can be made without Bondholder approval.

Any amendment to the Trust Documents will be binding on all Bondholders and will only be effective if it is in writing and signed by Contact Energy and the Trustee.

Supplemental Trust Deed

The Supplemental Trust Deed contains provisions specific to the Bonds to be issued under this Prospectus, although Contact Energy may elect to issue further Series of bonds on the same terms.

It contains, as a schedule, the terms and conditions of the Bonds as set out on pages 8 to 13 of this Prospectus. It also specifies that none of Contact Energy's subsidiaries from time to time guarantee Contact Energy's obligations under the Bonds.

Deed of Negative Pledge

Except for finance leases, Contact Energy's borrowings are unsecured. Contact Energy borrows under the Deed of Negative Pledge, which does not permit Contact Energy to grant any security interest over its assets, unless it is an exception permitted within the Deed of Negative Pledge.

While not a Trust Document, the Deed of Negative Pledge sets out the representations and warranties, covenants and Events of Default that apply (as amended by the Trust Documents) to the Bonds. The relevant provisions of the Deed of Negative Pledge, as applicable to the Bonds, are set out in Appendix B.

Pursuant to the Deed of Negative Pledge, the Issuer covenants in favour of the Trustee on behalf of Bondholders that, amongst other things, the ratio of consolidated unsubordinated group debt to consolidated unsubordinated group debt plus consolidated shareholders' funds (all as described in the Deed of Negative Pledge) shall not exceed 60%. The Trustee will not have the benefit of, or be subject to, any future amendments to the Deed of Negative Pledge unless expressly agreed between Contact Energy and the Trustee. This could result in other lenders to Contact Energy having the benefit of more favourable provisions under the Deed of Negative Pledge.

Miscellaneous

The Trust Documents also contain detailed provisions relating to procedures for holding meetings of Bondholders, transfer and registration of Bonds and various other matters.

Because the Bonds are to be registered (rather than bearer) bonds, the Trustee and Contact Energy are entitled to rely on the Register as the sole and conclusive record of the Bonds held by a Bondholder, notwithstanding any discrepancy between the Register and any certificate issued in respect of any Bonds. A certificate will not constitute a document of title and transfers must be effected using a registrable transfer form or by means of the FASTER system operated by NZX. A transfer will not take effect until the transferee is registered as the holder of the Bond.

Neither the Trustee nor Contact Energy is liable to the other or to any Bondholder for relying on the Register or for accepting in good faith as valid the details recorded on the Register if they are subsequently found to be forged, irregular or not authentic.

23 February 2009

**To: The Directors
Contact Energy Limited
Level 1
Harbour City Tower
29 Brandon Street
Wellington**

Clause 13(3) of the Second Schedule to the Securities Regulations 1983 requires us to confirm that the offer by Contact Energy Limited ("Contact Energy") of the bonds (the "Bonds") set out in the prospectus dated 23 February 2009 (the "Prospectus") complies with any relevant provisions of the:

- (a) Master Trust Deed between Contact Energy and The New Zealand Guardian Trust Company Limited (the "Trustee") dated 23 February 2009;
- (b) Supplemental Trust Deed Series 1 between Contact Energy and the Trustee dated 23 February 2009;

(together the "Trust Documents").

The relevant provisions of the Trust Documents are those which:

- (a) entitle Contact Energy to constitute and issue under the Trust Documents the Bonds offered under the Prospectus; and
- (b) impose any restrictions on the right of Contact Energy to offer the Bonds,

and are described in the "Summary of the Trust Documents" section of the Prospectus.

The Auditors have reported on certain of the financial information set out in the Prospectus and the Trustee's statement does not refer to that information, or to any material contained in the Prospectus which does not relate to the Trust Documents.

The Trustee confirms that the offer of the Bonds set out in the Prospectus complies with any relevant provisions of the Trust Documents. We have given the above confirmation on the basis:

- (a) set out above; and
- (b) that the Trustee relies on the information supplied to it by Contact Energy pursuant to the Trust Documents, and does not carry out an independent check of the statements or the figures supplied to it in that information.

The Trustee does not guarantee the repayment of the Bonds offered, the payment of interest thereon or any other aspect of the Bonds or obligations of Contact Energy.



Signed for and on behalf of the Trustee
The New Zealand Guardian Trust Company Limited



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Wellington 6011
New Zealand

PO Box 996
Wellington 6140
New Zealand

Telephone +64 (4) 816 4500
Fax +64 (4) 816 4600
Internet www.kpmg.co.nz

The Directors
Contact Energy Limited
29 Brandon Street
Wellington

23 February 2009

Dear Directors

Auditors' Report for inclusion in prospectus

As auditor of Contact Energy Limited (the "Company") we have prepared this report pursuant to clause 36 of the Second Schedule of the Securities Regulations 1983 for inclusion in the Prospectus dated 23 February 2009 and for no other purpose.

Audited financial statements of Contact Energy Limited

We have audited the financial statements of the Company, set out at pages 62 to 105 of the Prospectus. The financial statements provide information about the past financial performance and cash flows of the Company for the six months ended 31 December 2008 and the year ended 30 June 2008 and its financial position as at 31 December 2008 and 30 June 2008. This information is stated in accordance with the accounting policies set out on pages 69 to 77 of the Prospectus.

We report on the historical summary of financial statements of the Company set out on pages 49 and 50 of the Prospectus. The summary of financial statements has been taken from the audited financial statements for the financial periods ended 30 September 2004, 30 June 2005, 30 June 2006, 30 June 2007, 30 June 2008 and 31 December 2008.

We report on the information provided in respect of the ranking of securities of the Company as at 31 December 2008, set out on page 55 of the Prospectus. The amounts in respect of the ranking of securities have been taken from the audited financial statements of the Company for the six months ended 31 December 2008.



Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of:

- the financial statements which give a true and fair view of the financial position of the Company as at 30 June 2008 and its financial performance and cash flows for the year ended on that date, as required by clauses 16 to 32 of the Second Schedule of the Securities Regulations 1983;
- the interim financial statements which give a true and fair view of the financial position of the Company as at 31 December 2008 and its financial performance and cash flows for the six months ended on that date;
- the historical summary of financial statements of the Company for the financial periods ended 30 September 2004, 30 June 2005, 30 June 2006, 30 June 2007, 30 June 2008, 31 December 2008, as required by clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983; and
- the details and amounts in respect of the ranking of securities of the Company as at 31 December 2008, as required by clause 12 of the Second Schedule of the Securities Regulations 1983.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements as at 31 December 2008 and 30 June 2008 prepared by the Directors and report our opinion in accordance with clause 36(1) of the Second Schedule of the Securities Regulations 1983.

In addition we are responsible for reporting in accordance with clause 36(1)(g) of the Second Schedule of the Securities Regulations 1983, on the following matters which have been prepared and presented by the Directors:

- the amounts included in the historical summary of financial statements for the financial periods ended 30 September 2004, 30 June 2005, 30 June 2006, 30 June 2007, 30 June 2008, 31 December 2008;
- the amounts included in the ranking of securities as at 31 December 2008,

This report has been prepared for inclusion in the Prospectus dated 23 February 2009 for the purpose of meeting the requirements of clause 36 of the Second Schedule to the Securities Regulations 1983. We disclaim any assumption of responsibility for reliance on this report or the amounts included in the financial statements or the historical summary of financial statements. In addition, we take no responsibility for, nor do we report on, any part of the Prospectus not specifically mentioned in this report.

Our firm has also provided other assurance services to the Company. Partners and employees of our firm also deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. These matters have not impaired our independence as auditors of the Company. The firm has no other relationship with or interest in the Company.



Basis of opinion on the financial statements

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgments made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Basis of opinion on the historical summary of financial statements

We have undertaken procedures to obtain reasonable assurance that the amounts set out in the historical summary of financial statements on pages 49 to 50 pursuant to clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983 have been correctly taken from the audited financial statements of the Company for the periods ended 30 September 2004, 30 June 2005, 30 June 2006, 30 June 2007, 30 June 2008 and 31 December 2008.

Basis of opinion on the ranking of securities

We have undertaken procedures to obtain reasonable assurance that the amounts set out in the ranking of securities on page 55 pursuant to clause 12 of the Second Schedule of the Securities Regulations 1983 have been correctly taken from the audited financial statements of the Company as at 31 December 2008.

Unqualified opinion on the financial statements

We obtained all the information and explanations we required.

In our opinion:

- proper accounting records were kept by the Company as far as appears from our examination of those records; and
- the financial statements for the year ended 30 June 2008 as required by clauses 16 to 32 of the Second Schedule of the Securities Regulations 1983 and set out on pages 62 to 105:
 - comply with these regulations; and



- subject to these regulations, comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the financial position of the Company as at 30 June 2008 and the results of its operations and cash flows for the year ended 30 June 2008.

Our audit on the financial statements for the year ended 30 June 2008 was completed on 25 August 2008 and our unqualified opinion is expressed as at that date. We have not undertaken any procedures in respect of the year ended 30 June 2008 from the date of completion of our audit.

- the interim financial statements for the six months ended 31 December 2008 as set out on pages 62 to 105.
 - comply with the regulations; and
 - subject to the regulations, comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the financial position of the Company as at 31 December 2008 and the results of its operations and cash flows for the six months ended 31 December 2008.

Our audit on the financial statements for the six months ended 31 December 2008 was completed on 23 February 2009 and our unqualified opinion is expressed as at that date.

- the amounts set out in the historical summary of financial statements on pages 49 and 50 of this prospectus, as required by clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Company for the financial periods ended 30 September 2004, 30 June 2005, 30 June 2006, 30 June 2007, 30 June 2008 and 31 December 2008.
- the amounts set out in the ranking of securities on page 55 pursuant to clause 12 of the Second Schedule of the Securities Regulations 1983 have been correctly taken from the audited financial statements of the Company as at 31 December 2008.

Except as noted above, we completed our work for the purposes of this report on 23 February 2009 and our unqualified opinions are expressed at this date.

Yours sincerely

Wellington

Summary of Financial Statements

Contact Energy Limited¹

	NZ IFRS ² 6 Months Ended 31 December 2008 \$'000	NZ IFRS ² 12 Months Ended 30 June 2008 \$'000	NZ IFRS ² 12 Months Ended 30 June 2007 \$'000	NZ IFRS ² 12 Months Ended 30 June 2006 \$'000	NZ IFRS ² 9 Months Ended 30 June 2005 ³ \$'000	FRS ² 9 Months Ended 30 June 2005 ³ \$'000	FRS ² 12 Months Ended 30 September 2004 \$'000
Total Operating Revenue	1,049,737	2,419,499	1,632,533	2,168,165	1,178,593	934,845	1,166,533
EBITDAF⁴	193,643	580,063	505,937	580,306	204,402	204,427	463,076
Depreciation and Amortisation	(75,461)	(141,400)	(137,953)	(132,316)	(91,871)	(98,373)	(95,295)
Change in Fair Value of Financial Instruments ⁵	(78,316)	(1,926)	23,259	9,016	-	-	-
Other Significant Items	-	(12,428) ⁶	-	32,894 ⁷	-	-	-
Earnings Before Net Interest Expense and Income Tax (EBIT)	39,866	424,309	391,243	489,900	112,531	106,054	367,781
Interest Income	1,965	5,057	22,974	15,961	7,679	7,679	10,001
Interest Expense Capitalised ¹⁰	4,409	1,617	-	-	-	-	-
Interest Expense	(41,850)	(76,525)	(85,633)	(82,036)	(61,831)	(61,831)	(86,987)
Profit Before Income Tax	4,410	354,458	328,584	423,825	58,379	51,902	290,795
Income Tax Benefit / (Expense)	113	(106,142)	(112,653)	(127,587)	(9,404)	(10,852)	(99,316)
Profit for the Period	4,523	248,316	215,931	296,238	48,975	41,050	191,479
Dividends ⁸	(98,028)	(161,458)	(149,924)	(115,326)	(92,262)	(92,262)	(198,939)
Surplus/(Deficit) Retained	(93,505)	86,858	66,007	180,912	(43,287)	(51,212)	(7,460)
Total Assets	5,047,569	5,169,385	4,951,909	4,554,673	4,343,862	4,313,118	4,545,102
Total Tangible Assets	4,892,856	5,013,467	4,822,807	4,428,144	4,220,395	4,196,313	4,421,795
Total Liabilities	2,219,914	2,291,273	2,084,157	2,015,882	1,984,542	1,293,400	1,280,758
Shareholders' Equity	2,827,655	2,878,112	2,867,752	2,538,791	2,359,320	3,019,718	3,264,344
Total Dividend Per Share (Cents) ⁸	17.0	28.0	26.0	20.0	16.0	16.0	34.5
Underlying Earnings After Tax⁹	59,344	243,980	207,467	257,303	48,975	41,050	191,479
Underlying Earnings Per Share (Cents)	10.29	42.31	35.98	44.62	6.49	7.12	33.21

1. The financial information has been extracted from audited financial statements.

Contact Energy has made presentational changes since transition to New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) (See note 2). The comparative periods accounted for under NZ IFRS have been restated to reflect these changes. No changes have been made which affect Profit for the Period or Shareholders' Equity.

Individual derivative financial assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is the intention to settle simultaneously. The reclassification increased total assets and total liabilities by \$17.5 million as at 30 June 2008 (June 2007: \$1.5 million, June 2006: \$6.2 million, June 2005: Not applicable – see note 5). In addition, advances to/from subsidiaries have been reclassified increasing total assets and total liabilities by \$Nil as at 30 June 2008 (June 2007: \$6.5 million, June 2006: \$0.1 million, June 2005: \$24.7 million).

2. The financial information for the six months ended 31 December 2008 and 12 months ended 30 June 2008, 2007 and 2006 has been prepared under the requirements of New Zealand Equivalents to International Financial Reporting Standards. The financial information for the nine months ended 30 June 2005 has been restated under NZ IFRS. The key differences in this restatement are as follows:

- Recognition of a deferred tax liability of \$664,616,000 which primarily reflects the recognition of deferred tax liabilities on revalued generation plant and equipment under NZ IFRS. A portion of the deferred tax relating to the revaluation may not crystallise under existing income tax legislation if the assets were to be sold at balance sheet date.
- Revenue has increased by \$243,748,000 which primarily reflects the reclassification of Retail Electricity Purchases as an Operating Expense.

The financial information for the nine months ended 30 June 2005 and 12 months ended 30 September 2004 has been prepared under previous New Zealand Financial Reporting Standards (FRS).

3. During 2005, Contact Energy changed its balance date from 30 September to 30 June and consequently the results for 2005 are for a nine month period.
4. EBITDAF – Earnings Before Net Interest Expense, Income Tax, Depreciation, Amortisation, Financial Instruments and Other Significant Items and represents underlying net cash generated from the generation and retail businesses.
5. Derivative financial instruments were not recognised under FRS, and were not recognised in the restated 30 June 2005 information as Contact Energy took advantage of the exemption available in NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* not to restate comparatives for NZ IAS 32 *Financial Instruments: Presentation* and NZ IAS 39 *Financial Instruments: Recognition and Measurement*.
6. Other Significant Items for 30 June 2008 consists of the removal of New Plymouth asbestos and related costs of \$33,747,000 and a gain on the sale of Mokai geothermal land and rights of \$21,319,000.
7. Other Significant Items for 30 June 2006 consists of the gain on disposal of subsidiaries of \$32,894,000 in Australia.
8. Dividends are paid to the holders of unrestricted ordinary shares. Holders of restricted ordinary shares are subject to the terms of the Restricted Share Plan and are not entitled to receive dividends.
9. Underlying Earnings After Tax is presented in the financial statements of Contact Energy Limited. Underlying Earnings After Tax is included to allow stakeholders to make an assessment and comparison of underlying earnings after removing significant one-off items and the non-cash Change in Fair Value of Financial Instruments.
10. Contact Energy commenced capitalising interest from 1 July 2007 principally in respect of expenditure categorised as development capital work in progress.

Statutory information

The following additional information is included in accordance with the requirements of the Second Schedule to the Securities Regulations 1983.

1. MAIN TERMS OF OFFER

The name of the issuer of the Bonds is Contact Energy Limited. Its registered office is located at Level 1, Harbour City Tower, 29 Brandon Street, Wellington.

A brief description of the Bonds is provided on pages 6 and 7 and pages 8 to 13 of this Prospectus.

As at the date of this Prospectus, Bonds of an aggregate Principal Amount of up to \$300 million, with the ability to accept unlimited over-subscriptions are being offered by Contact Energy.

Contact Energy is offering Bonds in different Tranches. Details of the particular terms that apply to each Tranche of Bonds offered are set out in the applicable Rate Card.

The Issue Price of each Bond will be \$1.00.

The applicable Interest Rate and Maturity Date for the Bonds will be set out in the relevant Rate Card.

2. DETAILS OF INCORPORATION OF CONTACT ENERGY

Contact Energy was incorporated on 8 November 1995 under the Companies Act 1993. Contact Energy's registration number is 660760.

The public register relating to the incorporation of Contact Energy is kept at the Companies Office, Ministry of Economic Development, and it is available for public inspection on the Companies Office electronic register at www.companies.govt.nz. Where relevant documents are not available on the website, they may be requested by contacting the Companies Office Contact Centre on 0508 266 726. A fee may be payable to the Companies Office for any documents obtained from the Companies Office.

3. GUARANTORS

There are no guaranteeing subsidiaries in respect of the Bonds and the Bonds are not guaranteed by the Trustee or any other person. Contact Energy itself comprises "the borrowing group" for the purposes of the Securities Regulations 1983.

4. DIRECTORATE AND ADVISERS

The Directors of Contact Energy are:

Bruce Gerard Beeren
Sydney, Australia

Bruce Beeren joined the Contact Energy Board in October 2004. With over 30 years' experience in the energy industry, he was establishment Chief Executive Officer of Victorian Energy Networks Corporation, the Victorian gas system operator, and held a number of senior management positions at AGL, including Chief Financial Officer and General Manager, AGL Pipelines, and Origin Energy Limited. He is a director of Origin Energy Limited, Coal & Allied Industries Limited and Equipsuper Pty Limited. He is a former director of NGC Holdings Limited, Envestra Limited and Veda Advantage Limited (formerly called Baycorp Advantage Limited). He holds science and commerce degrees and a Master of Business Administration, and is a fellow of CPA Australia and the Australian Institute of Company Directors.

Grant Alfred King (Chairman)
Sydney, Australia

Grant King joined the Contact Energy Board in October 2004. He has been Managing Director of Origin Energy since its demerger from Boral Energy in February 2000 and was Managing Director of Boral Energy from 1994. Prior to joining Boral, he was General Manager AGL Gas Companies. Grant King is a Councillor of the Australian Petroleum Production and Exploration Association, a former Director of Envestra Limited and former Chairman of the Energy Supply Association of Australia Limited. He has a Civil Engineering Degree and a Master of Management.

John Herbert Glanville Milne (Independent Director)
Wellington, New Zealand

John Milne has been a director of Contact Energy since Contact Energy's establishment in 1995. He is an independent member of the Wellington City Council Audit and Risk Management Subcommittee and Chairman of The He Huarahi Tamariki Charitable Trust. He has held a number of directorships in New Zealand, including in the oil, gas, forestry and wine industries, and senior management positions in the Shell Group in New Zealand and with Shell International in London and in the Far East. A Chartered Accountant and an Accredited Director and Fellow of the Institute of Directors, he holds a Master of Arts (Cambridge) and a Bachelor of Commerce (New Zealand) degree. He is currently a doctoral candidate at The University of Sydney.

Karen Anne Moses
Sydney, Australia

Karen Moses joined the Contact Energy Board in October 2004. She is currently the Chief Operating Officer of Origin Energy Limited and in March 2009 will take on the role of Executive Director, Finance and Strategy and will become a director of Origin. Karen Moses has over 25 years' experience in the energy industry in Australia and overseas. She is a director of the Australian Energy Market Operator (Transitional) Limited, Victorian Energy Networks Corporation and the Energy and Water Ombudsman (Victoria) Limited. Further she is the Chair of Origin's National Customer Consultative Council, is a member of the Australian School of Business Advisory Council and the CSIRO Energy and Transport Sector Advisory Council. She is a member of the Australian Institute of Company Directors and Chief Executive Women. Karen Moses holds a Bachelor of Economics and Diploma of Education from The University of Sydney.

Phillip John Pryke (Deputy Chairman and Independent Director)
Sydney, Australia

Phil Pryke was Chairman of Contact Energy from its establishment in 1995 until October 2004 when Grant King was appointed Chairman. Phil Pryke is chairman of Comtel Corporation Limited, and is a director of Goodman (NZ) Limited, Goodman Property Aggregated Limited and Co-Investor Capital Partners Pty Limited. His previous roles include Vice President, Global Sales and Client Solutions – Asia Pacific at Electronic Data Systems (EDS), Chief Executive of Nextgen Networks and Chief Executive Officer of Lucent Technologies Australia Pty Limited. He holds an economics degree from The University of Sydney.

Timothy Ernest Corbett Saunders (Independent Director)
Waipara, North Canterbury, New Zealand

Timothy Saunders was elected to the Board of Contact Energy in 2000, having also been on the Board from 1995 until 1998. He is on the Australasian Advisory Board of LEK Consulting and has a number of private company directorships. He has held a wide range of directorships in New Zealand in a variety of industries, and is an accredited Fellow of the Institute of Directors. He has been a consultant in the private and public sectors and was closely involved in the various reforms of the electricity industry. He holds a Master of Business Administration (Columbia) and a commerce degree in economics (Cape Town).

Each of the Directors of Contact Energy may be contacted at the address of Contact Energy set out in the Directory.

The Company Secretary of Contact Energy is Steve Bielby, General Counsel of Contact Energy.

No Director is also an employee of Contact Energy or any of its subsidiaries.

No Director has been adjudged bankrupt during the five years preceding the date of this Prospectus.

The names of Contact Energy's auditor, the Registrar, each of the Joint Lead Managers, the Co-Manager, the Trustee, and the solicitors who have been involved in the preparation of this Prospectus are set out in the Directory on page 119 of this Prospectus.

There are no experts named in this Prospectus.

5. RESTRICTIONS ON DIRECTORS' POWERS

The following modifications, exceptions or limitations on the powers of the Board are imposed by the Companies Act 1993:

- the Board may not delegate the powers conferred on it by the sections of the Companies Act 1993 listed in the Second Schedule to that Act;
- the Board may not authorise a dividend in respect of some but not all Shares in a class, or that is of a greater value per share in respect of some Shares of a class than it is in respect of other Shares of that class, otherwise than in proportion to the amount paid on the Share in satisfaction of the Shareholder's liability, except where the Shareholder has waived its entitlement;
- Directors may not authorise entry into a "major transaction", unless the transaction is approved by, or contingent on approval by, a special resolution. A "major transaction" is a transaction, the value of which exceeds half the value of Contact Energy's assets before the transaction;
- Contact Energy may not take any action that affects the rights attached to any shares unless the action has been approved by special resolution of each interest group affected; and
- Contact Energy may not buy back or redeem any of its equity securities, or give financial assistance in connection with the acquisition of any of its equity securities, except as permitted by the Companies Act 1993, the terms of the Bonds and its Constitution.

The Companies Act 1993 and Contact Energy's Constitution do not impose any further modifications, exceptions or limitations on the powers of the Board to manage, or supervise or direct the management of, the business and affairs of Contact Energy other than the modifications, exceptions or limitations which are required to be imposed on the Board under the Listing Rules or modifications, exceptions or limitations which are otherwise disclosed in this Prospectus.

6. DESCRIPTION OF ACTIVITIES OF CONTACT ENERGY

Contact Energy's operations encompass electricity generation, wholesaling and the retailing of energy.

The activities of Contact Energy, during the five years preceding the date of this Prospectus, are described on pages 14 to 28 of this Prospectus.

None of Contact Energy's assets or the assets of any other person are charged as security for the Bonds.

7. SUMMARY OF FINANCIAL STATEMENTS

The financial information relating to Contact Energy required to be included in this Prospectus pursuant to clause 7 of the Second Schedule to the Securities Regulations 1983 is set out on pages 49 and 50 of this Prospectus.

8. ACQUISITION OF BUSINESS OR SUBSIDIARY

During the two years preceding the date of this Prospectus Contact Energy did not acquire any business or subsidiary where the consideration paid for that business or subsidiary exceeded one-fifth of the amount of the total tangible assets shown in the "*Financial Statements for Contact Energy*" set out in Appendix A of this Prospectus.

9. MATERIAL CONTRACTS

The following material contracts, within the meaning of the Securities Regulations 1983 (not being contracts entered into in the ordinary course of business), have been entered into by the issuer within the two year period prior to the date of registration of this Prospectus.

Trust Documents

On 23 February 2009, Contact Energy and Trustee entered into the Master Trust Deed pursuant to which the Trustee agrees to act as trustee for the Bondholders in connection with the Bond Programme on the terms and conditions set out in the Master Trust Deed.

On 23 February 2009, Contact Energy and the Trustee entered into the Supplemental Trust Deed relating to the Bonds.

The terms of the Master Trust Deed and the Supplemental Trust Deed are summarised on pages 35 to 42 of this Prospectus.

10. PENDING PROCEEDINGS

There are no legal proceedings or arbitrations pending as at the date of registration of this Prospectus that may have a material adverse effect on Contact Energy.

11. PRELIMINARY AND ISSUE EXPENSES

Issue expenses are estimated to amount to \$6,000,000 (based on an issue of \$300,000,000 of Principal Amount of Bonds), including brokerage, issue management fees, firm allocation fees, legal and accounting fees, printing and advertising costs. This includes fees payable to the Joint Lead Managers and Co-Manager as follows:

- Joint Lead Management Fees – subject to a Joint Lead Manager sourcing applications bearing its own broker stamp in excess of agreed minimum thresholds, the Joint Lead Manager will receive a fee of 0.25% of total proceeds raised under applications bearing that Joint Lead Manager's broker stamp and 0.025% of total proceeds raised under the Offer
- Co-Manager Fees - subject to the Co-Manager sourcing applications bearing its own broker stamp in excess of agreed minimum thresholds, the Co-Manager will receive a fee of 0.15% of total proceeds raised under applications bearing that Co-Manager's broker stamp
- Firm Allocation Fees – approved financial intermediaries will be paid a firm allocation fee of 0.25% of the proceeds raised by that party pursuant to its firm allocation.

The brokerage payable in respect of the Offer of each Tranche of Bonds is or will be set out in the applicable Rate Card.

12. RANKING OF SECURITIES

The Bonds will constitute unsecured and unsubordinated obligations of Contact Energy and rank equally with each other. The Bonds also rank at least equally with all other unsecured and unsubordinated indebtedness of Contact Energy, except indebtedness preferred by law. As at the date of the latest statement of financial position contained or referred to in this Prospectus (being the interim financial statements for the six month period ending 31 December 2008), there were no securities of Contact Energy that were secured by a mortgage or charge over any of the assets of Contact Energy ranking in point of security ahead of, or equally with, the Bonds.

13. PROVISIONS OF TRUST DEED AND OTHER RESTRICTIONS ON BORROWING GROUP

The Master Trust Deed was entered into between Contact Energy and the Trustee on 23 February 2009. The Supplemental Trust Deed was entered into between Contact Energy and the Trustee on 23 February 2009.

The Deed of Negative Pledge, to the extent incorporated by the Trust Documents, imposes certain restrictions on the ability of Contact Energy to grant security over its assets. It also contains certain financial covenants that may restrict Contact Energy's ability to borrow. For further information about these restrictions on the granting of security and borrowing, see the section entitled "*Summary of Trust Documents*" on pages 35 to 42 of this Prospectus.

The duties of the Trustee under the Trust Documents are summarised on pages 36 and 37 of this Prospectus.

A statement by the Trustee confirming that the Offer of Bonds in this Prospectus complies with any relevant provisions of the Trust Documents, and that the Trustee does not guarantee repayment of the Bonds, or the payment of Interest on the Bonds, is on page 43 of this Prospectus.

14. OTHER TERMS OF OFFER AND SECURITIES

All of the terms of the Offer, and all of the terms of the Bonds, are set out in this Prospectus, except those:

- (a) implied by law; or
- (b) which are set out in a document that has been registered with a public official, is available for public inspection and is referred to in this Prospectus.

15. FINANCIAL STATEMENTS

Audited financial statements of Contact Energy for the six months ended 31 December 2008 and the year ended 30 June 2008 prepared in accordance with clauses 15 to 32 of the Second Schedule to the Securities Regulations 1983 are set out under the heading "*Financial Statements of Contact Energy*" on pages 62 to 105 of this Prospectus.

16. PLACES OF INSPECTION OF DOCUMENTS

Copies of the Master Trust Deed, the Supplemental Trust Deed and Contact Energy's Constitution may be inspected on the Companies Office website at www.companies.govt.nz or, free of charge, at the registered office of Contact Energy during normal business hours. Where a document is not available on the Companies Office website, a request for the document can be made by calling toll free on 0508 266 726 during normal business hours. The Companies Office may also charge a fee for viewing information on its website.

17. OTHER MATERIAL MATTERS

NZX has granted Contact Energy a waiver from NZDX Listing Rule 11.1.1, to enable Contact Energy to decline to accept or register a transfer of Bonds if such transfer would result in the transferor holding Bonds with an aggregate Principal Amount of less than the applicable Minimum Holding or if such a transfer is for an amount of less than \$1,000 or a multiple thereof. The effect of the waiver from NZDX Listing Rule 11.1.1 is that the Minimum

Holding in respect of the Bonds will at all times be \$5,000 in aggregate and that Bonds can only be transferred in multiples of \$1,000.

There are no other material matters relating to the Offer (other than contracts entered into in the ordinary course of business of Contact Energy) which have not been set out in this Prospectus.

18. DIRECTORS' STATEMENT

The Directors, after due inquiry by them in relation to the period between 31 December 2008 and the date of registration of this Prospectus, are of the opinion that no circumstances have arisen that materially adversely affect:

- (a) the trading or profitability of Contact Energy;
- (b) the value of Contact Energy's assets; or
- (c) the ability of Contact Energy to pay its liabilities due within the next 12 months.

19. AUDITOR'S REPORT

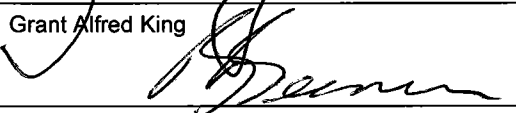
A copy of the auditor's report required by clause 36 of the Second Schedule to the Securities Regulations 1983 is set out under the heading "*Auditor's Report*" on page 44 of this Prospectus.

EXECUTION

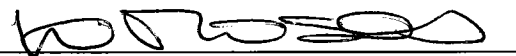
This Prospectus has been signed by (or by a duly authorised agent of) each of the Directors of Contact Energy Limited.



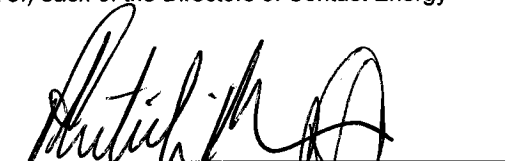
Grant Alfred King



Bruce Gerard Beeren



Karen Anne Moses



Philip John Fryke



John Herbert Glanville Milne



Timothy Ernest Corbett Saunders

Glossary

Agency Agreement means the agency agreement between Contact Energy and the person appointed as Registrar, Calculation Agent and paying agent, as specified the Supplemental Trust Deed for the Series;

Board means the Board of Directors of Contact Energy;

Bond Moneys means, at any time, the Principal Amount, Interest and other moneys payable on the Bonds and all other moneys payable to the Trustee or to any Bondholder, at that time under or pursuant to the Trust Documents;

Bond Programme means the bond programme pursuant to which Contact Energy may issue bonds (including Bonds) from time to time in compliance with applicable law;

Bonds means the bonds constituted under the Trust Documents and offered pursuant to the Investment Statement and this Prospectus, and as the context requires, bonds of the same Tranche;

Bondholder means a holder of Bonds;

Business Day means a day (other than a Saturday or Sunday) on which registered banks are open for business in Wellington and Auckland except that in the context of the NZDX Listing Rules, it means a day on which the NZDX Market is open for trading;

Calculation Agent means Contact Energy;

Closing Date means, in relation to a Tranche of Bonds, the closing date of the Offer for that Tranche of Bonds as set out in the applicable Rate Card;

Co-Manager means Westpac Institutional Bank;

Company means Contact Energy Limited;

Conditions means the terms and conditions of the Bonds as set out in this Prospectus and the Trust Documents;

Constitution means the constitution of Contact Energy;

Contact Energy means Contact Energy Limited;

Contact means Contact Energy and all of its subsidiaries;

Deed of Negative Pledge means the deed of negative pledge and guarantee entered into by Contact Energy and certain of its subsidiaries on 19 May 2005;

Directors mean the directors of Contact Energy;

Directory means the directory set out in the section entitled "*Directory*" at page 119 of this Prospectus;

Event of Default has the meaning given to that term in the Trust Documents as summarised on pages 37 to 38 of this Prospectus;

Extraordinary Resolution means:

- (a) a resolution passed at a meeting of Bondholders (or a class of Bondholders, if applicable) properly convened, at which at least three fourths of the persons voting upon a show of hands or, if a poll is properly demanded, not less than three fourths of the votes given on such a poll voted in favour of the resolution; or

- (b) a resolution in writing signed by not less than 75% of Bondholders (or a class of Bondholders, if applicable) having the right to vote on that resolution, holding in aggregate Bonds conferring the right to cast not less than 75% of the votes which could be cast on that resolution;

FASTER means the Fully Automated Screen Trading and Electronic Registration System operated by NZX;

Financial Covenant means the financial covenant set out at clause 2.3.1 of the Deed of Negative Pledge;

Financier has the meaning set out in the Deed of Negative Pledge and includes the Trustee;

Interest means any interest on the Bonds payable pursuant the Conditions of the Bonds set out on pages 8 to 13 of this Prospectus;

Interest Payment Date means in respect of a Tranche of Bonds, each date for the payment of Interest for that Tranche in each year and including the Maturity Date, as set out in the applicable Rate Card;

Interest Rate means, in relation to a Bond, the rate of interest per annum payable on the face value of that Bond as set out in the applicable Rate Card;

Investment Statement means the investment statement dated 23 February 2009 in relation to the Bonds;

Issue Date means, for each Bond that Contact Energy has agreed to issue, the date recorded as such in the Register;

Issue Price means \$1.00 per Bond being the Principal Amount of each Bond;

Joint Lead Managers means First NZ Capital Securities Limited, ANZ, part of ANZ National Bank Limited, ABN AMRO New Zealand Limited and Forsyth Barr Limited;

Listing Rules means the NZSX and NZDX Listing Rules;

Master Trust Deed means the master trust deed entered into by Contact Energy and the Trustee on 23 February 2009;

Maturity Date means, in respect of a Tranche of Bonds, the Maturity Date for those Bonds as set out in the applicable Rate Card;

Minimum Holding means Bonds with an aggregate Principal Amount of \$5,000;

NZ\$ and \$ means the lawful currency of New Zealand;

NZDX Market means the debt securities market operated by NZX;

NZX means NZX Limited;

Offer means the offer of each Tranche of Bonds under this Prospectus and the Investment Statement;

Opening Date means, in respect of a Tranche of Bonds, the opening date of the Offer for that Tranche as set out in the applicable Rate Card;

Principal Amount means, in relation to a Bond, the amount (other than Interest) payable on redemption or repayment of that Bond, being the amount recorded as such in the Register in respect of that Bond;

Prospectus means this registered prospectus dated 23 February 2009 in relation to the Bonds;

Rate Card means the rate card accompanying the Investment Statement;

Rate Set Date means initially the Business Day prior to the Opening Date (or such earlier date as may be selected by Contact Energy) or any date after the initial Rate Set Date on which Contact Energy changes the Interest Rate it offers in respect of Bonds that are yet to be issued;

Register means the register kept in respect of the Bonds maintained by the Registrar;

Registrar means Computershare Investor Services Limited or such other person as may be appointed as registrar from time to time;

Resident Bondholder means a Bondholder who is resident in New Zealand for income tax purposes or who is engaged in business in New Zealand through a fixed establishment in New Zealand;

Series means the bonds issued pursuant to a particular supplemental trust deed (which may be issued in Tranches);

Shareholder means a registered holder of Shares;

Shares means ordinary shares in Contact Energy;

Standard & Poor's means Standard & Poor's (Australia) Pty Limited;

Substituted Obligor means a wholly-owned subsidiary of Contact Energy which, subject to the approval of the Trustee and a number of other requirements set out in the Master Trust Deed, takes the place of Contact Energy under the Trust Documents in substitution for Contact Energy or a previous Substituted Obligor;

Supplemental Trust Deed means the supplemental trust deed between Contact Energy and the Trustee dated 23 February 2009;

Tranche means bonds of the same Series in respect of which all terms are identical (except as to issue date, maturity date, interest rate and frequency of payment of interest);

Trust Documents means the Master Trust Deed and the Supplemental Trust Deed; and

Trustee means The New Zealand Guardian Trust Company Limited.

Where there is a reference to a date in this Prospectus, and that date is not a Business Day, the reference shall be deemed to be to the next day which is a Business Day.

Index for the Securities Regulations 1983

For the purposes of Regulation 5(6) of the Securities Regulations 1983, the matters required to be stated or contained in or distributed with this Prospectus by virtue of the Second Schedule to the Regulations are:

Clause	Matter	Page
1.	Main terms of offer	51
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3.	Details of incorporation of issuer	51
4.	Guarantors	51
5.	Directorate and advisers	51
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APPENDIX A: Financial Statements of Contact Energy

Contact Energy Limited

Special Purpose Financial Statements

for the six months ended 31 December 2008

The special purpose financial statements have been prepared specifically for inclusion in the Contact Energy prospectus in relation to the bond issue.

Contact Energy Limited
Special Purpose Financial Statements
for the six months ended 31 December 2008

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Statement of Changes in Equity

Balance Sheet

Statement of Cash Flows

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- 3 Group Results
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- 10 Dividends Paid
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- 12 Reserves
- 13 Share Capital
- 14 Share-based Payments
- 15 Cash and Cash Equivalents
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- 20 Gas Storage - Cushion Gas
- 21 Investment in Subsidiaries
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Contact Energy Limited
Income Statement
for the six months ended 31 December 2008

	Note	6 Months Ended 31 Dec 2008 \$000	12 Months Ended 30 June 2008 \$000	12 Months Ended 30 June 2007 \$000
Operating Revenue				
Wholesale Electricity Revenue		372,177	1,147,988	630,363
Retail Electricity Revenue		567,275	1,010,846	915,685
Gas Revenue		66,281	207,319	240,498
Steam Revenue		7,609	11,038	12,169
Other Revenue		16,395	42,308	33,818
		1,040,737	2,419,499	1,832,533
Operating Expenses				
Electricity Purchases		(322,112)	(792,581)	(373,026)
Electricity Transmission, Distribution and Levies		(210,145)	(407,903)	(344,769)
Gas Purchases and Transmission		(219,779)	(439,152)	(417,823)
Labour Costs		(98,211)	(70,531)	(60,239)
Other Operating Expenses	7	(71,953)	(129,269)	(130,739)
		(856,094)	(1,839,436)	(1,326,596)
Earnings Before Net Interest Expense, Income Tax, Depreciation, Amortisation, Financial Instruments and Other Significant Items (EBITDAF)				
		193,643	580,063	505,937
Depreciation and Amortisation	18,19	(75,461)	(141,400)	(137,953)
Change in Fair Value of Financial Instruments	25	(78,316)	(1,926)	23,259
Removal of New Plymouth Asbestos and Related Costs	4	-	(33,747)	-
Gain on Sale of Mokai Geothermal Land and Rights	5	-	21,319	-
		(153,777)	(155,754)	(114,694)
Earnings Before Net Interest Expense and Income Tax (EBIT)				
		39,866	424,309	391,243
Net Interest Expense	8	(35,456)	(69,851)	(62,659)
Profit Before Income Tax				
		4,410	354,458	328,584
Income Tax Benefit / (Expense)	9	113	(106,142)	(112,653)
Profit for the Period				
		4,523	248,316	215,931
Basic and Diluted Earnings Per Share (Cents)				
	11	0.38	43.06	37.45

Supplementary Disclosure

Underlying Earnings After Tax is presented to allow stakeholders to make an assessment and comparison of underlying earnings after removing significant one-off items and the non-cash Change in Fair Value of Financial Instruments.

Underlying Earnings After Tax	2	59,844	243,980	207,467
Underlying Earnings Per Share (Cents)	11	10.20	42.31	35.98

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

Contact Energy Limited
Statement of Changes in Equity
for the six months ended 31 December 2008

		6 Months Ended	12 Months Ended	12 Months Ended
		31 Dec 2008	30 June 2008	30 June 2007
	Note	\$000	\$000	\$000
Profit for the Period		4,523	248,316	215,931
Change in Asset Revaluation Reserve	12	(1,260)	(2,335)	349,235
Change in Cash Flow Hedge Reserve	12	43,738	(75,008)	6,242
Total Recognised Income and Expense		47,001	170,973	571,408
Dividends Paid	10,12	(98,028)	(161,458)	(149,924)
Share-based Payments	12	570	752	419
Business Combination of Commonly Controlled Entities	12,22		93	(92,942)
Changes in Equity for the Period		(50,457)	10,360	328,961
Equity at Start of the Period		2,878,112	2,867,752	2,538,791
Equity at End of the Period		2,827,655	2,878,112	2,867,752

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

Contact Energy Limited
Balance Sheet
as at 31 December 2008

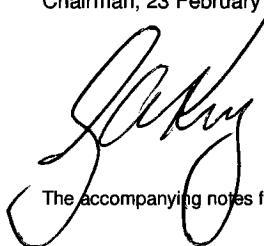
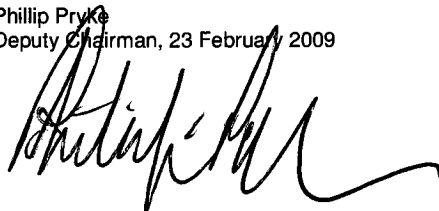
	Note	31 Dec 2008 \$000	30 June 2008 \$000	30 June 2007 \$000
Shareholders' Equity	12	2,827,655	2,878,112	2,867,752
Represented by:				
Current Assets				
Cash and Short Term Deposits	15	11,865	-	176,456
Receivables and Prepayments	16	162,697	488,987	201,827
Tax Receivable		18,449	662	-
Inventories	17	6,573	7,014	18,297
Derivative Financial Instruments	25	25,513	13,364	2,917
Total Current Assets		225,091	510,027	399,497
Non-current Assets				
Property, Plant and Equipment	18	4,433,114	4,309,769	4,242,694
Intangible Assets	19	154,010	155,918	129,102
Gas Storage - Cushion Gas	20	23,491	23,622	-
Investment in Subsidiaries	21	162,766	132,788	132,788
Investment in Associates	23	1,579	1,579	1,579
Derivative Financial Instruments	25	69,458	30,611	43,620
Other Non-current Assets		7,135	5,071	2,629
Total Non-current Assets		4,822,476	4,659,358	4,552,412
Total Assets		5,047,569	5,169,385	4,951,909
Current Liabilities				
Borrowings	24	294,575	130,384	3,625
Current Portion of Term Borrowings	24	-	-	196,611
Derivative Financial Instruments	25	5,583	38,644	85,825
Payables and Accruals	26	214,431	522,949	268,351
Tax Payable		-	-	2,490
Provisions	27	15,498	20,746	3,337
Total Current Liabilities		530,087	712,723	560,239
Non-current Liabilities				
Borrowings	24	608,346	556,821	513,683
Derivative Financial Instruments	25	120,861	272,786	243,583
Provisions	27	31,171	31,701	23,579
Deferred Tax	28	728,607	717,242	743,073
Other Non-current Liabilities		342	-	-
Total Non-current Liabilities		1,669,327	1,578,550	1,523,918
Total Liabilities		2,219,414	2,291,273	2,084,157
Net Assets		2,827,655	2,878,112	2,867,752

The Directors of Contact Energy Limited authorised these special purpose financial statements for issue.

On behalf of the Board

Grant King
Chairman, 23 February 2009

Phillip Pryke
Deputy Chairman, 23 February 2009

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

Contact Energy Limited
Statement of Cash Flows
for the six months ended 31 December 2008

	Note	6 Months Ended 31 Dec 2008 \$000	12 Months Ended 30 June 2008 \$000	12 Months Ended 30 June 2007 \$000
Cash Flows from Operating Activities				
Cash Provided from:				
Receipts from Customers		1,378,887	2,135,952	1,855,581
Associate Dividends Received	23	1,508	1,794	2,761
		1,380,395	2,137,746	1,858,342
Cash Applied to:				
Payments to Suppliers and Employees		(1,147,619)	(1,619,853)	(1,353,092)
Supplementary Dividend Paid to Shareholders	10	(10,197)	(16,790)	(15,758)
Tax Paid		(25,000)	(81,900)	(76,030)
		(1,182,816)	(1,718,543)	(1,444,880)
Net Cash Inflow from Operating Activities		197,579	419,203	413,462
Cash Flows from Investing Activities				
Cash Provided from:				
Proceeds from Sale of Mokai Geothermal Land and Rights	5		27,252	-
Interest Received		1,791	5,062	24,913
Repayment of Loan to Investee			125	-
		1,791	32,439	24,913
Cash Applied to:				
Purchase of Property, Plant and Equipment and Intangible Assets		(182,434)	(200,128)	(141,069)
Removal of New Plymouth Asbestos and Related Costs		(9,573)	(11,147)	-
Purchase of Subsidiary	22		-	(162,263)
Purchase of Gas Storage Rights		(120)	(28,457)	-
Purchase of Cushion Gas	20	(23,622)	-	-
		(215,749)	(239,732)	(303,332)
Net Cash (Outflow) to Investing Activities		(213,958)	(207,293)	(278,419)
Cash Flows from Financing Activities				
Cash Provided from:				
Proceeds from Other Short Term Loans		11,024	6,846	-
Net Proceeds from Borrowings		162,500	127,500	-
		173,524	134,346	-
Cash Applied to:				
Interest Paid		(97,474)	(75,036)	(82,921)
Ordinary Dividend Paid to Shareholders	10	(96,028)	(161,458)	(149,924)
Repayment of Other Short Term Loans and Finance Lease Liabilities		(10,041)	(7,488)	(8,017)
Repayment of Term Borrowings			(277,778)	-
		(203,543)	(521,760)	(240,862)
Net Cash Inflow/(Outflow) from/to Financing Activities		(30,019)	(387,414)	(240,862)
Net Increase/(Decrease) in Cash and Cash Equivalents		11,602	(175,504)	(105,819)
Add: Cash and Cash Equivalents at Start of the Period		(2,184)	173,320	279,139
Cash and Cash Equivalents at End of the Period		9,418	(2,184)	173,320
Cash and Cash Equivalents is comprised of:				
Bank Overdraft	24	(2,447)	(2,184)	(3,136)
Cash and Short Term Deposits	15	11,865	-	176,456
		9,418	(2,184)	173,320

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

Contact Energy Limited
Statement of Cash Flows (continued)
for the six months ended 31 December 2008

Reconciliation of Profit for the Period to Cash Flows from Operating Activities	Note	6 Months Ended 31 Dec 2008 \$000	12 Months Ended 30 June 2008 \$000	12 Months Ended 30 June 2007 \$000
Profit for the Period		4,528	248,316	215,931
Items Classified as Investing/Financing				
Removal of New Plymouth Asbestos and Related Costs	4	-	33,747	-
Gain on Sale of Mokai Geothermal Land and Rights	5	-	(21,319)	-
Net Interest Expense	8	55,456	69,851	62,659
		55,456	82,279	62,659
Non-cash Items				
Bad and Doubtful Accounts Receivable		3,335	4,584	3,581
Movement in Provisions		575	917	(149)
Share-based Payments	14	709	933	550
Depreciation and Amortisation	18,19	75,461	141,400	137,953
Change in Fair Value of Financial Instruments	25	78,916	1,926	(23,259)
(Decrease)/Increase in Deferred Tax		(7,091)	3,767	7,604
Impact of Change in Corporate Income Tax Rate	9	-	(477)	7,120
Other Non-cash Items		629	200	-
		151,934	153,250	133,400
Movement in Working Capital				
Decrease/(Increase) in Receivables and Prepayments		323,923	(283,734)	20,391
Decrease/(Increase) in Inventories		288	9,332	(289)
(Increase)/Decrease in Tax Receivable		(26,225)	7,061	-
(Decrease)/Increase in Payables and Accruals		(290,390)	205,644	(12,501)
(Decrease) in Tax Payable		-	-	(6,129)
(Increase) in Other Non-current Assets		(2,000)	(2,945)	-
		5,696	(64,642)	1,472
Net Cash Inflow from Operating Activities		197,579	419,203	413,462

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

1 Statement of Accounting Policies

Reporting Entity

Contact Energy Limited (Contact Energy) is a profit-oriented company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Market (NZSX). Contact Energy Limited is an issuer in terms of the Financial Reporting Act 1993. The financial statements of Contact Energy as at and for the six months ended 31 December 2008 are comprised of Contact Energy Limited only.

Contact Energy is parent to a diversified and integrated energy group, focusing on the wholesale generation of electricity and the retail sale of electricity, natural gas and liquefied petroleum gas (LPG), and related services in 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.

The financial statements presented are special purpose financial statements because they have been prepared specifically for inclusion in the Contact Energy prospectus in relation to the bond issue. They comply with New Zealand Generally Accepted Accounting Practice (NZGAAP) and New Zealand Equivalents to International Financial Reporting Standards (NZIFRS) in all regards except that the financial statements are presented for Contact Energy only and do not include consolidated financial statements for Contact Energy and its subsidiaries, interests in associates and jointly controlled entities (the Group or Contact). Refer to Note 3 for details of Contact's financial performance and position as at and for the six months ended 31 December 2008. The financial statements are also in compliance with International Financial Reporting Standards (IFRS) except as noted above and Schedule 2 of the Securities Regulations 1983.

The financial statements were approved by the Board of Directors (the Board) on 23 February 2009.

The measurement basis adopted in the preparation of these financial statements is historical cost modified by the valuation of certain assets and liabilities. The following assets and liabilities are stated at their fair value: Derivative Financial Instruments and Property, Plant and Equipment, as identified in the specific accounting policies below. Recognised assets and liabilities that are hedged in a fair value hedging relationship are stated at fair value in respect of the risk that is hedged.

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

A presentational change has been made to the comparative Balance Sheets and related notes to ensure consistency with current period treatment. This change, which has been applied retrospectively, relates to:

- Presentation of Derivative Financial Instruments - individual derivative financial assets and liabilities are offset where there is a legally enforceable right to set-off the recognised amounts and there is the intention to settle simultaneously. The reclassification increased total assets and total liabilities by \$17.5 million as at 30 June 2008 and \$1.5 million as at 30 June 2007.

Presentational changes have been made to the comparative Statements of Cash Flows to allow stakeholders to make an assessment of proceeds from and repayments of Borrowings. These changes, which have been applied retrospectively, relate to:

- Reclassification of Proceeds from Other Short Term Loans from Net Proceeds from Borrowings.
- Reclassification of Repayment of Other Short Term Loans and Finance Lease Liabilities from Repayment of Term Borrowings.

Adoption Status of Relevant New Financial Reporting Standards and Interpretations

Contact Energy has chosen to early adopt the revised *NZIAS 23 Borrowing Costs*, *NZIAS 27 Consolidated and Separate Financial Statements (amended)*, and Amendments to *NZIAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items*.

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

- *NZIFRS 2 Share-based Payments* – revisions approved February 2008 and effective for annual reporting periods beginning on or after 1 January 2009.

Contact Energy Limited
Notes to the Special Purpose Financial Statements
for the six months ended 31 December 2008

- *NZIFRS 8 Operating Segments* - approved December 2006 and effective for annual reporting periods beginning on or after 1 January 2009.
- *NZIAS 1 Presentation of Financial Statements* – revisions approved September 2007 and effective for annual reporting periods beginning on or after 1 January 2009.
- *NZIFRS 3 Business Combinations* – revisions approved June 2007 and effective for annual reporting periods beginning on or after 1 July 2009.

Contact Energy does not currently intend to early adopt any of these standards before their effective date. The adoption of these standards is not expected to have a material impact on the recognition and measurement of Contact Energy's assets, liabilities, income and expenses.

Accounting Estimates and Judgements

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

Derivative Financial Instruments

Note 25 contains information about the assumptions and the risk factors relating to Derivative Financial Instruments and their valuation. The base future settlement price path for electricity derivatives is derived from the energy hedge market price path overlaid with Contact Energy's financial model for future electricity prices. Accounting judgements have been made in determining the hedge designation for the different types of derivatives employed by Contact Energy to hedge its risk exposures.

Generation Plant and Equipment

Contact Energy's Generation Plant and Equipment (including Land and Buildings) and Generation Capital Work in Progress are stated at fair value as assessed by an independent valuer. The basis of the valuation is the net present value of the future earnings of the assets, excluding any reduction for costs associated with restoration and environmental rehabilitation. The major inputs and assumptions used in the valuation model that require judgement include the forecast of the future electricity price path, sales volume forecasts, projected operational and capital expenditure profiles, capacity and life assumptions for each generation plant and the relevant discount rates. Refer to Note 18.

Intangible Assets - Gas Storage Rights

Management has exercised judgement in determining the useful life of the Gas Storage Rights. The useful life has been based on the current assumption of the period over which future economic benefits are expected. This life, however, is subject to the assumption that the contractual agreement under which the rights were acquired continues in existence and that any petroleum mining or other permit which may be required, can be successfully renewed. The useful life is reviewed annually. Refer to Note 19.

Intangible Assets - 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 balance sheet date. For the purpose of impairment testing, Goodwill is allocated to the individual cash-generating units to which it relates. Any impairment losses are recognised in the Income Statement.

In determining the recoverable amount of Goodwill, Contact Energy uses a valuation model to calculate the present value of the expected future cash flows of the cash-generating units. The major inputs and assumptions that are used in the model that require management judgement include sales forecasts, customer numbers and customer churn, interest rates, discount rates and a forecast of the future electricity price path. Refer to Note 19.

Provision - New Plymouth Power Station

In calculating the provision for the removal of asbestos and other related costs, estimates have been made as to the expected expenditures based on the status of contractor negotiations at each balance sheet date. Refer to Notes 4 and 27.

Provision - Restoration and Environmental Rehabilitation

Liabilities are estimated for the abandonment and site restoration of areas from which natural resources are extracted. Such estimates are valued at the present value of the expenditures expected to settle the obligation. Key assumptions have been made as to the expected amount and timing of expenditures to remediate based on the expected life of the assets employed on the sites. Refer to Note 27.

Retail Revenue

Management has exercised judgement in determining estimated retail sales for unread gas and electricity meters at balance sheet date. Specifically, this involves an estimate of consumption for each unread meter, based on the customer's past consumption history.

Borrowings

Borrowings are recognised initially at fair value less attributed transaction costs.

Borrowings designated as hedged items are subject to measurement under hedge accounting requirements. Refer to the accounting policy for Derivative Financial Instruments and Hedging.

Discounts, premiums, prepaid interest and borrowing 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 Borrowings 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 construction of qualifying assets which are capitalised. Refer to the accounting policy on Property, Plant and Equipment.

Cash and Cash Equivalents

Cash and Cash Equivalents includes 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.

Bank overdrafts are shown within Borrowings in Current Liabilities on the Balance Sheet.

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 their 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 item being hedged. Contact Energy 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), or
- hedges of net investments in foreign operations (net investment 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 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 are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled to the Income Statement in the periods 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 equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or the entity 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 equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Income Statement.

Net Investment Hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity, and the gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Gains and losses accumulated in equity are included in the Income Statement when the foreign operation is disposed of.

Derivatives that do not Qualify for Hedge Accounting

Certain Derivative Financial Instruments do not qualify for hedge accounting. Changes in the fair value of any Derivative Financial Instruments that do not qualify for hedge accounting are recognised immediately 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.

Long Term Service Benefits

Contact Energy's net obligation in respect of long term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using an actuarial technique.

Share-based Payments

Share-based Payments are provided to executives via a Share Option Plan and a Restricted Share Plan.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense, with a corresponding increase in equity, over the vesting period during which the employees become unconditionally entitled to the options.

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 about the number of options that are expected to become exercisable.

At each balance sheet date, Contact Energy revises the amount to be recognised as an expense to reflect the number of options that are expected to become exercisable.

Foreign Currencies

Foreign currency transactions are recorded at the exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated at the rates of exchange ruling at balance sheet date. Non-monetary assets and liabilities denominated in a foreign currency 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 are translated at the spot rate with the underlying hedge contract being separately recorded on the Balance Sheet at fair value.

Gas Entitlements

Where Contact Energy has take-or-pay gas sale contracts, such receipts are recorded as short or long term liabilities respectively, depending on the contracted terms applicable to such tranche quantities. These liabilities are credited to the Income Statement as customers uplift their prepaid gas.

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

Gas Storage – Cushion Gas

Cushion Gas is necessary to develop and maintain operation of a gas storage facility and represents a long term investment in natural gas reserves. Cushion Gas is recognised at cost and 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 each balance sheet date to determine whether there is any objective evidence of impairment. Refer to the Impairment accounting policy. Gas reserves in excess of those required for Cushion Gas are treated as Inventory.

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 Energy 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 overheads.

Capitalised development costs, including associated capitalised interest, are reviewed at each balance sheet date to determine whether further work is planned to support the continued carry forward of the capitalised costs.

Development assets are depreciated or amortised from the commencement of commercial operations in accordance with the relevant accounting policy for that asset over the period of their expected economic benefit. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Goods and Services Tax (GST)

The Income Statement and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Impairment

The carrying amount of Contact Energy's assets, other than Inventories and Deferred Tax Assets, are reviewed at each balance sheet date 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 unless the asset is recorded at a revalued amount. Impairment losses on revalued assets are first taken to the Asset Revaluation Reserve if there is a surplus in respect of that asset.

The recoverable amount of receivables is calculated as the present value of expected future cash flows.

For retail receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis, based on historic delinquency rates and historical losses.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Insurance

Contact Energy has Property, Plant and Equipment, which is predominantly concentrated at power station locations that have the potential to sustain major losses through damage to plant with resultant consequential costs.

To minimise the financial impact of such exposures, the major portion of the risk is insured by taking out appropriate insurance policies with appropriate credit-worthy counterparties.

Any uninsured loss is charged to the Income Statement in the period in which the loss is incurred.

Intangible Assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Contact Energy's share of the net identifiable assets acquired at the date of acquisition. Goodwill is included in Intangible Assets. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of assets include the carrying amount of Goodwill relating to the assets 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 Energy's lowest level of assets generating revenue independent of each other.

Other Intangible Assets

Other 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. In the case of the Gas Storage Rights, this will be when the gas storage facility is operational.

The estimated useful lives are as follows:

Type of Asset	Estimated life	Amortisation rate
Computer Software	3 years	33%
Gas Storage Rights	25 years	4%

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

Inventories

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

Investments - Financial Instruments

Contact Energy classifies its investments in the following categories:

- Financial assets at fair value through the Income Statement; or
- Held-to-maturity.

The classification depends on the purpose for which the investments were acquired. Contact Energy determines the classification of its investments at initial recognition and re-evaluates this designation at each balance sheet date.

Purchases and sales of financial assets are recognised on the trade date.

When financial assets are recognised initially they are measured at fair value plus, in the case of financial assets not at fair value through the Income Statement, directly attributable transaction costs.

Financial Assets at Fair Value through the Income Statement

A financial asset is classified as a financial asset at fair value through the Income Statement if it is acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as fair value through the Income Statement unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

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

Held-to-maturity

Held-to-maturity financial assets are stated at amortised cost less impairment losses.

Investments - Group Entities

Business Combinations of Commonly Controlled Entities

Business combinations involving entities or businesses under common control are those in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination.

Assets and liabilities assumed in business combinations of commonly controlled entities are measured initially at acquisition date at the book value of the acquired entities. Any difference between the cost of acquisition and the book values of the assets and liabilities acquired is recorded directly in equity against retained earnings.

Investment in Associates

Associates are entities in which Contact Energy has significant influence, but not control, over the operating and/or financial policies. The carrying value of the investment is cost less any impairment.

Investment in Subsidiaries

Subsidiaries are those entities controlled, directly or indirectly, by Contact Energy. The carrying value of the investment is cost less any impairment.

Oil and Gas Assets

Development Assets

The costs of oil and gas assets in the development phase are separately accounted for and include transferred exploration and evaluation costs, all development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings. When production commences the accumulated costs are transferred to Producing Properties.

Producing Properties

The costs of oil and gas assets in production are separately accounted for and include transferred exploration and evaluation costs, transferred development costs and the on-going costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings. These costs are subject to depreciation and depletion in accordance with the Property, Plant and Equipment policy.

Oil and Gas Exploration Expenditure

Exploration and evaluation expenditure 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 effort' approach.

All oil and gas exploration and evaluation costs, including directly attributable overheads, general permit activity, geological and geophysical costs are expensed as incurred except the cost of drilling exploration wells and the cost of acquiring new interests. The costs of drilling exploration wells are initially capitalised pending the determination of the success of the well. Costs are expensed where the well does not result in a successful discovery.

Capitalised costs are reviewed at each balance sheet date to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support the continued carry forward of the capitalised costs.

Upon approval for the commercial development of a project, the accumulated expenditure is assessed for impairment before it is reclassified to Oil and Gas Development Assets.

Operating Leases

Contact Energy leases certain plant, equipment, land and buildings. 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 payments are representative of the pattern of benefits derived from the leased assets and, accordingly, are charged to the Income Statement on a straight-line basis.

Payables

Payables are stated at cost.

Property, Plant and Equipment

Initial Recording

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, which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of assets constructed by Contact Energy, including Capital Work in Progress, includes the cost of all materials used in construction, direct labour specifically associated with construction, resource management consent costs and an appropriate proportion of variable and fixed overheads. Financing 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 financing costs capitalised is determined using a capitalisation rate representing Contact Energy's weighted average borrowing cost applicable to the Borrowings that were outstanding during the period. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

Where an item of Property, Plant and Equipment comprises major components having different useful lives, they 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 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 expenditure is recognised in the Income Statement as an expense as incurred.

Revaluations

Contact Energy's Generation Plant and Equipment (including Land and Buildings) and Capital Work in Progress are stated at fair value as determined every three years by an independent valuer, with interim revaluations where there is deemed to be a significant change to the valuation of these assets. The basis of the valuation is the net present value of the future earnings of the assets, excluding any reduction for costs associated with Restoration and Environmental Rehabilitation.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount and the net carrying amount is restated to the revalued amount of the asset. Any increase in the value is recognised directly in equity. Any decrease in value that offsets a previous increase in value of the same asset is charged against reserves in equity and any other decrease in value is charged to the Income Statement. The amount of

the adjustment arising on the restatement or elimination of accumulated depreciation forms part of the increase or decrease.

Leased Assets

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

Depreciation

Depreciation is charged to the Income Statement on a straight-line basis so as to allocate the cost of the assets, or the revalued amounts, less estimated residual value, over their expected remaining useful lives. The range of annual depreciation rates for each classification of asset is:

Type of Asset	Depreciation Rate
Land	Not depreciated
Generation Plant and Equipment (including Buildings)	1 - 33%
Other Buildings	1 - 18%
Other Plant and Equipment	1 - 33%

Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment loss. An impairment loss is recognised when there is objective evidence that Contact Energy 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. The amount of the impairment loss is recognised in the Income Statement.

Restoration and Environmental Rehabilitation

Liabilities are estimated for the abandonment and site restoration of areas from which natural resources are extracted. Such estimates are valued at the present value of the expenditures expected to be required to settle the obligation. The cost primarily represents geothermal field restorations.

Estimations are also made for the expected cost of environmental rehabilitation of commercial sites, which require reinstatement of conditions resulting from present obligations. The liability is immediately recognised when exposure is identified and rehabilitation costs can be reasonably estimated.

Revenue

Revenue comprises the amounts received and receivable at balance sheet date for electricity, gas, 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 pass from Contact Energy to the customer or when services have been rendered to the customer and collectibility is reasonably assured.

Other Revenue from meter leases is recognised in the Income Statement on a straight-line basis over the term of the lease.

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

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

Statement of Cash Flows

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

- Cash and Cash Equivalents includes 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.
- 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.

Contact Energy Limited
Notes to the Special Purpose Financial Statements
for the six months ended 31 December 2008

- Financing activities are those activities that result in changes in the size and composition of the capital structure of Contact Energy. This includes both equity and debt not falling within the definition of cash. Dividends and interest paid in relation to the capital structure are included in financing activities.

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

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

Tax

Income Tax on the profit or loss for the period 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 equity, in which case the Income Tax is recognised in equity.

Current Tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, together with any adjustment to tax payable in respect of previous periods.

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 balance sheet date.

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 benefit will be realised.

Changes in Accounting Policies

There have been no changes in accounting policies in the period.

2 Underlying Earnings After Tax

Underlying Earnings After Tax for the period is presented to allow stakeholders to make an assessment and comparison of underlying earnings after removing significant one-off items and the non-cash Change in Fair Value of Financial Instruments.

	Note	6 Months Ended 31 Dec 2008 \$000	12 Months Ended 30 June 2008 \$000	12 Months Ended 30 June 2007 \$000
Profit for the Period		4,523	248,316	215,931
Change in Fair Value of Financial Instruments	25	78,316	1,926	(23,259)
Removal of New Plymouth Asbestos and Related Costs	4	-	33,747	-
Gain on Sale of Mokai Geothermal Land and Rights	5	-	(21,319)	-
Gain on Disposal of Fuel Oil Reserves *	4	-	(9,613)	-
Adjustments Before Income Tax		78,316	4,741	(23,259)
Change in Income Tax Expense in Relation to Adjustments**		(23,495)	(8,600)	7,675
Change in Corporate Income Tax Rate	9	-	(477)	7,120
Adjustments After Income Tax		54,821	(4,336)	(8,464)
Underlying Earnings After Tax		59,344	243,980	207,467

* Gain on disposal of Fuel Oil Reserves is included in Other Revenue, a component of EBITDAF.

** Tax has been applied at 30 per cent (June 2008 and June 2007: 33 per cent) for all adjustments except for the Gain on Sale of Mokai Geothermal Land and Rights which is non-taxable.

3 Group Results

The audited condensed interim Group financial statements of Contact Energy Limited and Subsidiaries for the six months ended 31 December 2008 are publicly available. These comprise Contact Energy (the Parent) and its subsidiaries, interest in associates and jointly controlled entities (the Group or Contact). Contact Energy is the most significant operational entity of Contact. A reconciliation of Profit for the Period, Underlying Earnings After Tax, EBITDAF, and Shareholders' Equity of Contact Energy to Contact is summarised below:

For the six months ended 31 December 2008				
	Profit for the Period \$000	Underlying Earnings After Tax * \$000	EBITDAF ** \$000	Shareholders' Equity \$000
Contact Energy (Parent)	4,523	59,344	193,643	2,527,656
Net Impact of Subsidiaries on Group	20,691	20,691	32,609	42,926
Equity Earnings from Associate after Tax and net of Dividends Received	(356)	(356)	(1,598)	3,424
Contact (Group)	25,058	79,679	224,743	2,574,004

* Underlying Earnings After Tax for the period is presented to allow stakeholders to make an assessment and comparison of underlying earnings after removing significant one-off items and the non-cash Change in Fair Value of Financial Instruments.

** EBITDAF is defined as Earnings Before Net Interest Expense, Income Tax, Depreciation, Amortisation, Financial Instruments and Other Significant Items.

4 New Plymouth Power Station

In December 2007, Contact Energy announced the decommissioning of its 31-year-old New Plymouth Power Station following the discovery of asbestos in areas of the station where it was not previously recorded on the station's asbestos register. In May 2008, Contact Energy announced the recommissioning of one 100 megawatt gas-fired generator unit in response to tight electricity supply conditions over the winter period.

The financial impact of the decision to decommission the plant was recorded in the twelve months ended 30 June 2008 and was an expense of \$33.7 million. This expense principally represented an estimate of the cost to remove asbestos at the plant and other related costs, including a \$1.5 million write-down in inventory. These costs were not impacted by the recommissioning of the one generator unit and remain consistent with the estimated cost at 31 December 2008. No impairment of the New Plymouth asset has been recorded on the basis that the recoverable amount of the asset, based on an assessed fair value less costs to sell, exceeds the carrying amount.

Contact Energy held reserves of fuel oil at New Plymouth. These reserves were sold for \$20.3 million, and a gain on disposal of \$9.6 million was recorded in Other Revenue during the twelve months ended 30 June 2008.

Contact Energy has entered into arrangements in the wholesale electricity market that are expected to provide a broadly equivalent degree of flexibility to that provided by the operation of the New Plymouth Power Station. These are accounted for as cash flow hedges.

5 Sale of Mokai Geothermal Land and Rights

In November 2007, Contact Energy sold Geothermal Land and Rights relating to the Mokai geothermal field, north of Taupo, to Mighty River Power and the Tuaropaki Trust. Contact Energy received \$27.2 million for the sale of the Mokai Land and Rights, giving rise to a non-taxable gain of \$21.3 million.

6 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services in a particular economic environment, where the risks and returns are different from those of segments operating in other economic environments.

Contact Energy Limited
Notes to the Special Purpose Financial Statements
for the six months ended 31 December 2008

Contact Energy's primary reporting format is business segments. All business segments are fully integrated within New Zealand.

Contact Energy comprises the following main business segments:

Retail

The Retail segment encompasses any activity that is associated with Contact Energy's supply of energy to end user customers as well as related services.

Generation

The Generation segment encompasses any activity that is associated with Contact Energy's generation of electricity or steam and Contact Energy's sales to the wholesale electricity market. It also includes all activities in relation to the gas storage facility at the Ahuroa reservoir.

The segment result includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Items not directly attributable to, or those that cannot be allocated on a reasonable basis to, the Retail or Generation segments are included in the Other segment.

Wholesale electricity purchase costs for the Retail segment are based on spot prices prevailing in the New Zealand wholesale electricity market at the relevant time and at the relevant grid exit purchase node. Similarly, the revenues received by the Generation segment are determined by the spot prices received at the relevant grid injection points.

The cost of gas purchases across the portfolio is allocated between the segments in proportion to consumption. Gas transmission and distribution charges are allocated to the segments within which they are incurred.

For the six months ended 31 December 2008

	Retail \$000	Generation \$000	Other \$000	Total \$000
Segment Revenue	866,209	983,526	-	1,049,737
EBITDAF	4,568	188,975	-	193,543
Depreciation and Amortisation of Segment Assets	(8,227)	(67,284)	-	(75,511)
Segment Result	(3,559)	121,741	-	118,182
Change in Fair Value of Financial Instruments	-	-	-	(78,316)
Net Interest Expense	-	-	-	(35,456)
Income Tax Benefit	-	-	-	113
Profit for the Period	-	-	-	4,523
Segment Assets	428,554	4,583,940	55,075	5,047,569
Segment Liabilities	(124,275)	(85,855)	(2,009,784)	(2,219,914)
Capital and Investment Expenditure	14,427	183,874	-	197,501

For the twelve months ended 30 June 2008

	Retail \$000	Generation \$000	Other \$000	Total \$000
Segment Revenue	1,243,468	1,176,031	-	2,419,499
EBITDAF	(204,580)	784,643	-	580,063
Depreciation and Amortisation of Segment Assets	(15,135)	(126,265)	-	(141,400)
Segment Result	(219,715)	658,378	-	438,663
Change in Fair Value of Financial Instruments	-	-	-	(1,926)
Removal of New Plymouth Asbestos and Related Costs	-	-	-	(33,747)
Gain on Sale of Mokai Geothermal Land and Rights	-	-	-	21,319
Net Interest Expense	-	-	-	(69,851)
Income Tax Expense	-	-	-	(106,142)
Profit for the Period	-	-	-	248,316
Segment Assets	422,674	4,699,904	46,807	5,169,385
Segment Liabilities	(350,557)	(228,907)	(1,711,809)	(2,291,273)
Capital and Investment Expenditure	14,463	250,480	-	264,943

Contact Energy Limited
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For the twelve months ended 30 June 2007

	Retail \$000	Generation \$000	Other \$000	Total \$000
Segment Revenue	1,182,801	649,732	-	1,832,533
EBITDAF	264,445	241,492	-	505,937
Depreciation and Amortisation of Segment Assets	(14,722)	(123,231)	-	(137,953)
Segment Result	249,723	118,261	-	367,984
Change in Fair Value of Financial Instruments				23,259
Net Interest Expense				(62,659)
Income Tax Expense				(112,653)
Profit for the Period				215,931
Segment Assets	393,978	4,291,326	266,605	4,951,909
Segment Liabilities	(135,824)	(101,832)	(1,846,501)	(2,084,157)
Capital and Investment Expenditure	13,103	132,046	-	145,149

7 Other Operating Expenses

	6 Months Ended 31 Dec 2008 \$000	12 Months Ended 30 June 2008 \$000	12 Months Ended 30 June 2007 \$000
Other Operating Expenses include:			
Auditors' Remuneration : KPMG			
- Audit Services	516	612	606
- Audit Services Capitalised Against Debt	(186)	-	-
Auditors' Remuneration: KPMG	330	612	606
Donations	13	56	21
Rental Expense on Operating Leases	2,041	3,903	3,958

8 Net Interest Expense

	6 Months Ended 31 Dec 2008 \$000	12 Months Ended 30 June 2008 \$000	12 Months Ended 30 June 2007 \$000
Interest Expense	41,850	76,525	85,633
Interest Expense Capitalised	(4,409)	(1,617)	-
Interest Income	(1,985)	(5,057)	(22,974)
Net Interest Expense	35,456	69,851	62,659

Contact Energy commenced capitalising interest from 1 July 2007, principally in respect of expenditure categorised as Development Capital Work in Progress. The weighted average capitalisation rate on funds borrowed is 8.0 per cent per annum (June 2008: 8.0 per cent).

9 Income Tax

Income Tax Expense

	6 Months Ended 31 Dec 2008 \$000	12 Months Ended 30 June 2008 \$000	12 Months Ended 30 June 2007 \$000
Profit Before Income Tax	4,410	354,458	328,584
Tax thereon at 30% (June 08 and June 07: 33%)	1,323	116,971	108,433
Plus/(Less) Tax Effect of Adjustments:			
Gain on Sale of Mokai Geothermal Land & Rights		(7,035)	-
Other Differences	(661)	(535)	190
Change in Corporate Income Tax Rate		(477)	7,120
Income Tax (Over) Provided in Prior Period	(775)	(2,782)	(3,090)
Income Tax (Benefit) / Expense	(113)	106,142	112,653
Comprised of:			
Current Tax	6,980	98,934	100,951
Deferred Tax	(7,093)	7,208	11,702
	(113)	106,142	112,653

Contact Energy Limited
Notes to the Special Purpose Financial Statements
for the six months ended 31 December 2008

Imputation Credits

	31 Dec 2008 \$000	30 June 2008 \$000	30 June 2007 \$000
Opening Balance Credit	206,535	190,269	160,656
Imputation Credits Attached to Dividends Paid	(38,085)	(62,734)	(58,086)
New Zealand Income Tax Paid	23,000	79,000	87,699
Closing Balance Credit	191,450	206,535	190,269

The Imputation Credits are available to shareholders of Contact Energy through the Consolidated Imputation Group.

10 Dividends Paid

Contact Energy paid the following fully imputed dividends during the period.

	Payment Date	Cents per Share	6 Months Ended 31 Dec 2008 \$000	12 Months Ended 30 June 2008 \$000	12 Months Ended 30 June 2007 \$000
2006 Year Final Dividend	21 September 2006	16.0		-	92,261
2007 Year Interim Dividend	23 March 2007	10.0		-	57,663
2007 Year Final Dividend	25 September 2007	17.0		98,028	-
2008 Year Interim Dividend	26 March 2008	11.0		63,430	-
2008 Year Final Dividend	23 September 2008	17.0	98,028	-	-
Supplementary Dividend			10,197	16,790	15,758
Foreign Investor Tax Credit			(10,197)	(16,790)	(15,758)
Total Dividends Paid			98,028	161,458	149,924

On 23 February 2009 the Board of Directors (the Board) approved the introduction of a distribution plan which issues fully paid non-taxable bonus shares. As part of the distribution plan Contact Energy will provide a buyback facility to give all shareholders the opportunity to sell the bonus shares issued back to Contact Energy for cash. Shareholders electing to sell their bonus shares back to Contact Energy under the off-market buy back facility will be treated as having received a dividend and will receive the cash equivalent with imputation credits attached. The Board announced the first bonus issue under the new plan equivalent to 11.0 cents per share for shares on issue at 10 March 2009 the record date, with bonus shares allotted, and/or cash distributed (if elected) on 31 March 2009.

11 Earnings and Net Tangible Assets Per Share

	6 Months Ended 31 Dec 2008	12 Months Ended 30 June 2008	12 Months Ended 30 June 2007
Basic and Diluted Earnings Per Share (Cents)	30.76	43.06	37.45
Underlying Earnings Per Share (Cents)	30.29	42.31	35.98
Net Tangible Assets Per Share (Cents)	463.31	472.08	474.94

The calculation of Basic Earnings Per Share at 31 December 2008 is based on the profit attributable to ordinary shareholders of \$4.5 million (June 2008: \$248.3 million, June 2007: \$215.9 million) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2008 of 576,633,982 (June 2008: 576,633,982, June 2007: 576,633,982).

The calculation of Underlying Earnings Per Share for the period is based on an Underlying Earnings After Tax after removing significant one-off items and the non-cash Change in Fair Value of Financial Instruments attributable to ordinary shareholders. Refer to Note 2.

For the purposes of the earnings per share calculations, the shares issued under the Restricted Share Plan are excluded until shares become unrestricted. Refer to Note 14.

The dilutive effect of share options and restricted shares has not been taken into account in the calculation of Diluted Earnings Per Share as the relevant performance conditions have not been fulfilled at all balance sheet dates presented.

Contact Energy Limited
Notes to the Special Purpose Financial Statements
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12 Reserves

	Note	Share Capital \$000	Asset Revaluation Reserve \$000	Cash Flow Hedge Reserve \$000	Share-based Payment Reserve \$000	Retained Earnings \$000	Total \$000
Balance as at 1 July 2006		780,037	1,358,069	(5,337)	-	406,022	2,538,791
Profit for the Period		-	-	-	-	215,931	215,931
Cash Flow Hedges :							
Gains Taken to Equity		-	-	8,967	-	-	8,967
Asset Revaluation:							
Revaluation Increments	18	-	401,090	-	-	-	401,090
Re-estimate of Restoration Provision		-	(1,489)	-	-	-	(1,489)
Movement in Deferred Tax Liability Attributable to Equity	28	-	(131,868)	(2,959)	-	-	(134,827)
Re-measurement of Deferred Tax on Change in Corporate Income Tax Rate		-	81,502	234	-	-	81,736
Total Recognised Income and Expenses		-	349,235	6,242	-	215,931	571,408
Dividends Paid to Shareholders	10	-	-	-	-	(149,924)	(149,924)
Business Combination of Commonly Controlled Entities	22	-	-	-	-	(92,942)	(92,942)
Share-based Payments		159	-	-	260	-	419
Balance as at 30 June 2007		780,196	1,707,304	905	260	379,087	2,867,752
Balance as at 1 July 2007		780,196	1,707,304	905	260	379,087	2,867,752
Profit for the Period		-	-	-	-	248,316	248,316
Cash Flow Hedges :							
Loss Taken to Equity		-	-	(107,110)	-	-	(107,110)
Asset Revaluation:							
Re-estimate of Restoration Provision		-	(3,272)	-	-	-	(3,272)
Movement in Deferred Tax Liability Attributable to Equity	28	-	1,080	35,345	-	-	36,425
Re-measurement of Deferred Tax on Change in Corporate Income Tax Rate		-	(143)	(3,243)	-	-	(3,386)
Total Recognised Income and Expenses		-	(2,335)	(75,008)	-	248,316	170,973
Dividends Paid to Shareholders	10	-	-	-	-	(161,458)	(161,458)
Business Combination of Commonly Controlled Entities	22	-	-	-	-	93	93
Share-based Payments		285	-	-	467	-	752
Balance as at 30 June 2008		780,481	1,704,969	(74,103)	727	466,038	2,878,112
Balance as at 1 July 2008		780,481	1,704,969	(74,103)	727	466,038	2,878,112
Profit for the Period		-	-	-	-	4,523	4,523
Cash Flow Hedges :							
Gains Taken to Equity		-	-	62,736	-	-	62,736
Asset Revaluation:							
Re-estimate of Restoration Provision	27	-	(1,890)	-	-	-	(1,890)
Movement in Deferred Tax Liability Attributable to Equity	28	-	540	(18,598)	-	-	(18,058)
Total Recognised Income and Expenses		-	(1,350)	44,138	-	4,523	47,311
Dividends Paid to Shareholders	10	-	-	-	-	(98,028)	(98,028)
Share-based Payments		216	-	-	354	-	570
Balance as at 31 December 2008		780,697	1,703,709	(29,965)	1,081	372,533	2,827,455

13 Share Capital

	31 Dec 2008 Number	30 June 2008 Number	30 June 2007 Number
Authorised and Issued Shares			
Ordinary Shares - Unrestricted	576,633,982	576,633,982	576,633,982
Ordinary Shares - Restricted	268,020	163,308	76,975
Issued Shares	576,902,002	576,797,290	576,710,957

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

104,712 restricted ordinary shares were issued on 11 November 2008, pursuant to Contact Energy's Employee Long Term Incentive Scheme and are held in trust.

83,242 and 3,091 restricted ordinary shares were issued on 31 October 2007 and 25 February 2008 respectively, pursuant to Contact Energy's Employee Long Term Incentive Scheme and are held in trust.

76,975 restricted ordinary shares were issued on 21 June 2007, pursuant to Contact Energy's Employee Long Term Incentive Scheme and are held in trust.

While restricted shares confer the same rights on the holder as unrestricted shares, restricted shares are subject to the terms of the Restricted Share Plan that restrict the right to vote and receive dividends. Refer to Note 14.

14 Share-based Payments

Contact Energy has a Long Term Incentive Scheme for executives whereby the value of the long term incentive award is allocated, by value, 50 per cent in share options under a Share Option Plan and 50 per cent in restricted shares under a Restricted Share Plan (together 'the Plans'). Under the Plans, the share options will only be exercisable, and the restricted shares will only become unrestricted, to the extent that the relevant performance hurdles are satisfied. For the restricted shares and share options issued under the Plans, the hurdle is a comparison of Contact Energy's total shareholder return (TSR) against the average TSR of a reference group comprising the NZX50 index over the relevant period, commencing on the effective grant date.

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

The total expense recognised for share-based payments transactions under the Plans during the six months ended 31 December 2008 was \$0.7 million (twelve months ended 30 June 2008: \$0.9 million, twelve months ended 30 June 2007: \$0.5 million).

(a) Share Option Plan

Under the Share Option Plan, the Board issues share options to executives to acquire ordinary shares in Contact Energy at the market price determined at the effective grant date. For share options granted in the periods ended 31 December 2008, 30 June 2008 and 30 June 2007, the market price was the weighted average market price of Contact Energy's ordinary shares traded on the NZSX over the 20 business days prior to the effective grant date.

The share options do not entitle the executives to receive dividends or other distributions from, or vote in respect of, the shares subject to the options.

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

The share options may also be exercised if, between the effective grant date and the exercise date, a change of control of Contact Energy occurs. In addition, the Board may, at its discretion, permit share options to be exercised prior to the commencement of the relevant exercise period where 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 will lapse:

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

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

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Effective Grant Date	First Exercise Date	Expiry Date	Exercise Price per Option	Balance at 1 July 2008	Granted Number	Lapsed Number	Balance at 31 Dec 2008	Exercisable at 31 Dec 2008
1 Jul 2006	1 Oct 2009	30 Nov 2011	\$7.35	330,706	-	(13,006)	316,699	-
20 Nov 2006	1 Oct 2009	30 Nov 2011	\$7.35	18,361	-	(18,361)	-	-
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	445,599	-	(81,113)	364,486	-
1 Feb 2008	1 Oct 2010	30 Nov 2012	\$7.63	22,706	-	(7,698)	15,008	-
1 Oct 2008	1 Oct 2011	30 Nov 2013	\$8.60	-	881,769	(76,936)	804,833	-
				830,785	881,769	(197,916)	1,514,638	-

Effective Grant Date	First Exercise Date	Expiry Date	Exercise Price per Option	Balance at 1 July 2007	Granted Number	Lapsed Number	Balance at 30 June 2008	Exercisable at 30 June 2008
1 Jul 2006	1 Oct 2009	30 Nov 2011	\$7.35	365,322	-	(34,616)	330,706	-
20 Nov 2006	1 Oct 2009	30 Nov 2011	\$7.55	18,361	-	-	18,361	-
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	-	490,326	(44,727)	445,599	-
1 Feb 2008	1 Oct 2010	30 Nov 2012	\$7.63	-	22,706	-	22,706	-
				397,096	513,032	(79,343)	830,785	-

Effective Grant Date	First Exercise Date	Expiry Date	Exercise Price per Option	Balance at 1 July 2006	Granted Number	Lapsed Number	Balance at 30 June 2007	Exercisable at 30 June 2007
1 Jul 2006	1 Oct 2009	30 Nov 2011	\$7.35	-	365,322	-	365,322	-
20 Nov 2006	1 Oct 2009	30 Nov 2011	\$7.55	-	18,361	-	18,361	-
15 Jan 2007	1 Oct 2009	30 Nov 2011	\$8.28	-	13,413	-	13,413	-
				-	397,096	-	397,096	-

(b) Restricted Share Plan

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

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

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

For restricted shares issued in the periods ended 31 December 2008, 30 June 2008 and 30 June 2007, the market price or allocation price of the restricted shares was the weighted average market price of Contact Energy's ordinary shares traded on the NZSX over the 20 business days prior to the effective grant date. Payment of the allocation price for the restricted shares is to be funded by an interest-free loan from Contact Energy in an amount equal to the allocation price for the shares.

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

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

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

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The rights to the restricted shares will lapse:

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

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

Effective Grant Date	First Test Date	Final Test Date	Allocation Price per Share	Unvested Balance at 1 July 2006 Number	Granted Number	Vested Number	Unvested Balance at 31 Dec 2008 Number
1 Jul 2006	1 Oct 2009	1 Oct 2011	\$7.35	70,890	-	-	70,890
20 Nov 2006	1 Oct 2009	1 Oct 2011	\$7.55	3,581	-	-	3,581
15 Jan 2007	1 Oct 2009	1 Oct 2011	\$8.28	2,504	-	-	2,504
1 Oct 2007	1 Oct 2010	1 Oct 2012	\$9.15	-	83,242	-	83,242
1 Feb 2008	1 Oct 2010	1 Oct 2012	\$7.63	-	3,091	-	3,091
1 Oct 2008	1 Oct 2011	1 Oct 2013	\$8.60	-	-	104,712	104,712
				163,308	104,712	-	268,020

Effective Grant Date	First Test Date	Final Test Date	Allocation Price per Share	Unvested Balance at 1 July 2007 Number	Granted Number	Vested Number	Unvested Balance at 30 June 2008 Number
1 Jul 2006	1 Oct 2009	1 Oct 2011	\$7.35	70,890	-	-	70,890
20 Nov 2006	1 Oct 2009	1 Oct 2011	\$7.55	3,581	-	-	3,581
15 Jan 2007	1 Oct 2009	1 Oct 2011	\$8.28	2,504	-	-	2,504
1 Oct 2007	1 Oct 2010	1 Oct 2012	\$9.15	-	83,242	-	83,242
1 Feb 2008	1 Oct 2010	1 Oct 2012	\$7.63	-	3,091	-	3,091
				76,975	86,333	-	163,308

Effective Grant Date	First Test Date	Final Test Date	Allocation Price per Share	Unvested Balance at 1 July 2006 Number	Granted Number	Vested Number	Unvested Balance at 30 June 2007 Number
1 Jul 2006	1 Oct 2009	1 Oct 2011	\$7.35	-	70,890	-	70,890
20 Nov 2006	1 Oct 2009	1 Oct 2011	\$7.55	-	3,581	-	3,581
15 Jan 2007	1 Oct 2009	1 Oct 2011	\$8.28	-	2,504	-	2,504
				-	76,975	-	76,975

Pursuant to the Restricted Share Plan Rules, where the rights to the restricted shares lapse, beneficial ownership of restricted shares is transferred to the Trustee to hold on trust in an unallocated pool, to be reallocated to a participant at a future date.

As at 31 December 2008, 24,159 (June 2008: 10,667, June 2007: Nil) restricted shares were held by the Trustee in the unallocated pool.

(c) Fair Value of Share-based Payments

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

	31 Dec 2008	30 June 2008	30 June 2007
Risk-free Interest Rate	5.6%	6.7%	5.9%
Expected Dividend Yield	5.3%	3.7%	2.9%
Expected Option Life (Years)	5.1	5.1	5.1
Expected Share Price Volatility	21.0%	18.5%	19.6%
Weighted Average Remaining Contractual Life (Years)	4.0	4.0	4.4

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Restricted shares are valued based on the market price at the effective grant date adjusted for dividends that are not received until the restricted share vests. Volatility is based on historic volatility in Contact Energy's share price. The performance hurdles noted above are included in the valuation model used in determining the fair value of share options and restricted shares issued during the period.

15 Cash and Cash Equivalents

	31 Dec 2008 \$000	30 June 2008 \$000	30 June 2007 \$000
Commercial Paper		-	165,956
Cash and Other Short Term Deposits	11,865	-	10,500
Cash and Short Term Deposits	11,865	-	176,456
Represented by:			
Unrestricted Cash	11,865	-	176,456
	11,865	-	176,456
Bank Overdrafts (Refer to Note 24)	(2,417)	(2,184)	(3,136)
Cash and Cash Equivalents in the Statement of Cash Flows	9,448	(2,184)	173,320

Commercial Paper has been classified as a Held-to-maturity investment.

16 Receivables and Prepayments

	31 Dec 2008 \$000	30 June 2008 \$000	30 June 2007 \$000
Retail Receivables, Other Receivables and Accruals	110,223	141,088	110,654
Wholesale Electricity Receivables	33,323	332,024	84,482
Prepayments	5,598	1,276	177
Interest Receivable	194	-	5
Advances to Subsidiaries	13,259	14,599	6,509
Total Receivables and Prepayments	162,397	488,987	201,827

Included in Retail Receivables, Other Receivables and Accruals are \$23.9 million (June 2008: \$16.0 million, June 2007: \$12.9 million) that are past due but not impaired. These relate to a number of customers who pay outside terms and for whom there is no recent history of default.

As at 31 December 2008, the allowance for impairment in respect of Retail Receivables, Other Receivables and Accruals was \$3.9 million (June 2008: \$3.4 million, June 2007: \$3.1 million).

Average wholesale electricity sales prices per megawatt hour that Contact Energy received for its generation in December 2008 (\$72.03) and June 2007 (\$53.70) were considerably lower than June 2008 (\$106.90) prices due to the national hydro shortage conditions during winter 2008. Consequently Wholesale Electricity Receivables are higher for June 2008.

17 Inventories

	31 Dec 2008 \$000	30 June 2008 \$000	30 June 2007 \$000
Fuel Oil		-	10,254
Consumables and Spare Parts	6,573	7,014	8,043
Total Inventories	6,573	7,014	18,297

18 Property, Plant and Equipment

	Generation Plant and Equipment (including Land and Buildings) at Fair Value \$000	Other Land and Buildings at Cost \$000	Other Plant and Equipment at Cost \$000	Generation Capital Work In Progress at Fair Value \$000	Development Capital Work In Progress at Cost \$000	Other Capital Work In Progress at Cost \$000	Total \$000
Cost or Fair Value							
Balance as at 1 July 2006	3,846,764	22,513	156,494	80,901	4,434	4,716	4,115,822
Additions	26,836	25	3,722	71,502	26,231	11,929	140,245
Transfers from Capital Work in Progress	58,117	-	3,570	(58,117)	-	(3,570)	-
Transfers from Inventories	11,057	-	-	-	-	-	11,057
Disposals	(26)	-	(38)	-	-	-	(62)
Offset of Accumulated Depreciation on Revalued Assets	(316,700)	-	-	-	-	-	(316,700)
Revaluation Increments	401,090	-	-	-	-	-	401,090
Balance as at 30 June 2007	4,027,138	22,538	163,750	94,286	30,665	13,075	4,351,452
Balance as at 1 July 2007	4,027,138	22,538	163,750	94,286	30,665	13,075	4,351,452
Additions	70,394	13,139	10,712	50,055	54,411	12,690	211,401
Transfers from Capital Work in Progress	77,731	-	9,522	(64,889)	(11,165)	(11,199)	-
Disposals	-	(2,992)	-	-	(3,038)	-	(6,030)
Balance as at 30 June 2008	4,175,263	32,685	183,984	79,452	70,873	14,566	4,556,823
Balance as at 1 July 2008	4,175,263	32,685	183,984	79,452	70,873	14,566	4,556,823
Additions	15,415	5,633	3,145	71,834	76,253	21,643	197,222
Transfers from Capital Work in Progress	11,169	-	8,035	(9,258)	(1,723)	(6,224)	-
Disposals	-	(874)	(62,189)	-	-	-	(63,063)
Balance as at 31 December 2008	4,201,847	37,444	181,005	142,027	145,403	33,295	4,701,012
Depreciation and Impairment Losses							
Balance as at 1 July 2006	(196,764)	(1,877)	(91,250)	-	-	-	(289,891)
Depreciation Charge	(119,957)	(217)	(15,448)	-	-	-	(135,622)
Disposals	21	-	34	-	-	-	55
Offset of Accumulated Depreciation on Revalued Assets	316,700	-	-	-	-	-	316,700
Balance as at 30 June 2007	-	(2,094)	(106,664)	-	-	-	(108,758)
Balance as at 1 July 2007	-	(2,094)	(106,664)	-	-	-	(108,758)
Depreciation Charge	(122,461)	(327)	(15,508)	-	-	-	(138,296)
Balance as at 30 June 2008	(122,461)	(2,421)	(122,172)	-	-	-	(247,054)
Balance as at 1 July 2008	(122,461)	(2,421)	(122,172)	-	-	-	(247,054)
Depreciation Charge	(65,485)	(322)	(8,070)	-	-	-	(73,877)
Disposals	-	874	52,150	-	-	-	53,024
Balance as at 31 December 2008	(187,946)	(1,869)	(78,092)	-	-	-	(267,907)
Carrying Value							
At 30 June 2007	4,027,138	20,444	57,086	94,286	30,665	13,075	4,242,694
At 30 June 2008	4,052,802	30,264	61,812	79,452	70,873	14,566	4,309,769
At 31 December 2008	4,013,901	35,575	62,923	142,027	145,403	33,295	4,433,114

Government Valuation of Land and Buildings

The aggregate of the Government Valuation of Land and Buildings is \$952.3 million.

The figure set out above represents the aggregate of the latest registered valuations of Land and Buildings, and the cost of any additions to Land and Buildings subsequent to the relevant valuations. Contact Energy has significant and complex Land assets, including generation assets comprising dams, tailraces and associated infrastructure. Not all of the assets have registered valuations, or have registered valuations that have been prepared in conjunction with Land not owned by Contact Energy. The figure set out is derived from all registered valuations of Contact Energy's Land and Buildings as at 31 December 2008, but does not (except where attributable to additions subsequent to the relevant valuation) attribute separate value to Land or Buildings that do not have a registered valuation. The valuations used for the purposes of this section reflect the Registered Values provided to Contact Energy only and do not represent an independent, or Contact Energy's own, valuation of the relevant assets.

Generation Plant and Equipment and Capital Work In Progress Carried at Fair Value

Deloitte revalued Contact Energy's Generation Assets and Capital Work in Progress at 30 June 2007. Deloitte is an independent valuer.

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The key assumptions that were used in the valuation model include a forecast of the future electricity price path, sales volume forecasts, projected operational and capital expenditure profiles, capacity and life assumptions for each generation plant and discount rate.

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 Electricity Corporation of New Zealand (ECNZ) and now owned by Contact Energy be resumed by the Crown in order that it be returned to the Maori 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 Energy under the provisions of the Public Works Act 1981.

The carrying amount of Generation Plant and Equipment and Capital Work in Progress, had they been recognised under the cost model, are as follows:

	31 Dec 2008 \$000	30 June 2008 \$000	30 June 2007 \$000
Generation Plant and Equipment	1,642,087	1,562,172	1,492,913
Capital Work in Progress	152,027	79,452	94,286
	1,584,114	1,641,624	1,587,199

19 Intangible Assets

	Goodwill \$000	Gas Storage Rights \$000	Computer Software \$000	Total \$000
Cost or Fair Value				
Balance as at 1 July 2006	123,307	-	3,873	127,180
Additions	-	-	4,904	4,904
Balance as at 30 June 2007	123,307	-	8,777	132,084
Balance as at 1 July 2007	123,307	-	8,777	132,084
Additions	-	28,563	1,357	29,920
Balance as at 30 June 2008	123,307	28,563	10,134	162,004
Balance as at 1 July 2008	123,307	28,563	10,134	162,004
Additions	-	14	565	579
Disposals	-	-	(733)	(733)
Balance as at 31 December 2008	123,307	28,577	9,966	161,850
Amortisation and Impairment Losses				
Balance as at 1 July 2006	-	-	651	651
Amortisation Charge	-	-	2,331	2,331
Balance as at 30 June 2007	-	-	2,982	2,982
Balance as at 1 July 2007	-	-	2,982	2,982
Amortisation Charge	-	-	3,104	3,104
Balance as at 30 June 2008	-	-	6,086	6,086
Balance as at 1 July 2008	-	-	6,086	6,086
Amortisation Charge	-	-	1,584	1,584
Disposals	-	-	(733)	(733)
Balance as at 31 December 2008	-	-	6,937	6,937
Carrying Value				
At 30 June 2007	123,307	-	5,795	129,102
At 30 June 2008	123,307	28,563	4,048	155,918
At 31 December 2008	123,307	28,577	3,029	154,913

Goodwill

For the purpose of impairment testing, all Goodwill is allocated to the cash generating unit of Retail. The unit's impairment test is based on a value in use discounted cash flow valuation. Cash flow projections are based on Contact Energy's five year business plan for the underlying Retail business and are extrapolated using an average growth rate of approximately 2.0 per cent. The cash flow projections are discounted using post-tax discount rate scenarios of 8.0 - 10.0 per cent.

Key assumptions in the value in use calculation for the Retail cash generating unit are:

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 margins per customer and consideration of expected market movements and impacts.
Cost to serve per customer	Review of actual costs to serve per customer and consideration of expected market movements and impacts.

Gas Storage Rights

On 12 June 2008, Contact Energy acquired the exclusive beneficial right to use the Ahuroa reservoir in order to develop an underground gas storage facility field.

This acquisition was completed in conjunction with Contact Energy's ultimate parent company, Origin Energy Limited (Origin), which acquired certain New Zealand oil and gas assets from Swift Energy New Zealand Limited. Among these assets was a petroleum mining licence (PML 38139, the PML) to an area which includes the Ahuroa reservoir. Contact Energy paid \$52.0 million of the total purchase price to Origin, effectively in exchange for a beneficial interest in the PML as it relates to the Ahuroa reservoir, the right to develop and undertake gas storage in the Ahuroa reservoir, and the gas and LPG reserves contained therein.

Contact Energy's beneficial right in the PML shall continue until such time as the term of the PML expires and is not renewed or is no longer required in order to undertake gas storage. As part of the acquisition, it has been agreed that Contact Energy and Origin will use their best endeavours to extend the duration of the PML and the term of the agreement for as long as possible.

As part of the acquisition of the rights, Contact Energy has secured beneficial access to the remaining natural gas and LPG reserves (excluding condensate) in the Ahuroa reservoir. The natural gas reserves (currently estimated at 4 petajoules) together with future additional natural gas injections represent a long term investment necessary to enable the field to be used for gas storage and are referred to as Cushion Gas. Refer to Note 20.

Impairment

No impairment exists for any Intangible Asset at 31 December 2008 (June 2008: Nil, June 2007: Nil).

20 Gas Storage – Cushion Gas

As part of the acquisition of the Gas Storage Rights (refer to Note 19), Contact Energy has secured beneficial access to the remaining natural gas and LPG reserves (excluding condensate) in the Ahuroa reservoir. The natural gas reserves (currently estimated at 4 petajoules) together with future additional natural gas injections represent a long term investment necessary to enable the field to be used for the gas storage and are referred to as Cushion Gas.

It is currently estimated that cushion gas levels will be approximately 10-15 petajoules.

Cushion Gas is recognised at cost and presented on the Balance Sheet as a separate non-current non-depreciable asset, referred to as Gas Storage – Cushion Gas. Gas injected in excess of Cushion Gas requirements will be treated as Inventory.

21 Investment in Subsidiaries

Name of Entity	Principal Activity	Country of Incorporation
Empower Limited	Electricity Retailer	New Zealand
Stratford Power Limited	Gas Wholesaler	New Zealand
Contact Aria Limited	Investment Holding Company	New Zealand
Contact Wind Limited	Wind Generation Development	New Zealand
Rockgas Holdings Limited	Holding and Management Company	New Zealand
Contact Australia Pty Limited	Investment Holding Company	Australia
Contact Operations Australia Pty Limited	Manages Australian Interests Relating to Operation and Maintenance	Australia

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Effective 31 August 2006, Energy Gas Contracts Limited was amalgamated with its parent entity, Stratford Power Limited. Stratford Power Limited is a wholly owned subsidiary of Contact Energy.

Effective 29 September 2006, Contact Aria Limited was established. Contact Aria Limited is a 50 per cent partner in the Gasbridge Joint Venture, a joint project between Contact Aria Limited and GP No. 1 Limited (a 100 per cent subsidiary of Genesis Power Limited).

Effective 22 December 2006, Contact Wind Limited was established. Contact Wind Limited will be involved in investigating and developing wind generation.

Effective 30 April 2007, Contact Energy acquired 100 per cent of the shares of Rockgas Holdings Limited and its 100 per cent owned subsidiary, Rockgas Limited. Refer to Note 22.

All subsidiaries have a balance date of 30 June and are 100 per cent owned by Contact Energy as at 31 December 2008, 30 June 2008 and 30 June 2007.

22 Business Combination of Commonly Controlled Entities

No business combinations of commonly controlled entities took place in the six months ended 31 December 2008 or the twelve months ended 30 June 2008. On 30 April 2007, Contact Energy acquired from its ultimate parent company, Origin Energy Limited, 100 per cent of the shares of Rockgas Holdings Limited and its 100 per cent owned subsidiary Rockgas Limited, an unlisted company based in New Zealand.

The total cost of the acquisition was \$162.3 million and comprised the payment of cash and costs directly attributable to the acquisition.

Actual direct costs relating to the acquisition were \$0.1 million less than that accrued for at 30 June 2007. These were reflected in the twelve months ended 30 June 2008.

The book value of the identifiable assets and liabilities of the Rockgas Holdings Limited Group as at 30 April 2007 was:

Book Value recognised at 30 April 2007	\$'000
Current Assets	
Cash	2,831
Receivables and Prepayments	12,799
Taxation Receivable	882
Inventories	2,276
Non-current Assets	
Property, Plant and Equipment	56,922
Intangible Assets	3,442
Investment in Associate	121
Available-for-sale Financial Assets	2,935
Deferred Tax	222
Current Liabilities	
Payables and Accruals	10,657
Provisions	2,452
Book Value of Identifiable Net Assets	69,321
Premium Over Book Value of Identifiable Net Assets	92,942
Consideration Paid	162,263
Cost of Acquisition	
Cash Paid	161,848
Direct Costs Relating to the Acquisition	415
Total Cost of Acquisition	162,263

23 Investment in Associates

Name of Entity	Interest Held			Principal Activity	Country of Incorporation
	31 Dec 2008	30 June 2008	30 June 2007		
Oakey Power Holdings Pty Limited	25%	25%	25%	Electricity Generation	Australia

Other Revenue in the Income Statement includes \$1.5 million (June 2008: \$1.8 million, June 2007: \$2.8 million) of dividends received from Associates.

24 Borrowings

This note provides information about the contractual terms of Contact Energy's Borrowings. For more information about Contact Energy's exposure to the interest rate and foreign currency risk, refer to Note 25.

Carrying Value of Borrowings

	Borrowing Currency Denomination	31 Dec 2008 \$000	30 June 2008 \$000	30 June 2007 \$000
Current Borrowings				
Bank Overdraft	NZD	2,447	2,184	3,136
Committed Credit Facilities	NZD	290,000	100,000	-
Other Credit Facilities	NZD	-	27,500	-
Other Short Term Loans	NZD	1,075	-	-
Finance Lease Liabilities	NZD	753	700	489
Total Current Borrowings		294,575	130,384	3,625
Current Portion of Term Borrowings				
Floating Rate Medium Term Note	AUD	-	-	131,895
Floating Rate Transferable Loan Certificate	USD	-	-	64,716
Total Current Portion of Term Borrowings		-	-	196,611
Non-current Borrowings				
4.5% due March 2010	USD	159,899	118,193	110,709
6.9% due February 2013	USD	150,308	105,716	99,129
5.3% due March 2014	USD	163,999	112,040	102,583
5.3% due March 2015	USD	197,894	132,447	120,795
5.6% due March 2018	USD	80,439	51,639	46,648
7.1% due April 2018	USD	55,775	36,212	33,102
Fixed Rate Senior Notes		807,814	556,247	512,966
Finance Lease Liabilities	NZD	532	574	717
Total Non-current Borrowings		808,346	556,821	513,683

New Zealand Dollar Equivalent of Foreign Currency Borrowings

The New Zealand dollar equivalent of Borrowings after the effect of the foreign exchange hedging of these Borrowings totals \$747.5 million (June 2008: \$747.5 million, June 2007: \$1,025.3 million) and is presented in the table below. Foreign currency denominated term Borrowings are hedged by Cross Currency Interest Rate Swaps (refer to Note 25).

	31 Dec 2008 \$000	30 June 2008 \$000	30 June 2007 \$000
Carrying Value of the Foreign Currency Borrowings	807,814	556,247	709,577
Net Fair Value Adjustments due to Market Price Movements Subsequent to Issuance	(60,287)	191,280	315,728
New Zealand Dollar Equivalent of Foreign Currency Borrowings	747,527	747,527	1,025,305

Repayment of Borrowings

In September 2007, Contact Energy repaid \$277.8 million of term debt representing the AUD Floating Rate Medium Term Note (\$158.7 million) and the USD Floating Rate Transferable Loan Certificate (\$119.1 million).

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Security

Except for finance leases, Contact Energy's Borrowings are unsecured. Contact Energy borrows under a negative pledge arrangement, which does not permit Contact Energy to grant any security interest over its assets, unless it is an exception permitted within the negative pledge arrangements. All borrowing covenants requirements were met during the period.

Credit Facilities

Contact Energy has total evergreen committed facilities at 31 December 2008 of \$585.0 million (June 2008: \$585.0 million, June 2007: \$300.0 million). As at 31 December 2008, \$360.0 million of the facilities mature in May 2010, \$75.0 million mature in May 2011 and \$150.0 million mature in December 2012.

At 31 December 2008 \$290.0 million (June 2008: \$100.0 million, June 2007: Nil) was drawn against these facilities. These committed credit facilities also support a \$250.0 million commercial paper programme. This programme was unutilised at 31 December 2008, 30 June 2008 and 30 June 2007.

Finance Lease Liabilities

Future minimum lease payments are as follows:

	31 Dec 2008 \$000	30 June 2008 \$000	30 June 2007 \$000
Not Later Than One Year	664	742	534
Later Than One Year and not Later Than Five Years	723	640	745
Minimum Lease Payments	1,387	1,382	1,279
Future Finance Charges on Finance Leases	(242)	(108)	(73)
Present Value of Finance Lease Liabilities	1,265	1,274	1,206

The finance leases relate to computer equipment.

The present value of finance lease liabilities are as follows:

	31 Dec 2008 \$000	30 June 2008 \$000	30 June 2007 \$000
Not Later Than One Year	753	700	489
Later Than One Year and not Later Than Five Years	532	574	717
	1,285	1,274	1,206

25 Derivative Financial Instruments

Financial Risk Management Objectives

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

Fair Value of Derivative Financial Instruments

The fair value of the significant types of Derivative Financial Instruments outstanding, together with the designation of their hedging relationship, are summarised below:

31 December 2008	Hedge Accounting Designation	Fair Value Assets \$000	Fair Value Liabilities \$000
Cross Currency Interest Rate Swaps	Fair Value Hedge	60,245	(335)
Interest Rate Derivatives	No Hedge	6	(55,796)
Cross Currency Interest Rate Swaps - Margin	Cash Flow Hedge	1,883	(12)
Forward Foreign Exchange Derivatives	Cash Flow Hedge	29,037	(1,354)
Electricity Price Hedges	Cash Flow Hedge	2,655	(67,498)
Electricity Price Hedges	No Hedge	1,137	(1,332)
Total Derivative Financial Instruments		94,973	(126,444)
Disclosed As:			
Current		25,513	(5,389)
Non-current		69,460	(121,055)
		94,973	(126,444)

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30 June 2008	Hedge Accounting Designation	Fair Value Assets \$'000	Fair Value Liabilities \$'000
Cross Currency Interest Rate Swaps	Fair Value Hedge	-	(191,255)
Interest Rate Derivatives	No Hedge	14,180	(723)
Cross Currency Interest Rate Swaps - Margin	Cash Flow Hedge	-	(6,592)
Forward Foreign Exchange Derivatives	Cash Flow Hedge	4,371	(283)
Forward Foreign Exchange Derivatives	No Hedge	-	(56)
Electricity Price Hedges	Cash Flow Hedge	15,319	(111,399)
Electricity Price Hedges	No Hedge	10,105	(1,122)
Total Derivative Financial Instruments		43,975	(311,430)
Disclosed As:			
Current		13,364	(38,644)
Non-current		30,611	(272,786)
		43,975	(311,430)

30 June 2007	Hedge Accounting Designation	Fair Value Assets \$'000	Fair Value Liabilities \$'000
Cross Currency Interest Rate Swaps	Fair Value Hedge	-	(315,572)
Interest Rate Derivatives	No Hedge	28,610	(188)
Cross Currency Interest Rate Swaps - Margin	Cash Flow Hedge	-	(8,718)
Forward Foreign Exchange Derivatives	Cash Flow Hedge	912	(4,505)
Electricity Price Hedges	Cash Flow Hedge	16,824	(344)
Electricity Price Hedges	No Hedge	191	(81)
Total Derivative Financial Instruments		46,537	(329,408)
Disclosed As:			
Current		2,917	(85,825)
Non-current		43,620	(243,583)
		46,537	(329,408)

The Change in the Fair Values of Financial Instruments recognised in the Income Statement and Cash Flow Hedge Reserve are summarised below:

Favourable/(Unfavourable)	Hedge Accounting Designation	6 Months Ended 31 December 2008		12 Months Ended 30 June 2008		12 Months Ended 30 June 2007	
		Income Statement \$'000	Cash Flow Hedge Reserve \$'000	Income Statement \$'000	Cash Flow Hedge Reserve \$'000	Income Statement \$'000	Cash Flow Hedge Reserve \$'000
Cross Currency Interest Rate Swaps	Fair Value Hedge	251,052	-	124,317	-	(159,684)	-
Borrowings	Fair Value Hedge	(251,052)	-	(124,448)	-	159,848	-
		(514)	-	(131)	-	164	-
Interest Rate Derivatives	No Hedge	(69,884)	457	(15,767)	802	23,210	761
Forward Foreign Exchange Derivatives	Cash Flow Hedge	-	23,520	-	7,676	205	(6,767)
Forward Foreign Exchange Derivatives	No Hedge	56	-	(56)	-	-	-
Cross Currency Interest Rate Swaps - Margin	Cash Flow Hedge	977	7,395	349	1,778	358	(6,721)
Electricity Price Hedges	Cash Flow Hedge	27	31,273	4,807	(117,366)	(645)	21,694
Electricity Price Hedges	No Hedge	(4,188)	-	8,872	-	(33)	-
Income Tax on Changes in Fair Value of Financial Instruments Taken to Equity		-	(3,095)	-	32,102	-	(2,725)
Total Change in Fair Value of Financial Instruments		(78,315)	43,735	(1,926)	(75,008)	23,259	6,242

The non-cash Total Change in Fair Value of Financial Instruments recorded in the Income Statement of \$(78.3) million (June 2008: \$(1.9) million, June 2007: \$23.3 million) is principally due to Interest Rate Derivatives, which have not been designated in a hedge relationship. The Interest Rate Derivatives are revalued applying market interest rates. As a result, the Change in Fair Value of Interest Rate Derivatives is a non-cash item that fluctuates over time in accordance with changes in market interest rates.

The movement in the Electricity Price Hedge is due to the volatility in the forecast market price path. The Income Statement movement represents the fair value movement of Contact Energy's unhedged market-traded electricity instruments. Movement in the Cash Flow Hedge Reserve represents the fair value movement of the electricity instruments placed in a hedged relationship.

The movement in the Cash Flow Hedge Reserve in relation to hedged Forward Foreign Exchange Derivatives is due to the volatility in the forward foreign exchange market rates, which fluctuate over time.

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Movement in Cash Flow Hedge Reserve

	6 Months Ended 31 Dec 2008	12 Months Ended 30 June 2008	12 Months Ended 30 June 2007
	\$000	\$000	\$000
Opening Balance	(74,103)	905	(5,337)
Effective Portion of Cash Flow Hedges Recognised in the Cash Flow Hedge Reserve	46,483	(88,711)	(11,579)
Amount Transferred from the Cash Flow Hedge Reserve to Operating Revenue	(1,631)	21,218	28,421
Amount Transferred from the Cash Flow Hedge Reserve to Operating Expenses	(742)	345	(294)
Amount Transferred from the Cash Flow Hedge Reserve to Change in Fair Value of Financial Instruments	457	802	761
Amount Transferred from the Cash Flow Hedge Reserve to Property, Plant and Equipment	(2,006)	2,930	(2,639)
Amount Transferred from the Cash Flow Hedge Reserve in Relation to Deferred Tax	1,177	(11,592)	(8,428)
Closing Balance	(30,365)	(74,103)	905

The gain from ineffectiveness recognised in the Income Statement from cash flow hedges is \$0.6 million (June 2008: \$0.8 million, June 2007: \$0.3 million).

Risk Management

Risk management is carried out by a central treasury department (Treasury) for interest rate and foreign exchange exposures. Risk management activities in respect of the electricity exposures are undertaken by the Trading Group (Trading). Both Treasury and Trading operate under policies approved by the Board. Treasury and Trading identify, evaluate and hedge the financial risks in close co-operation with Contact Energy's operating units. The Board policies provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, price risk, credit risk, interest rate 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 Energy is exposed to foreign currency risk as a result of transactions denominated in a currency other than Contact Energy's functional currency, New Zealand dollars. The currencies giving rise to this risk are primarily Australian dollar, US dollar, Japanese yen, Swiss franc and the Euro.

Foreign currency risk arises from future commercial transactions (including interest payments on long term Borrowings and the purchase of capital equipment and maintenance), recognised assets and liabilities (including Borrowings) and net investments in foreign operations.

Contact Energy uses Forward Foreign Exchange Contracts to manage foreign exchange risk arising from future commercial transactions and recognised assets and liabilities. To manage the foreign currency risk arising from the future interest payments required on foreign currency denominated long term Borrowings, Contact Energy uses Cross Currency Interest Rate Swaps (both fixed to floating and floating to floating), which convert the foreign currency denominated future interest payments into the functional currency for the full term of the underlying Borrowings.

Treasury is responsible for managing the net position in each foreign currency within Board policy parameters.

Contact Energy has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of Contact Energy's foreign operations is managed primarily through Borrowings denominated in the relevant foreign currencies.

Forward Foreign Exchange Contracts

The notional principal amount of the outstanding Forward Foreign Exchange Contracts at 31 December 2008 was \$173.8 million (June 2008: \$226.4 million, June 2007: \$97.3 million).

The hedged anticipated transactions denominated in foreign currency are expected to occur at various dates between one month to one year and nine months (June 2008: two years and two months, June 2007: two years and six months) from the balance sheet date. Gains and losses recognised in the Cash Flow Hedge Reserve in equity on Forward Foreign Exchange Contracts as at 31 December 2008 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

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included in the cost of any asset or liability acquired. During the period to 31 December 2008, no hedges were de-designated, and all underlying forecast transactions remain highly probable to occur as originally forecast.

Sensitivity Analysis

At 31 December 2008, if the New Zealand dollar had weakened/strengthened by 10 per cent against the currencies with which Contact Energy has foreign currency risk with all other variables held constant:

- Post-tax profit for the period would not have been materially different.
- Other components of equity would have been \$13.9 million higher/lower (June 2008: \$14.9 million, June 2007: \$5.9 million), arising from foreign exchange gains/losses on revaluation of Forward Foreign Exchange Contracts in a cash flow hedge relationship.

(ii) Price Risk

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

Electricity Price Hedges

The aggregate notional volume of the outstanding fixed volume electricity derivatives at 31 December 2008 was 1,611 GWh (June 2008: 2,387 GWh, June 2007: 3,723 GWh). The aggregate notional volume of the outstanding variable volume electricity derivatives at 31 December 2008 was 8,929 GWh (June 2008: 10,408 GWh, June 2007: 1,989 GWh).

The hedged anticipated electricity sale transactions are expected to occur continuously for each half-hour period from the balance sheet date consistent with the forecast generation. Gains and losses on electricity derivatives recognised in the Cash Flow Hedge Reserve in equity will be continuously released to the Income Statement in the period in which the underlying sale transactions are recognised in the Income Statement.

Sensitivity Analysis

The following table summarises the impact of increases/decreases of the relevant electricity forward prices on Contact Energy's post-tax profit for the period and on other components of equity. The sensitivity analysis is based on the assumption that the relevant market prices had increased/decreased by 10 per cent with all other variables held constant.

Favourable/(Unfavourable)	Impact on Post-Tax Profit		
	31 Dec 2008 \$000	30 June 2008 \$000	30 June 2007 \$000
Electricity Forward Price			
+10%	(50)	8,776	(107)
-10%	(100)	(3,774)	94
		Impact on Equity	
Electricity Forward Price			
+10%	10,354	1,393	(21,214)
-10%	(15,658)	4,676	21,214

Post-tax profit for the period would increase/decrease as a result of Contact Energy's risk management policy requiring hedging of less than 100 per cent of forecast future sales of electricity and some derivative instruments that are valid economic hedges of these electricity price risks not achieving hedge accounting under NZIAS 39 requirements. Other components of equity would increase/decrease as a result of the hedging instruments that do qualify for cash flow hedge accounting under NZIAS 39.

(b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Contact Energy. Contact Energy is exposed to credit risk in the normal course of business arising from receivables, the purchase of commercial paper and transactions with financial institutions.

The Board has approved a policy of only dealing with credit-worthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Contact Energy 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 Energy's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded are spread amongst approved counterparties.

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The carrying amounts of financial assets recognised in the Balance Sheet best represents Contact Energy's maximum exposure to credit risk at the balance sheet date without taking account of the value of any collateral obtained.

Contact Energy 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 due to Contact Energy's large customer base in a diverse range of industries throughout New Zealand. Contact Energy has no significant concentration of credit risk with any one financial institution.

(c) Liquidity Risk

Contact Energy's ability to attract cost-effective funding is largely driven by its credit standing.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the spreading of debt maturities.

Liquidity risk is monitored by continuously forecasting actual cash flows and matching the maturity profiles of financial assets and liabilities.

(d) Interest Rate Risk (Cash Flow and Fair Value)

Contact Energy's income and operating cash flows are substantially independent of changes in market interest rates. Contact Energy is primarily exposed to interest rate risk as a result of issuing term Borrowings at fixed interest rates. Borrowings issued at fixed rates expose Contact Energy to fair value interest rate risk. As the majority of Contact Energy's Borrowings are issued in foreign currency, Contact Energy manages the combined interest and foreign currency risk by entering into Cross Currency Interest Rate Swaps to convert the proceeds into a floating rate New Zealand dollar exposure. New Zealand dollar Interest Rate Swaps are used to convert floating rate exposure into fixed rate exposure.

Cross Currency Interest Rate Swaps

The aggregate notional principal amounts of the outstanding Cross Currency Interest Rate Swap contracts at 31 December 2008 were \$747.5 million (June 2008: \$747.5 million, June 2007: \$1,025.3 million). The Cross Currency Interest Rate Swaps have been split into two components for the purposes 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 one month to ten years (June 2008: ten years, June 2007: eleven years) from the balance sheet date as a result of the maturities of the underlying Borrowings.

Interest Rate Swaps

The aggregate notional principal amounts of the outstanding Interest Rate Swap contracts at 31 December 2008 were \$1,041.0 million (June 2008: \$1,041.0 million, June 2007: \$1,111.0 million) including \$395.0 million of forward starting swaps (June 2008: \$360.0 million, June 2007: \$310.0 million).

The hedged anticipated interest payment transactions are expected to occur at various dates between one month to ten years (June 2008: ten years, June 2007: eleven years) from the balance sheet date as a result of the maturities of the underlying Borrowings. Gains and losses recognised in the Income Statement on Interest Rate Swap contracts as of 31 December 2008 will be continuously realised in the Income Statement in each period in which interest payments are recognised in the Income Statement until the maturities of the underlying Borrowings.

Sensitivity Analysis

At 31 December 2008, if interest rates at that date had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the period would have been \$19.6 million higher/lower (June 2008: \$13.6 million, June 2007: \$13.0 million). This is mainly as a result of the fair value change in Interest Rate Swaps, which are valid economic hedges but which do not qualify for hedge accounting under NZIAS 39. There would be no effect on other components of equity.

Contractual Maturities of Financial Liabilities and Derivative Financial Instruments

The amounts disclosed are the contracted undiscounted cash flows, except for the Derivative Financial Instruments which are the undiscounted settlements expected under the contracts. Balances due within twelve months equal their carrying value as the impact of discounting is not significant. As the amounts presented are contracted undiscounted cash flows the totals will not reconcile with the Balance Sheet.

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31 December 2008 Outflow / (Inflow)	Note	Total	Less than	1-2 years	2-5 years	More than
		Contractual Cash Flows \$000	1 year \$000	\$000	\$000	5 years \$000
Payables and Accruals	26	214,431	214,431	-	-	-
Borrowings	24	1,245,593	339,246	192,155	224,718	489,474
Finance Lease Liabilities	24	1,527	804	594	129	-
<i>Net Settled Derivative Financial Instruments:</i>	25					
Electricity Price Hedges		78,456	241	(1,093)	77,308	-
Interest Rate Swaps		(34,369)	14,388	23,020	(53,574)	43,387
<i>Gross Settled Derivative Financial Instruments:</i>	25					
Forward Exchange Contracts						
-Inflow		(196,944)	(171,012)	(27,932)	-	-
-Outflow		173,445	180,534	22,911	-	-
Cross Currency Interest Rate Swaps						
-Inflow		(946,642)	(40,295)	(192,155)	(224,718)	(489,474)
-Outflow		981,885	42,236	195,424	228,173	505,052

30 June 2008 Outflow / (Inflow)	Note	Total	Less than	1-2 years	2-5 years	More than
		Contractual Cash Flows \$000	1 year \$000	\$000	\$000	5 years \$000
Payables and Accruals	26	522,949	522,949	-	-	-
Borrowings	24	866,349	162,301	148,700	174,179	381,169
Finance Lease Liabilities	24	1,382	742	535	105	-
<i>Net Settled Derivative Financial Instruments:</i>	25					
Electricity Price Hedges		90,677	31,038	76,635	(16,996)	-
Interest Rate Swaps		(177,151)	(28,484)	(38,581)	(65,845)	(44,241)
<i>Gross Settled Derivative Financial Instruments:</i>	25					
Forward Exchange Contracts						
-Inflow		(225,920)	(187,819)	(36,421)	(1,680)	-
-Outflow		226,293	185,721	38,739	1,833	-
Cross Currency Interest Rate Swaps						
-Inflow		(734,669)	(30,621)	(148,700)	(174,179)	(381,169)
-Outflow		767,578	20,051	160,228	135,202	452,097

30 June 2007 Outflow / (Inflow)	Note	Total	Less than	1-2 years	2-5 years	More than
		Contractual Cash Flows \$000	1 year \$000	\$000	\$000	5 years \$000
Payables and Accruals	26	268,351	268,351	-	-	-
Borrowings	24	906,344	232,126	27,603	188,723	457,892
Finance Lease Liabilities	24	1,279	534	486	259	-
<i>Net Settled Derivative Financial Instruments:</i>	25					
Electricity Price Hedges		(19,443)	(169)	(4,197)	(15,077)	-
Interest Rate Swaps		(150,250)	(30,317)	(39,059)	(59,195)	(21,679)
<i>Gross Settled Derivative Financial Instruments:</i>	25					
Forward Exchange Contracts						
-Inflow		(92,191)	(91,987)	(204)	-	-
-Outflow		96,528	96,318	210	-	-
Cross Currency Interest Rate Swaps						
-Inflow		(871,690)	(227,419)	(27,335)	(187,917)	(429,019)
-Outflow		1,047,785	300,258	-	160,228	587,299

Fair Values

The carrying amounts of financial assets and liabilities recorded in the financial statements approximate their fair values.

Estimation of Fair Values

The fair values and net fair values of financial assets and liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

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- The fair value of other financial assets and liabilities are calculated using market-quoted rates based on discounted cash flow analysis.
- The fair value of Derivative Financial Instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve or available forward price data for the duration of the instruments.

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 variables used by the valuation technique are:

- forward price curve (for the relevant underlying interest rates, foreign exchange rates or electricity prices).
- 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 value of these derivatives.

Maximum use is made of observable market data when selecting variables and developing assumptions for the valuation techniques.

Financial Instruments by Category

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

31 December 2008

	Note	Held for Trading \$000	Held-to-maturity Investments \$000	Loans and Receivables \$000	Financial Liabilities at Amortised Cost \$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	15	-	-	11,865	-	-	-	11,865
Receivables and Prepayments	16	-	-	162,697	-	-	-	162,697
Derivative Financial Instruments	25	1,153	-	-	-	60,233	93,565	94,971
Total Financial Assets		1,153		174,562		60,233	93,565	269,533
Total Non-financial Assets								4,728,036
Total Assets								
Liabilities								
Borrowings	24	-	-	-	1,102,921	-	-	1,102,921
Derivative Financial Instruments	25	57,116	-	-	-	435	68,591	126,144
Payables and Accruals	26	-	-	-	214,431	-	-	214,431
Total Financial Liabilities		57,116			1,317,352	435	68,591	1,443,796
Total Non-financial Liabilities								775,118
Total Liabilities								

30 June 2008

	Note	Held for Trading \$000	Held-to-maturity Investments \$000	Loans and Receivables \$000	Financial Liabilities at Amortised Cost \$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	15	-	-	-	-	-	-	-
Receivables and Prepayments	16	-	-	488,987	-	-	-	488,987
Derivative Financial Instruments	25	24,285	-	-	-	-	19,690	43,975
Total Financial Assets		24,285		488,987			19,690	532,962
Total Non-financial Assets								4,636,423
Total Assets								
Liabilities								
Borrowings	24	-	-	-	687,205	-	-	687,205
Derivative Financial Instruments	25	1,901	-	-	-	191,255	118,274	311,430
Payables and Accruals	26	-	-	-	522,949	-	-	522,949
Total Financial Liabilities		1,901			1,210,154	191,255	118,274	1,521,584
Total Non-financial Liabilities								769,689
Total Liabilities								

Contact Energy Limited
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30 June 2007

	Note	Held for Trading \$000	Held-to-maturity Investments \$000	Loans and Receivables \$000	Financial Liabilities at Amortised Cost \$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	15	-	165,956	10,500	-	-	-	176,456
Receivables and Prepayments	16	-	-	201,827	-	-	-	201,827
Derivative Financial Instruments	25	28,801	-	-	-	-	17,736	46,537
Total Financial Assets		28,801	165,956	212,327	-	-	17,736	424,820
Total Non-financial Assets								4,527,089
Total Assets								4,951,909
Liabilities								
Borrowings	24	-	-	-	713,919	-	-	713,919
Derivative Financial Instruments	25	269	-	-	-	315,572	13,567	329,408
Payables and Accruals	26	-	-	-	268,351	-	-	268,351
Total Financial Liabilities		269	-	-	982,270	315,572	13,567	1,311,678
Total Non-financial Liabilities								772,479
Total Liabilities								2,084,157

Capital Risk Management Objectives

Contact Energy's objectives when managing capital are to safeguard Contact Energy'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 of Dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Contact Energy monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital funding.

- Net debt is calculated as total Borrowings less Short Term Deposits. Total Borrowings are calculated using a value of unsecured loans equivalent to the New Zealand dollar after the effect of foreign exchange hedging of the Borrowings.
- Total capital funding is calculated as the Shareholders' Equity, adjusted for the effect of the fair value of financial instruments, plus net debt.

	Note	31 Dec 2008 \$000	30 June 2008 \$000	30 June 2007 \$000
Net Debt				
Current Borrowings	24	(294,575)	(130,384)	(3,625)
New Zealand Dollar Equivalent of Term Borrowings - Net of Foreign Exchange Hedging	24	(747,527)	(747,527)	(1,025,305)
Other Non-current Borrowings	24	(532)	(574)	(717)
Cash and Short Term Deposits	15	11,555	-	176,456
		(1,130,769)	(878,485)	(853,191)
Equity				
Shareholder's Equity	12	(2,827,655)	(2,878,112)	(2,867,752)
Remove Net Effect of Fair Value of Financial Instruments after Tax		64,232	(51,037)	22,014
Adjusted Equity		(2,763,423)	(2,929,149)	(2,845,738)
Total Capital Funding		(3,894,192)	(3,807,634)	(3,698,929)
Gearing Ratio		28%	23%	23%

26 Payables and Accruals

	31 Dec 2008	30 June 2008	30 June 2007
	\$000	\$000	\$000
Electricity Purchases Accrual	12,102	205,756	43,521
Other Trade Payables and Accruals	188,808	235,608	159,005
Advances from Subsidiaries	39,900	55,741	42,148
Employee Benefits	13,094	17,897	14,111
Interest Payable	10,527	7,947	9,518
Other Payables	-	-	48
Total Payables and Accruals	214,431	522,949	268,351

The purchase price that Contact Energy paid for electricity to supply its customers increased considerably in June 2008 as electricity purchase prices averaged \$335.24 per megawatt hour in June 2008. Consequently the Electricity Purchases Accrual is higher than at 31 December 2008 and 30 June 2007 when average electricity purchase prices for the month were \$30.34 and \$73.35 per megawatt hour respectively.

27 Provisions

	Restoration/ Environmental Rehabilitation			Total
	New Plymouth	Other		
	\$000	\$000	\$000	\$000
Balance at 1 July 2008	18,887	31,134	2,476	52,497
Provisions Made During the Period	-	1,800	401	2,201
Provisions Used During the Period	(6,326)	(816)	(390)	(7,532)
Provisions Reversed During the Period	-	-	-	-
Unwind of Discount Rate	-	1,487	68	1,555
Balance at 31 December 2008	10,511	33,603	2,555	46,669
Current	10,511	4,042	945	15,498
Non-current	-	29,561	1,610	31,171
	10,511	33,603	2,555	46,669

Refer to Note 4 for discussion on the provision for removal of asbestos at New Plymouth Power Station. Cash outflows are principally expected to occur by 30 June 2009.

The Restoration and Environmental Rehabilitation provisions include estimates of future expenditures for the abandonment and restoration of areas from which natural resources are extracted and the expected cost of environmental rehabilitation of commercial sites that require remediation of conditions resulting from present operations. Cash outflows are typically expected to coincide with the end of the useful life of the site.

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

28 Deferred Tax

Recognised Deferred Tax Assets and Liabilities

	Balance 1 July 2008	Recognised in Income	Recognised in Equity	Change in Tax Rate *	Balance 31 Dec 2008
	\$000	\$000	\$000	\$000	\$000
Property, Plant and Equipment	(761,677)	(12,888)	-	-	(774,565)
Investment in Associate	(174)	-	-	-	(174)
Inventories	1,759	377	-	-	2,136
Employee Benefits	4,930	(1,459)	-	-	3,471
Provisions	15,930	(1,878)	540	-	15,592
Financial Instruments	22,359	23,579	(18,898)	-	27,040
Other	(1,863)	(922)	-	-	(2,785)
Total	(717,248)	7,093	(18,458)		(728,613)

Contact Energy Limited
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	Balance 1 July 2007 \$000	Recognised in Income \$000	Recognised in Equity \$000	Change in Tax Rate * \$000	Balance 30 June 2008 \$000
Property, Plant and Equipment	(748,815)	(14,715)	-	1,853	(761,677)
Investment in Associate	(174)	-	-	-	(174)
Inventories	1,614	321	-	(176)	1,759
Employee Benefits	4,472	921	-	(463)	4,930
Provisions	9,458	7,378	1,080	(986)	16,930
Financial Instruments	(9,803)	634	35,345	(3,323)	22,853
Other	175	(2,224)	-	186	(1,863)
Total	(743,073)	(7,685)	36,425	(2,909)	(717,242)

	Balance 1 July 2006 \$000	Recognised in Income \$000	Recognised in Equity \$000	Change in Tax Rate * \$000	Balance 30 June 2007 \$000
Property, Plant and Equipment **	(692,839)	2,069	(132,360)	74,315	(748,815)
Investment in Associate	(174)	-	-	-	(174)
Inventories	2,214	(600)	-	-	1,614
Employee Benefits	2,919	1,583	-	(30)	4,472
Provisions	10,091	(417)	491	(707)	9,458
Financial Instruments	(319)	(7,564)	(2,958)	1,038	(9,803)
Other	(172)	347	-	-	175
Total	(678,280)	(4,582)	(134,827)	74,616	(743,073)

* 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 30 per cent enacted in May 2007 and effective for Contact Energy's income tax year ending 30 June 2009. The effect of the change was recognised in the Income Statement (June 2008: \$0.5 million, June 2007: \$7.1 million) and in equity (June 2008: \$3.4 million, June 2007: \$81.7 million) and was consistent with the underlying items that give rise to the Deferred Tax.

** Deferred Tax on the revaluation increment of Generation Property, Plant and Equipment as at 30 June 2007 recorded against Asset Revaluation Reserve in equity. Refer to Note 12.

Contact Energy holds its Property, Plant and Equipment on capital account for income tax purposes. Where the Generation Plant and Equipment and Generation Capital Work in Progress are revalued, and there is no similar adjustment to the tax base, a taxable temporary difference is created that is recognised in Deferred Tax. The Deferred Tax liability on these revaluations would not crystallise under existing income tax legislation if the assets were to be sold at the balance sheet date. At 31 December 2008, the amount of Deferred Tax relating to the revaluation of Generation Plant and Equipment and Generation Capital Work in Progress was \$549.0 million (June 2008: \$563.5 million, June 2007: \$590.7 million).

Unrecognised Deferred Tax Assets and Liabilities

There are no unrecognised Deferred Tax Assets or Liabilities.

29 Commitments

Capital and Investment Commitments

	31 Dec 2008 \$000	30 June 2008 \$000	30 June 2007 \$000
Not Later than One Year	168,967	151,429	73,279
Later Than One Year and not Later Than Five Years	79,582	108,481	75,940
Later Than Five Years	2,182	3,814	2,097
Total Capital and Investment Commitments	250,731	263,724	151,316

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 building accommodation. The remainder relate to vehicles, plant and equipment.

	31 Dec 2008 \$000	30 June 2008 \$000	30 June 2007 \$000
Not Later than One Year	4,158	4,134	3,615
Later Than One Year and not Later Than Five Years	12,058	11,381	8,474
Later Than Five Years	6,436	7,608	2,048
Total Operating Lease Commitments	22,652	23,123	14,137

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Lease commitments are stated exclusive of GST.

Other Operating Commitments

Other Operating Commitments comprise a portion of long term maintenance agreements entered into for generation assets, with the remainder of commitments under these agreements included in capital and investment commitments.

	31 Dec 2008 \$000	30 June 2008 \$000	30 June 2007 \$000
Not Later Than One Year	5,486	5,172	5,008
Later Than One Year and not Later Than Five Years	9,982	9,962	15,041
Total Other Operating Commitments	15,468	15,134	20,049

Gas Commitments

Maui Contract

Following the redetermination of the economically recoverable reserves in the Maui gas field, Contact Energy renegotiated its Maui gas contract with the Crown. As a consequence of that renegotiation, Contact Energy is required to make fixed monthly payments to the Crown to 27 June 2009 for the right to take gas under the contract. At 27 June 2009, the Crown is required to refund those payments to the extent gas take is less than an agreed amount.

Maui Contracts with Maui Development Limited

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

Shell New Zealand Limited

Contact Energy has a contract with Energy Finance NZ Ltd (a Shell New Zealand Limited subsidiary), whereby Contact Energy has agreed to make fixed monthly payments over the period 1 October 2007 to 31 December 2010 for the right to take gas.

OMV New Zealand Limited

Contact Energy has contracts with OMV New Zealand Limited giving Contact Energy rights to gas from the Pohokura gas field up to 31 December 2013. Contact Energy is committed to pay fixed fees under the agreements so may have to pay additional fees if the amount of gas actually uplifted is less than a specified amount on each day. The contracts require Contact Energy to have arrangements in place in order to transport the gas in the Maui pipeline.

Gas Transmission Contracts

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

30 Resource Consents

Contact Energy requires resource consents (authorisations to use land, water and air obtained under the Resource Management Act 1991) to enable it to operate its geothermal, thermal and hydro power stations. The duration of resource consents may vary up to a maximum of thirty five years except for land use consents, which run for the duration of the activity they authorise. The current resource consents within which Contact Energy's power stations operate are due for renewal at varying times.

In addition to consents for its existing operational power stations, Contact Energy holds resource consents to construct and operate a new 400 megawatt (MW) combined-cycle power station (Otahuhu C) and has the ability to construct and operate a 120 MW open-cycle power station under its existing consents (Otahuhu A), both at its Otahuhu site. Contact Energy also has consents to construct and operate an up to 500 MW combined-cycle power station at its Stratford site (TCC 2). Lapse dates on the consents for the combined-cycle plants have been extended to 2011 (Otahuhu C) and 2017 (TCC 2).

Contact Energy also has consents to construct and operate a net 220 MW geothermal power station at Te Mihi (near Taupo), a 200 MW gas-fired peaking power station at Stratford and a 20 MW geothermal binary plant at Taupo. Development of the Stratford gas-fired peaking power station and the geothermal binary plant has started. Contact Energy is applying for a variation of consents to allow the geothermal binary plant at Taupo to operate at 23 MW.

Contact Energy has obtained consents to construct and operate a 17.2 MW hydro power station on the Hawea Dam.

Contact Energy has filed applications for a 177 MW wind farm at Waitahora, near Dannevirke in the Manawatu. Hearing for the Manawatu applications starts on 16 February 2009 before Commissioners appointed by Tararua District and Horizons Regional Councils.

31 Related Party Transactions

As at 31 December 2008, Origin Energy Pacific Holdings Limited was the major shareholder in Contact Energy, owning 50.6 per cent of the ordinary shares of Contact Energy.

Further shares amounting to 0.8 per cent of Contact Energy's ordinary shares are held by Origin Energy Universal Holdings Limited and Origin Energy New Zealand Limited. All three companies are 100 per cent ultimately owned by Origin Energy Limited, an Australian incorporated company.

Identity of Related Parties with whom Material Transactions have Occurred

Notes 21 and 23 identify group entities and associates in which Contact Energy has an interest. All of these entities are related parties of Contact Energy.

Related parties also include Origin Energy Limited group entities.

Material Related Party Transactions

- On 12 June 2008, Contact Energy's ultimate parent company, Origin Energy Limited (Origin), acquired certain New Zealand oil and gas assets from Swift Energy New Zealand Limited (Swift) for approximately \$110.0 million. Among these assets was a petroleum mining licence (PML) to an area that includes the Ahuroa reservoir. Contact Energy paid \$52.0 million of the total purchase price to Origin effectively in exchange for a beneficial interest in the PML as it relates to the Ahuroa reservoir and the gas and LPG reserves contained therein. Contact Energy intends to develop the Ahuroa field as an underground gas storage facility. Refer to Notes 19 and 20.
- During the period ended 31 December 2008, Contact Energy had transactions with Origin Energy Resources NZ Limited, a subsidiary of Origin, in respect to the development of the Ahuroa gas storage facility. During the period the transactions totalled \$1.7 million and at 31 December 2008 \$0.2 million remained outstanding.
- Fees paid or accrued to Directors and Officers of Origin for director services total \$0.2 million for the period (June 2008: \$0.1 million, June 2007: \$0.1 million).
- Advances to/from Subsidiaries are included in notes 16 and 26 respectively. Advances are repayable on demand and are interest free.
- David Baldwin, Chief Executive Officer of Contact Energy, is seconded to Contact Energy from his employer Origin. During the period ended 31 December 2008, Contact Energy has reimbursed Origin \$0.9 million (June 2008: \$1.1 million, June 2007: \$0.7 million), which includes the cost of his salary and other employment benefits. At 31 December 2008 \$0.1 million (June 2008: \$0.1 million, June 2007: \$0.1 million) remained outstanding. In addition he received share-based payments under Contact Energy's long term incentive scheme amounting to \$0.5 million (June 2008: \$0.3 million, June 2007: \$0.3 million), being the fair value of the share-based payment allocated to this reporting period. Refer to Note 14.
- Contact Energy had transactions with Empower Limited, a 100 per cent owned subsidiary, in respect of electricity charges, network charges and management fees, which are calculated at arm's length.
- Contact Energy had transactions with Stratford Power Limited, a 100 per cent owned subsidiary, in respect of gas purchases, which are calculated at arm's length.
- Contact Energy and Origin have entered into a Master Services Agreement for the provision of professional, consulting and/or administrative services between the parties. There was no payment for services entered into under this agreement for the period ended 31 December 2008, 30 June 2008 or 30 June 2007.
 - Contact Energy and Origin are party to a Statement of Work dated 27 April 2007 relating to the provision of transitional services in connection with the sale of the Rockgas Limited business.

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- Contact Energy and Origin are party to a Statement of Work dated 28 August 2007 relating to the acquisition of the New Zealand assets of Swift.
- Contact Energy and Origin entered into an Upstream Technical Support Agreement which provides a twelve month contract, which ended in July 2007, for support in managing an exploration permit. There was no payment for services entered into under this agreement for the twelve months ended 30 June 2008 (June 2007: \$0.1 million) and no amounts remain outstanding at 31 December 2008, 30 June 2008 or 30 June 2007.
- On 30 April 2007, Contact Energy acquired from Origin, 100 per cent of the shares of Rockgas Holdings Limited and its 100 per cent subsidiary Rockgas Limited, an unlisted company based in New Zealand. The total cost of the acquisition was \$162.3 million and comprised the payment of cash and costs directly attributable to the acquisition. Refer to Note 22.
- Refer to Note 32 for key management personnel disclosures.

32 Key Management Personnel

The table below includes the aggregate remuneration for the Directors, the Chief Executive Officer and members of the Senior Management Team.

	Note	5 Months Ended 31 Dec 2008 \$000	12 Months Ended 30 June 2008 \$000	12 Months Ended 30 June 2007 \$000
Directors' Fees		728	770	770
Chief Executive Officer and Senior Management Team				
Salary and Other Short Term Benefits		3,101	5,561	4,730
Share-based Payments	14	544	933	472
Total Chief Executive Officer and Senior Management Team		3,645	6,494	5,202
Total Key Management Personnel		4,073	7,264	5,972

Details of the total remuneration and the value of other benefits paid to (or accrued for) each director of Contact Energy are as follows:

For the six months ended 31 December 2008

Director **	Position	Board Fees \$	Committee Fees \$	Total Remuneration * \$
G King	Chairman	100,000	-	100,000
P Pryke	Deputy Chairman	75,000	-	75,000
B Beeren	Director	50,000	13,500	63,500
J Milne	Director	30,000	25,000	75,000
K Moses	Director	50,000	-	50,000
T Saunders	Director	50,000	14,075	64,075
Total		375,000	52,575	427,575

For the twelve months ended 30 June 2008

Director	Position	Board Fees \$	Committee Fees \$	Total Remuneration * \$
G King	Chairman	-	-	-
P Pryke	Deputy Chairman	150,000	214,815	364,815
B Beeren	Director	100,000	27,000	127,000
J Milne	Director	100,000	50,000	150,000
K Moses	Director	-	-	-
T Saunders	Director	100,000	28,150	128,150
Total		450,000	319,965	769,965

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For the twelve months ended 30 June 2007		Board Fees	Committee Fees	Total
Director	Position	\$	\$	Remuneration *
				\$
G King	Chairman	-	-	-
P Pryke	Deputy Chairman	135,000	123,658	258,658
B Beeren	Director	90,000	19,500	109,500
J Milne	Director	90,000	156,278	246,278
K Moses	Director	-	-	-
T Saunders	Director	90,000	65,564	155,564
Total		405,000	365,000	770,000

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

** Remuneration payable to Origin associated Directors Grant King, Bruce Beeren and Karen Moses is paid to them in their individual capacities and complies with the NZX waiver dated 12 May 2008.

33 Whirinaki Generation Plant

Contact Energy is contracted to operate the Crown-owned reserve generation plant at Whirinaki in Hawke's Bay.

Contact Energy owns the Whirinaki site and has agreed to lease it to the Crown until June 2015. The Crown owns the plant and has engaged Contact Energy to operate and maintain it until June 2015.

Under the Project Development Agreement entered into during 2003, the Crown agreed to pay Contact Energy compensation for loss of use of the site. Contact Energy also received a fee for project managing construction of the plant, and receives an annual fee under the Operating and Maintenance Management Services Agreement.

34 Contingent Liabilities

Contact Energy has given an unconditional and irrevocable guarantee on all obligations of its subsidiary, Contact Wind Limited, in respect of an agreement relating to the development of a wind farm on the Waikato coast. There are no outstanding obligations as at 31 December 2008 (June 2008: Nil, June 2007: Nil).

Contact Energy has given a several unconditional and irrevocable guarantee (as to 50 per cent) on all obligations of Gasbridge Limited, a related party, in respect of the development of LNG facilities on the Taranaki coast. There are no outstanding obligations as at 31 December 2008 (June 2008: Nil, June 2007: Nil).

Contact Energy has given an unconditional and irrevocable guarantee on all obligations of its subsidiary, Contact Aria Limited, in respect of the Development Joint Venture Agreement relating to Liquefied Natural Gas (JVA). There are no outstanding obligations as at 31 December 2008 (June 2008: Nil, June 2007: Nil).

There are no other material contingent liabilities as at 31 December 2008 (June 2008: Nil, June 2007: Nil).

35 Subsequent Events

Refer note 10 for details on the declaration of the distribution in February 2009.

On 23 February 2009, the Board of Directors of Contact Energy approved the registration of a prospectus to raise unsubordinated and unsecured debt in the New Zealand retail debt market. An Investment Statement will be available once the offer opens.

Appendix B – Deed of Negative Pledge

The Deed of Negative Pledge was entered into by Contact Energy and certain of its subsidiaries on 19 May 2005.

The provisions of the Deed of Negative Pledge (as amended by the Trust Documents) that apply to the Bonds are set out below. In the Deed of Negative Pledge the definition of "Guaranteeing Group Company" has been amended by the Trust Documents for the purposes of the Bonds, as follows:

"Guaranteeing Group Company" means (except in the case of clause 3.1.2(c) of the Deed of Negative Pledge, where it shall have the meaning set out in the Deed of Negative Pledge) Contact Energy;

and references to "Guaranteeing Group" and the context in which such references are included shall be construed accordingly. For the purposes of the extract below, such references have been amended accordingly.

1. INTERPRETATION

1.1 **Definitions:** In this Deed (which includes the schedules) unless the context otherwise requires:

"Auditors" means the auditors for the time being of the Parent or, if they are unable or unwilling to carry out any action requested of them hereunder, such firm of accountants in New Zealand as may be appointed by the Parent for the purpose of carrying out such action;

"Borrowed Moneys Indebtedness" in relation to any person means:

- (a) any indebtedness for moneys borrowed by that person;
- (b) any indebtedness (actual or contingent) of that person under any guarantee, security or other commitment designed to assure any creditor against loss in respect of any Borrowed Moneys Indebtedness (as herein defined but excluding this paragraph (b)) of any third party;
- (c) indebtedness in respect of financial accommodation provided by way of acceptance or endorsement of bills of exchange, promissory notes or other negotiable instruments;
- (d) any indebtedness under any debenture, note, bill of exchange or commercial paper on which that person is liable as drawer, acceptor, endorser, issuer or otherwise;
- (e) any indebtedness for money owing in respect of any Synthetic Facility entered into by that person; and
- (f) any rental or lease payments under any lease entered into by that person primarily for the purpose of raising or obtaining finance and which would constitute a finance lease under NZGAAP;

"Business Day" means a day, other than a Saturday or a Sunday, upon which banks generally are open for general banking business in Wellington and Auckland;

"Capital Project" means any capital project (howsoever called, including the acquisition of any capital asset) in respect of which any relevant financier's rights of action to enforce payment or repayment are limited in the manner described in clause 3.1.2(g);

"Consolidated Financial Statements" means group financial statements within the meaning of section 9(1) of the Financial Reporting Act 1993 of the Group or, as the case may be, [Contact Energy] (as if such were a "group" within the meaning of that Act) prepared as at, and for the period ending on, any date on the basis that they are prepared in accordance with NZGAAP;

...

"Debt" means, as at any date, the consolidated debt (determined in accordance with NZGAAP) of the Group less Subordinated Debt, as disclosed in the Consolidated Financial Statements for the period ending on that date to be delivered to the Financiers pursuant to clause 2.1.1 or 2.1.2;

"Event of Default" shall have the meaning as set out in clause 9.1;

"Facility" means any arrangement for the provision of unsecured financial accommodation of any nature whatsoever (including a Synthetic Facility) made available now or in the future by one or more Financiers to [Contact Energy] which is referred to in a Letter of Accession as having the benefit of this Deed;

"Financier" means a person to whom the benefit of this Deed is extended by any Letter of Accession for so long as that person has any current Facility;

"Group" means the Parent and its Subsidiaries, taken as a whole;

"Indebtedness" means, in respect of [Contact Energy] and in relation to a particular Financier, all indebtedness from time to time owing to that Financier by [Contact Energy] in respect of the Facilities made available by that Financier to [Contact Energy], and when used without reference to [Contact Energy] means the indebtedness from time to time of [Contact Energy] to a particular Financier in respect of the Facilities made available by that Financier;

"Intangible Assets" means, as at any date, all the assets of, or (as the context may require) the aggregate of the book values under NZGAAP of all the assets of, the Group or [Contact Energy] as the case may be which are classed as intangible assets under NZGAAP as valued and disclosed in the Consolidated Financial Statements for the period ending on that date to be delivered to the Financiers pursuant to clause 2.1.1 or 2.1.2;

"Letter of Accession" means an instrument in writing extending the benefit of all or any part of this Deed to a Financier in respect of one or more Facilities, either:

- (a) in, or substantially in, the form set out in Schedule 2; or
- (b) which identifies that instrument as a "Letter of Accession" for the purposes of this Deed,

and, in each case, executed by, or on behalf of in accordance with clause 8.1, [Contact Energy];

...

"NZGAAP" means generally accepted accounting practice as defined in section 3 of the Financial Reporting Act 1993;

...

["**Parent**" means Contact Energy Limited;]

...

"**Security Interest**" means:

- (a) any mortgage, pledge, encumbrance by way of security, lien, charge, assignment by way of security or hypothecation; or
- (b) any title retention (other than in the ordinary course of business of any member of [Contact Energy]), preferential right, trust arrangement or other agreement or arrangement intended by [Contact Energy] to have the effect of creating security similar to those referred to in paragraph (a);

but, for the avoidance of doubt, does not include (i) bailments; or (ii) the rights of resumption conferred by sections 27 to 27D of the State-Owned Enterprises Act (as inserted by the Treaty of Waitangi (State Enterprises) Act 1988) or any memorial recording such right; or (iii) any rights or obligations (whether arising by operation of law, by contract or otherwise, but in any case only arising in circumstances not inconsistent with the prevailing treasury policies of the Parent or [Contact Energy]) or of in the nature of set-off, netting, combination, consolidation or retention of accounts, banker's lien, blocked accounts or analogous rights or obligations in relation to or affecting any credit balances or other financial obligations owing to [Contact Energy] or arising under any Synthetic Facility; or (iv) a disposal of an asset by [Contact Energy] for fair commercial value in circumstances in which [Contact Energy] obtains the use and benefit of the asset disposed of under a lease, repurchase or similar arrangement, whether such lease, repurchase or similar arrangement is directly between the [Contact Energy] and the owner of the asset or between the [Contact Energy] and any other intermediate lessee or interest-holder;

"**Shareholders Funds**" means the consolidated shareholders funds (determined in accordance with NZGAAP) of the Group [Contact Energy] as at the relevant date as disclosed in the most recent Consolidated Financial Statements to be delivered to the Financiers pursuant to clause 2.1.1 or 2.1.2;

"**Subordinated Debt**" means any indebtedness of any member of the Group which on a liquidation of that member of the Group is effectively subordinated in priority to the general, unsecured, unsubordinated indebtedness of that member of the Group;

"**Subsidiary**" means a subsidiary within the meaning of section 5 of the Companies Act 1993;

...

"**Synthetic Facility**" means any agreement in the nature of an interest rate or currency swap, futures contract, option contract, forward exchange contract or forward rate agreement;

"**Total Assets**" of a company or group of companies means, as at any date, all the assets of, or (as the context may require) the aggregate of the book values under NZGAAP of all the assets of, that company or group of companies (as the case may be) as at any time and from time to time valued and disclosed in:

- (a) in the case of the Group or [Contact Energy], the Consolidated Financial Statements to be delivered to the Financiers pursuant to clause 2.1.1 or 2.1.2 for the period ending on that date; or
- (b) in any other case, the most recent audited balance sheet of such company or the most recent audited consolidated balance sheet of such group of companies (as the case may be); and

"**Total Tangible Assets**" means, as at any date, the Total Assets of the Group or [Contact Energy] (as the case may be) less the Intangible Assets of the Group or [Contact Energy] (as the case may be).

...

2. FINANCIAL INFORMATION AND COVENANTS

...

2.1.3 Information on Request

From time to time, within 28 days after request by that Financier, such information about the business, assets and financial condition of [Contact Energy] as the Financier may reasonably require and which is relevant in the context of that Financier's Facility. The Parent shall be entitled to make it a condition of delivery of such information that the Financier shall keep it confidential. [Contact Energy] shall [not] be required to disclose information which in the Parent's reasonable opinion is commercially sensitive and which could prejudice [Contact Energy] in relation to matters other than the performance of obligations under this Deed and the Facilities. Upon request by the relevant Financier, [Contact Energy] shall provide to the relevant Financier evidence satisfactory to it that the information falls within the category referred to above.

...

2.3 Financial Covenants: The Parent agrees for the benefit severally of each Financier that it shall ensure that, as at the date as at and to which the Consolidated Financial Statements delivered to the Financier under clause 2.1.1 or 2.1.2 are prepared:

2.3.1 Debt:Equity Ratio: the ratio $\frac{\text{Debt}}{\text{Debt} + \text{Shareholders Funds}}$ shall not exceed 60%;

...

3. NEGATIVE COVENANTS

3.1 Negative Pledge: [Contact Energy] agree[s] for the benefit severally of each Financier that:

3.1.1 Limit on Security Interests: subject to clauses 3.1.2 and 3.1.3, [Contact Energy] shall [not] create or permit to arise or subsist any Security Interest whatsoever over the whole or any part of its assets as security for any Borrowed Moneys Indebtedness unless there is created at the same time as, or prior to the creation of, that Security Interest, the same or an equivalent Security Interest for all that Financier's Indebtedness;

3.1.2 Excepted Security Interests: subject always to any limit if any agreed between [Contact Energy] and that Financier, [Contact Energy] may create a Security Interest or permit a

Security Interest to arise or subsist without the need for creating any Security Interest in favour of that Financier to the extent such Security Interest:

- (a) **Law:** arises solely by operation of law or pursuant to any statute; or
- (b) **Pre-existing:** is over any asset at the time of its acquisition provided that such Security Interest is not created in contemplation of such acquisition and the principal amount of the Borrowed Moneys Indebtedness so secured is repaid in accordance with its terms and is not, and the term thereof is not, increased after such acquisition; or
- (c) **New Guaranteeing Group Company:** is over any asset of any company that becomes a Guaranteeing Group Company after the date of this Deed, being a Security Interest that exists or being a Security Interest that the company is contractually bound to create or permit to exist at the time it becomes a Guaranteeing Group Company, provided such Security Interest was not created or such contract entered into in contemplation of such company becoming a Guaranteeing Group Company and the principal amount of the Borrowed Moneys Indebtedness so secured is repaid in accordance with its terms and is not, and the term thereof is not, increased after such company becomes a Guaranteeing Group Company; or
- (d) **Concessions:** is created or permitted to exist over the whole or any part of its right, title or interest in any goods to secure Borrowed Moneys Indebtedness created, incurred or assumed on concessional terms, in connection with the supply of those goods or any material part of them, where such Borrowed Moneys Indebtedness arises from loans or other credit made available by (or which is entitled to the benefit of any guarantee provided by) any governmental or other agency or export-import bank or export-import credit insurer or from or arranged by a provider of those goods or any material part of them; or
- (e) **Joint Venture:** is created or permitted to exist over the whole or any part of its right, title or interest in, or the assets of, any joint venture, partnership or similar venture (whether or not incorporated) to secure Borrowed Moneys Indebtedness in connection with such joint venture, partnership or similar venture in favour of a participant or participants therein; or
- (f) **Purchase:** is created to secure Borrowed Moneys Indebtedness in connection with the purchase of an asset (and "asset" for the purpose of this paragraph (f) shall include an interest in, or in the assets of, any joint venture, partnership or similar venture in which [Contact Energy] is or are participant(s)), or the maintenance or repair or improvement of an asset, where the principal amount of the Borrowed Moneys Indebtedness so secured does not exceed such purchase price or the cost of such maintenance or repair or improvement (as the case may be) and the Security Interest created is not in respect of any asset of [Contact Energy] other than the asset purchased, maintained, repaired or improved provided that in the case of any maintenance, repair or improvements to an asset forming part of the assets of any joint venture, partnership or similar venture the amount of Borrowed Moneys Indebtedness secured by such Security Interest shall not exceed, as a proportion of the aggregate Borrowed Moneys Indebtedness incurred in respect of such maintenance, repair or improvement, [Contact Energy's] share in such joint venture, partnership or similar venture; or

- (g) **Capital Project:** is created or permitted to exist to secure Borrowed Moneys Indebtedness in connection with a capital project (howsoever called, including the acquisition of any capital asset) of:
- (i) [Contact Energy]; or
 - (ii) any joint venture, partnership or similar venture in which [Contact Energy] is a participant,

where (in any such case) the financier's right of action to enforce repayment of the principal amount of that Borrowed Moneys Indebtedness and/or the payment of financing charges thereon is limited to a right of action or claim against the capital project so financed and/or any of the assets, revenues, contracts, licences, consents and similar rights derived from or relating to such capital project, or against the interests of [Contact Energy] in any of the foregoing; or

- (h) **Intra-Group:** is created or permitted to exist in favour of the Parent to secure any Borrowed Moneys Indebtedness of [Contact Energy] to the Parent provided that the Parent retains at all times the sole beneficial ownership of and all rights, powers and benefits in relation to such Security Interest; or
- (i) **Consent:** is created or permitted to exist with the prior written consent of that Financier; or
- (j) **Substitution:** is created or permitted to exist in substitution for any of the Security Interests referred to in the preceding paragraphs of this clause provided that the principal amount of the Borrowed Moneys Indebtedness so secured is repaid in accordance with its terms and is not, and the term thereof is not, increased and the substitute security otherwise meets the requirements of the relevant preceding paragraph of this clause;

3.1.3 **Permitted Security:** Notwithstanding clauses 3.1.1 and 3.1.2, and without breaching this clause 3.1, [Contact Energy] may, in addition to and separately from any Security Interest permitted under clause 3.1.2, create or permit to exist any Security Interest over any asset as security for any Borrowed Moneys Indebtedness provided that the aggregate principal amount of the Borrowed Moneys Indebtedness so secured by all such Security Interests permitted to be created or to exist by this clause 3.1.3 does not exceed five per cent of the consolidated Total Tangible Assets of [Contact Energy]. For the purposes of this clause 3.1.3 the principal amount of any Borrowed Moneys Indebtedness secured by a Security Interest:

- (a) **Nil Value:** shall be deemed to be nil if the only assets of [Contact Energy] which are subject to such Security Interest are assets which:
- (i) do not form part of or are not taken into account in determining the consolidated Total Tangible Assets of [Contact Energy] as shown in the latest Consolidated Financial Statements delivered pursuant to clause 2.1.1; or
 - (ii) in the case of assets acquired after the end of the financial period to which the latest audited Consolidated Financial Statements relate, would not form part of or be taken into account in determining such Total Tangible Assets if

Consolidated Financial Statements were prepared immediately following such acquisition; and

(b) **Synthetics:** shall, if such Borrowed Moneys Indebtedness is of the nature described in paragraph (e) of the definition "Borrowed Moneys Indebtedness" in clause 1.1, be the maximum amount that would be payable by [Contact Energy] in respect of such Borrowed Moneys Indebtedness on termination of the relevant agreement relating to such obligations if such termination were to occur at the time of calculation (such amount being determined in accordance with any applicable provisions of the relevant agreement, and being the net amount payable in cash by [Contact Energy] after giving effect to any provisions relating to set-off or netting against, or amalgamation with, other amounts payable by or to the counterparty) provided that if [Contact Energy] would not be liable to pay any net amount on termination of such agreement the principal amount of such Borrowed Moneys Indebtedness shall be zero.

3.2 **Disposal of Assets:** [Contact Energy] shall [not] whether by a single transaction, or a number of related or unrelated transactions and whether at the same time or over a period of time dispose of the legal or beneficial ownership of the whole of its assets, or of any part of its assets which, when aggregated with all other disposals by it required to be taken into account under this clause, is material in relation to the assets of [Contact Energy] taken as a whole or the disposal of which would have a material adverse effect, provided that the following disposals will not be taken into account under this clause:

3.2.1 **Ordinary Course:** a disposal for fair commercial value;

3.2.2 **Obsolete Assets:** a disposal on normal commercial terms of obsolete assets no longer required for the purpose of [Contact Energy's] business or operations;

3.2.3 **Payment:** the payment of cash or other consideration for any asset acquired for fair commercial value;

3.2.4 **Application of Funds:** the temporary application of funds, not immediately required in [Contact Energy's] business, in the purchase or making of investments in accordance with the Parent's usual treasury policies, or the realisation of such investments;

3.2.5 **Application of Proceeds:** the application of the proceeds of an issue of securities (whether debt or equity) for the purpose stated in the prospectus or other offering document relating to the issue;

...

3.2.6 **Intra-Group:** a disposal by [Contact Energy] to another Guaranteeing Group Company;

3.2.7 **Taxes:** the payment of taxes by [Contact Energy];

3.2.8 **Distributions:** the payment or reinvestment of dividends or other distributions in respect of shares, stock, options or securities;

3.2.9 **Law:** a disposal required by law or directive;

3.2.10 **Security Interests:** the execution and delivery of any Security Interest permitted pursuant to this Deed; and

3.2.11 **Trust:** a disposal of assets to a trust for the benefit solely of [Contact Energy] provided the trust has no indebtedness and has not granted and does not grant any Security Interest over the assets so disposed of.

...

3.4 **Change of Business:** The Parent shall ensure that there is no material alteration in the nature of the core business of [Contact Energy] as an energy company without the prior written consent of each Financier.

4. REPRESENTATIONS AND WARRANTIES

4.1 **Representations and Warranties:** [Contact Energy] represents and warrants for the benefit severally of each Financier that:

- (a) **Status:** it is a company duly incorporated and validly existing under the laws of New Zealand or, capable of suing and being sued, and has the corporate power and authority to own its assets and to carry on its business generally;
- (b) **Power and Authority:** it has:
 - (i) the corporate power to enter into, exercise its rights and perform and comply with its obligations under this Deed; and
 - (ii) taken all necessary corporate action to authorise the entry into, execution and delivery of this Deed and the performance of all the obligations expressed to be binding on it;
- (c) **Valid Obligations:** this Deed constitutes its legal, valid and binding obligations enforceable in accordance with its terms;
- (d) **No Laws Violated:** neither the execution and delivery of this Deed, nor the exercise by it of any right or the performance or observance of any obligation under this Deed nor any transactions contemplated hereby, will:
 - (i) violate or contravene any law to which it is subject; or
 - (ii) conflict with, or result in any breach of, any agreement, document, arrangement, obligation or duty to which it is a party or by which it or any of its assets may be bound; or
 - (iii) violate any of the documents constituting it or cause any limitation on any of its powers, or on the right or ability of its directors to exercise those powers, to be exceeded; or
 - (iv) create, or result in the creation or imposition of, any Security Interest on the whole or any part of its assets; or
 - (v) result in the acceleration of any of its Borrowed Moneys Indebtedness, or anything which constitutes (or which, with the passing of time or the giving of notice or both, would constitute) an event of default, cancellation event, prepayment event or

similar event (whatever called) under any agreement relating to its Borrowed Moneys Indebtedness;

- (e) **Authorisations:** all authorisations required by it in relation to the entry into, execution or performance by it and the validity and enforceability of this Deed, and the transactions contemplated hereby, have been obtained or effected and are in full force and effect.

- 4.2 **Repetition:** The representations and warranties contained in clause 4.1 will be deemed to be repeated by [Contact Energy] on each date upon which the general representations and warranties contained in any Facility of each Financier are given, or deemed to be repeated, by reference to the facts and circumstances then existing.

...

8. ACCESSION

...

- 8.2 **Privity:** The provisions of this Deed are, for the purposes of the Contracts (Privity) Act 1982, subject to the provisions of any relevant Letter of Accession, intended to confer benefits upon any party named in a Letter of Accession and, subject to the terms of any relevant Facility, to be enforceable at the suit of any such person.

9. EVENTS OF DEFAULT

- 9.1 **Events:** The occurrence of any of the following events, whether or not within the control of [Contact Energy] shall, subject to clause 9.2, constitute an "Event of Default":

9.1.1 Non-payment:

- (a) **Principal:** [Contact Energy] fails to pay any amount of principal due under the relevant Financier's Facility in the manner required within two Business Days of its due date; or
- (b) **Interest:** [Contact Energy] fails to pay any interest due under the relevant Financier's Facility when due and such default shall not have been remedied by payment within three Business Days of the date therefor; or
- (c) **Other Amounts:** [Contact Energy] fails to pay any other amount due under the relevant Financier's Facility when due and such default shall not have been remedied by payment within 10 Business Days (or such further period as the relevant Financier may in any case allow) of formal demand therefor; or

- 9.1.2 **Other Breach:** [Contact Energy] commits any breach of or omits to observe any of its obligations or undertakings under this Deed or the relevant Financier's Facility (other than as provided for in clause 9.1.1 or as arises in respect of clause 2.3) and, in respect of any such breach or omission which in the opinion of the relevant Financier is capable of being remedied, that breach or omission is not remedied within 30 days of the receipt by the Parent of a written notice from the relevant Financier requiring such breach or omission to be remedied; or

- 9.1.3 **Financial Covenants:** the Parent breaches its obligations under clause 2.3 and the ratios therein are not complied with within 60 days of receipt by the Parent of a written notice from the relevant Financier requiring such to be complied with, provided that an Event of

Default shall not result from a breach of clause 2.3.1 if, within that 60 day period, the Parent provides to the Borrower a certificate from the Parent's auditors confirming that since the date of this Deed there has been a change in NZGAAP or in the interpretation or application of NGZAAP, and describing in reasonable detail how the change affects the financial computations required to be made with respect to the financial covenant in clause 2.3.1, and confirming that the ratio in clause 2.3.1 would have been complied with as at the relevant date if it had been calculated in accordance with NZGAAP as at the date of this Deed; or

- 9.1.4 **Misrepresentation:** any representation, warranty or statement made by [Contact Energy] in or pursuant to, or in respect of, any Financier's Facility or in this Deed is or was untrue or incorrect in any material respect when made or delivered and, in respect of any such untruth or incorrectness where, in the opinion of the relevant Financier, the relevant facts or circumstances which gave rise to the representation, warranty or statement being or becoming so untrue or incorrect are capable of being remedied, those facts or circumstances are not remedied within 30 days of the receipt by the Parent of a written notice from the relevant Financier requiring such facts or circumstances to be remedied; or
- 9.1.5 **Cross-default:** any Borrowed Moneys Indebtedness (other than under the relevant Financier's Facility) of an amount in excess in aggregate of \$10,000,000 or its equivalent in any other currency of [Contact Energy] is not paid when due or within any applicable grace period in any agreement relating to that Borrowed Moneys Indebtedness, or becomes declared due and payable prior to its stated maturity by reason of default, or if any security for any such Borrowed Moneys Indebtedness is enforced; or
- 9.1.6 **Cessation of Business:** [Contact Energy] ceases or threatens to cease to carry on all or substantially all of its business or operations other than in the circumstances set out in the proviso to clause 9.1.8 or where [Contact Energy] is a special purpose company and either the purpose has been achieved or the achievement of that purpose amounts to a cessation of business and, in either case, such cessation of business does not have a material adverse effect; or
- 9.1.7 **Invalidity:** this Deed or the relevant Financier's Facility ceases to constitute, or [Contact Energy] or any person on its behalf claims that this Deed or the relevant Financier's Facility has ceased to constitute, the legal, valid and binding obligations of [Contact Energy], enforceable in accordance with its terms; or
- 9.1.8 **Dissolution:** an application (other than one made frivolously or vexatiously or which is being contested in good faith) or an order is made, or a resolution is passed or proposed, for the dissolution of [Contact Energy], provided that the foregoing shall not apply to a dissolution:
- (a) **Approved:** which has been previously approved by the relevant Financier (which approval may not be arbitrarily or unreasonably withheld or delayed); or
- ...
- 9.1.9 **Receiver, etc:** an encumbrancer takes possession or a liquidator, provisional liquidator, trustee, receiver, receiver and manager, or similar official, is appointed in respect of [Contact Energy] or the whole or any part of its assets which is material in the context of the Total Tangible Assets of [Contact Energy] and is not removed or discharged within 30 days of such occurrence; or

9.1.10 **Corporations Act:** a statutory manager is appointed (or a recommendation in that regard by the Securities Commission is made) under the Corporations (Investigation and Management) Act 1989 in respect of [Contact Energy]; or

9.1.11 **Distress or Judgment:** a distress, attachment or other execution, in any case for a sum exceeding \$10,000,000, is levied or enforced upon or commenced against the whole or any part of the assets of [Contact Energy] which is material in the context of the Total Tangible Assets of [Contact Energy] and is not discharged, stayed or contested in good faith by appropriate proceedings within 30 days or a judgment for a sum exceeding \$10,000,000 is obtained against [Contact Energy] and is not satisfied, stayed, discharged or contested in good faith by appropriate proceedings within 30 days; or

9.1.12 **Insolvency:** [Contact Energy] is unable to pay its debts when due, or enters into dealings with any of its creditors with a view to avoiding or in expectation of insolvency, or makes a general assignment or an arrangement or composition with or for the benefit of any of its creditors, or stops or threatens to stop payments generally; or

9.1.13 **Amalgamation:** the board of the Parent or [Contact Energy] passes any resolution that has not been previously approved in writing by each Financier for or in contemplation of any amalgamation of [Contact Energy] with or involving another company then existing or yet to be formed and which would have a material adverse effect; or

9.1.14 **Pooling of Debts:** an order is made against [Contact Energy] requiring it to pay the whole or any part of claims made against another company that is in liquidation exceeding \$10,000,000 (in aggregate) or its equivalent in any other currency and which would have a material adverse effect; or

9.1.15 **Analogous Process:** anything analogous or having a substantially similar effect to anything referred to in clauses 9.1.8 to 9.1.12 inclusive occurs with respect to the Parent under the laws of a jurisdiction other than New Zealand.

9.2 **Qualifications:** The occurrence of any of the events described in clause 9.1 shall only constitute an Event of Default while any such event is continuing unremedied, and:

9.2.1 **Breach/Misrepresentation:** in the case of any such event described in clause 9.1.2 or 9.1.4;

...

where the relevant Financier has first certified to the Parent in writing that such event is, in its reasonable opinion, materially prejudicial to its interests under any of its Facilities.

10. GOVERNING LAW AND JURISDICTION

10.1 **Governing Law:** This Deed shall be governed by and construed in accordance with the laws of New Zealand.

10.2 **Submission:** The Parent agrees that any legal action or proceeding arising out of or in connection with this Deed may be brought in the courts of New Zealand and irrevocably submits to the non-exclusive jurisdiction of those courts.

11. MISCELLANEOUS

- 11.1 **Notices:** Any notice to be given for the purposes of this Deed by any Financier may be given to the Parent, in the same manner as provided for in any of that Financier's Facilities.
- 11.2 **Amendments:** No amendment to this Deed, including any amendment of this clause 11.2, shall be binding on, or effective against, any Financier which has not consented thereto.
- 11.3 **Partial Invalidity:** If at any time any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under the law of any relevant jurisdiction, that illegality, invalidity or unenforceability shall not affect the enforceability of the provisions, or (as the case may be) remaining provisions, of this Deed, nor shall the legality, validity or enforceability of any of those provisions under the law of any other jurisdiction be in any way affected or impaired thereby.
- 11.4 **No Implied Waivers:** No failure on the part of any Financier to exercise, and no delay on its part in exercising, any right, power or remedy under this Deed shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power, or remedy by that Financier.

Directory

Issuer

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Registered Office of Contact Energy

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Wellington

04 499 4001

www.contactenergy.co.nz

Directors of Contact Energy

Bruce Gerard Beeren

Grant Alfred King

John Herbert Glanville Milne

Karen Anne Moses

Phillip John Pryke

Timothy Ernest Corbett Saunders

Legal Advisers to Contact Energy

Bell Gully

HP Tower

171 Featherston St

PO Box 1291

Wellington

(04) 473 7777

Trustee

The New Zealand Guardian Trust Company Limited

Level 3, Guardian Trust House

15 Willeston Street,

PO Box 913

Wellington

(04) 495 7900

Joint Lead Managers

First NZ Capital Securities Limited

Level 10, Fujitsu Tower

282-292 Lambton Quay

PO Box 3394

Wellington

Level 39, ANZ Centre

23-29 Albert Street

PO Box 5333

Auckland

164 Hardy Street

PO Box 114

Nelson

52 Te Mata Road

PO Box 28-153

Havelock North

0800 162 222

ANZ, part of ANZ National Bank Limited

Level 7, 1 Victoria Street

PO Box 540

Wellington

0800 269 476

ABN AMRO New Zealand Limited

Level 32, Vero Centre

48 Shortland Street

PO Box 3474

Auckland

(09) 358 7500

Forsyth Barr Limited

Level 21, Vodafone on the Quay

157 Lambton Quay

PO Box 5266

Wellington

0800 367 227

Co-Manager

Westpac Institutional Bank

Level 15, 188 Quay Street

PO Box 934

Auckland

0800 489 222

Auditor

KPMG

10 Customhouse Quay

PO Box 996

Wellington

(04) 816 4500

Registrar

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road

Takapuna

North Shore City

Private Bag 92119

Auckland

(09) 488 7777

23 February 2009

Registrar of Companies
Private Bag 92061
Auckland Mail Centre
AUCKLAND

Dear Sir

Contact Energy Limited – Fixed Rate Bonds

NZX Limited ("NZX") hereby confirms that in terms of Regulation 23(2) of the Securities Regulations 1983, application has been made to NZX for permission to list the securities the subject of the Offer Documents being a prospectus and investment statement, and all the requirements of NZX relating thereto that can be complied with on or before the date of distribution of the Offer Documents have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Documents or in any supplementary disclosure statements published by Contact Energy Limited.

Yours sincerely,



Kristin Brandon
Solicitor

23 February 2009

**To: The Directors
Contact Energy Limited
Level 1
Harbour City Tower
29 Brandon Street
Wellington**

Clause 13(3) of the Second Schedule to the Securities Regulations 1983 requires us to confirm that the offer by Contact Energy Limited ("Contact Energy") of the bonds (the "Bonds") set out in the prospectus dated 23 February 2009 (the "Prospectus") complies with any relevant provisions of the:

- (a) Master Trust Deed between Contact Energy and The New Zealand Guardian Trust Company Limited (the "Trustee") dated 23 February 2009;
- (b) Supplemental Trust Deed Series 1 between Contact Energy and the Trustee dated 23 February 2009;

(together the "Trust Documents").

The relevant provisions of the Trust Documents are those which:

- (a) entitle Contact Energy to constitute and issue under the Trust Documents the Bonds offered under the Prospectus; and
- (b) impose any restrictions on the right of Contact Energy to offer the Bonds,

and are described in the "Summary of the Trust Documents" section of the Prospectus.

The Auditors have reported on certain of the financial information set out in the Prospectus and the Trustee's statement does not refer to that information, or to any material contained in the Prospectus which does not relate to the Trust Documents.

The Trustee confirms that the offer of the Bonds set out in the Prospectus complies with any relevant provisions of the Trust Documents. We have given the above confirmation on the basis:

- (a) set out above; and
- (b) that the Trustee relies on the information supplied to it by Contact Energy pursuant to the Trust Documents, and does not carry out an independent check of the statements or the figures supplied to it in that information.

The Trustee does not guarantee the repayment of the Bonds offered, the payment of interest thereon or any other aspect of the Bonds or obligations of Contact Energy.



Signed for and on behalf of the Trustee
The New Zealand Guardian Trust Company Limited



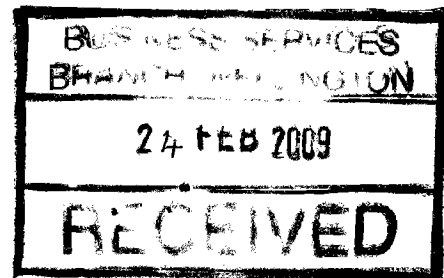
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Internet www.kpmg.co.nz

The Directors
Contact Energy Limited
29 Brandon Street
Wellington

23 February 2009



Dear Directors

Auditors' Report for inclusion in prospectus

As auditor of Contact Energy Limited (the "Company") we have prepared this report pursuant to clause 36 of the Second Schedule of the Securities Regulations 1983 for inclusion in the Prospectus dated 23 February 2009 and for no other purpose.

Audited financial statements of Contact Energy Limited

We have audited the financial statements of the Company, set out at pages 62 to 105 of the Prospectus. The financial statements provide information about the past financial performance and cash flows of the Company for the six months ended 31 December 2008 and the year ended 30 June 2008 and its financial position as at 31 December 2008 and 30 June 2008. This information is stated in accordance with the accounting policies set out on pages 69 to 77 of the Prospectus.

We report on the historical summary of financial statements of the Company set out on pages 49 and 50 of the Prospectus. The summary of financial statements has been taken from the audited financial statements for the financial periods ended 30 September 2004, 30 June 2005, 30 June 2006, 30 June 2007, 30 June 2008 and 31 December 2008.

We report on the information provided in respect of the ranking of securities of the Company as at 31 December 2008, set out on page 55 of the Prospectus. The amounts in respect of the ranking of securities have been taken from the audited financial statements of the Company for the six months ended 31 December 2008.



Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of:

- the financial statements which give a true and fair view of the financial position of the Company as at 30 June 2008 and its financial performance and cash flows for the year ended on that date, as required by clauses 16 to 32 of the Second Schedule of the Securities Regulations 1983;
- the interim financial statements which give a true and fair view of the financial position of the Company as at 31 December 2008 and its financial performance and cash flows for the six months ended on that date;
- the historical summary of financial statements of the Company for the financial periods ended 30 September 2004, 30 June 2005, 30 June 2006, 30 June 2007, 30 June 2008, 31 December 2008, as required by clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983; and
- the details and amounts in respect of the ranking of securities of the Company as at 31 December 2008, as required by clause 12 of the Second Schedule of the Securities Regulations 1983.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements as at 31 December 2008 and 30 June 2008 prepared by the Directors and report our opinion in accordance with clause 36(1) of the Second Schedule of the Securities Regulations 1983.

In addition we are responsible for reporting in accordance with clause 36(1)(g) of the Second Schedule of the Securities Regulations 1983, on the following matters which have been prepared and presented by the Directors:

- the amounts included in the historical summary of financial statements for the financial periods ended 30 September 2004, 30 June 2005, 30 June 2006, 30 June 2007, 30 June 2008, 31 December 2008;
- the amounts included in the ranking of securities as at 31 December 2008,

This report has been prepared for inclusion in the Prospectus dated 23 February 2009 for the purpose of meeting the requirements of clause 36 of the Second Schedule to the Securities Regulations 1983. We disclaim any assumption of responsibility for reliance on this report or the amounts included in the financial statements or the historical summary of financial statements. In addition, we take no responsibility for, nor do we report on, any part of the Prospectus not specifically mentioned in this report.

Our firm has also provided other assurance services to the Company. Partners and employees of our firm also deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. These matters have not impaired our independence as auditors of the Company. The firm has no other relationship with or interest in the Company.



Basis of opinion on the financial statements

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgments made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Basis of opinion on the historical summary of financial statements

We have undertaken procedures to obtain reasonable assurance that the amounts set out in the historical summary of financial statements on pages 49 to 50 pursuant to clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983 have been correctly taken from the audited financial statements of the Company for the periods ended 30 September 2004, 30 June 2005, 30 June 2006, 30 June 2007, 30 June 2008 and 31 December 2008.

Basis of opinion on the ranking of securities

We have undertaken procedures to obtain reasonable assurance that the amounts set out in the ranking of securities on page 55 pursuant to clause 12 of the Second Schedule of the Securities Regulations 1983 have been correctly taken from the audited financial statements of the Company as at 31 December 2008.

Unqualified opinion on the financial statements

We obtained all the information and explanations we required.

In our opinion:

- proper accounting records were kept by the Company as far as appears from our examination of those records; and
- the financial statements for the year ended 30 June 2008 as required by clauses 16 to 32 of the Second Schedule of the Securities Regulations 1983 and set out on pages 62 to 105:
 - comply with these regulations; and



- subject to these regulations, comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the financial position of the Company as at 30 June 2008 and the results of its operations and cash flows for the year ended 30 June 2008.

Our audit on the financial statements for the year ended 30 June 2008 was completed on 25 August 2008 and our unqualified opinion is expressed as at that date. We have not undertaken any procedures in respect of the year ended 30 June 2008 from the date of completion of our audit.

- the interim financial statements for the six months ended 31 December 2008 as set out on pages 62 to 105.
 - comply with the regulations; and
 - subject to the regulations, comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the financial position of the Company as at 31 December 2008 and the results of its operations and cash flows for the six months ended 31 December 2008.

Our audit on the financial statements for the six months ended 31 December 2008 was completed on 23 February 2009 and our unqualified opinion is expressed as at that date.

- the amounts set out in the historical summary of financial statements on pages 49 and 50 of this prospectus, as required by clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Company for the financial periods ended 30 September 2004, 30 June 2005, 30 June 2006, 30 June 2007, 30 June 2008 and 31 December 2008.
- the amounts set out in the ranking of securities on page 55 pursuant to clause 12 of the Second Schedule of the Securities Regulations 1983 have been correctly taken from the audited financial statements of the Company as at 31 December 2008.

Except as noted above, we completed our work for the purposes of this report on 23 February 2009 and our unqualified opinions are expressed at this date.

Yours sincerely

Wellington



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The Chairman
Contact Energy Limited
PO Box 10742
Wellington

23 February 2009

Dear Sir

**Consent to include audit report in prospectus
Contact Energy Limited**

In terms of Regulation 7(1)(b)(ii) of the Securities Regulations 1983 we hereby give our consent to our audit report dated 23 February 2009 appearing in the registered Prospectus to be dated 23 February 2009 in the form in which it appears. We have not authorised or caused the issue of the prospectus and take no responsibility for any part of the prospectus other than our audit report on pages 44 to 47.

We also confirm that we have not, before delivery of a copy of the Prospectus for registration, withdrawn our consent to the issue thereof.

Yours sincerely

Godfrey Boyce
Partner

Master Trust Deed

Contact Energy Limited

Issuer

and

The New Zealand Guardian Trust Company Limited

Trustee

Date 23 February 2009



BELL GULLY

WELLINGTON HP TOWER, 171 FEATHERSTON STREET
P O BOX 1291, WELLINGTON 6140, DX SX11164, NEW ZEALAND
TEL 64 4 473 7777 FAX 64 4 473 3845

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This Master Trust Deed is made on 23 February 2009

between (1) Contact Energy Limited (Issuer)

and (2) The New Zealand Guardian Trust Company Limited (Trustee)

Introduction

- A. The Issuer proposes to establish a debt programme under which the Issuer may from time to time issue debt securities denominated in New Zealand dollars.
- B. Each series of Notes issued by the Issuer will be constituted by and issued on terms set out in a Supplemental Trust Deed made between the Issuer and the Trustee. The terms of such Supplemental Trust Deed may modify the terms of this Deed in relation to the relevant Series of Notes.
- C. The Trustee has agreed, at the request of the Issuer, to act as trustee for the Holders of each Retail Series and, to the limited extent expressly provided in this Deed, for the Holders of each Wholesale Series, on the terms and conditions of this Deed applicable to that Series.

It is agreed

1. Interpretation

1.1 Definitions

In this Deed, unless the context otherwise requires:

Agency Agreement means, in relation to any Series, the agency agreement between the Issuer and the person appointed as registrar, calculation agent and paying agent for that Series, as specified in the Supplemental Trust Deed for that Series;

Amortisation Date means, in respect of an Amortising Note, each date (other than the Maturity Date) for the repayment of part of the Principal Amount of that Amortising Note, being the dates recorded as such in the Register in respect of that Amortising Note;

Amortising Note means a Note (whether a Fixed Rate Note, Floating Rate Note, Index-linked Note or a Zero Coupon Note) the Principal Amount or part of the Principal Amount of which is repayable on the scheduled Amortisation Dates for that Note;

Approved Issuer Levy means, in relation to any payment of interest (as defined in section 86F of the Stamp and Cheque Duties Act 1971) under any Note, the levy payable by the Issuer in accordance with section 86J of the Stamp and Cheque Duties Act 1971 to enable the payment of such interest to be made to any non-tax resident for tax purposes with a deduction for New Zealand non-resident withholding tax at the rate of zero percent;

Auditors means the auditors for the time being of the Issuer;

Austraclear means the securities clearing and settlement facility known as the Austraclear New Zealand System and includes any securities clearing and/or settlement facility which replaces or supersedes it from time to time;

Authorised Officers means any person who is a director, chief executive officer, general counsel, chief financial officer or treasurer of the Issuer (or such officer of the Issuer

howsoever designated as may from time to time replace or succeed such officer) and any other officer of the Issuer, in each case as formally appointed by the Issuer's directors or their duly authorised delegates and notified to the Trustee;

Base Rate means, in relation to an Interest Period, either:

- (a) Bill rate:
- (b) in relation to an Interest Period of one, two, three, four, five or six months:
 - (i) the rate per annum (expressed on a percentage yield basis and rounded up to the nearest four decimal places) determined by the Issuer on the first day of that Interest Period to be the average bid rate for the purchase of bank accepted bills of exchange having a tenor of, or of about, that Interest Period as displayed at or about 10.45 a.m. on that day on page BKBM (or its successor page) of the Reuters Monitor Screen (expressed on the date of this Deed as the bank bill bid settlement rate); or
 - (ii) if no such rate is displayed or if less than three persons are quoting buying rates for bank bills on the Reuters Monitor Screen, the average bid rate quoted to the Issuer at or about 11.00 a.m. on that day by at least three of the Reference Banks; or
 - (iii) if less than three of the Reference Banks quote rates, the rate the Issuer reasonably determines to be the nearest practicable equivalent; or
- (c) Other specified rate:
- (d) any other reference rate as may be specified in the Supplemental Trust Deed or Conditions for a Series;

Business Day means a day (other than a Saturday or Sunday) on which registered banks are generally open for business in Wellington and Auckland, except that in the context of the Listing Rules, it means a day on which the NZDX Market is open for trading;

Capital Note means a Subordinated Note which, in accordance with its Conditions, may be convertible to an equity security;

Class means Notes which constitute a separate category of Notes with such categories being:

- (a) all Retail Notes;
- (b) all Wholesale Notes;
- (c) in relation to matters affecting a Series only, that Series, or
- (d) any category of Notes having substantially the same rights, privileges, limitations and conditions, which in the reasonable opinion of the Issuer (in consultation with the Trustee if in relation to a Retail Series and in the event of any dispute from a Holder as to the Notes forming part of that category of Notes, in consultation with the Holders of that category of Notes) at any particular time, for any particular purpose, constitutes a separate class of Notes within either Wholesale Notes or Retail Notes, as the case may be,

and **Class of Holders** means the Holders of those Notes. For the avoidance of doubt, Retail Holders and Wholesale Holders shall (except for the purposes of clause 21.4 or section 14.4 of schedule 1) constitute separate Classes for all purposes under this Deed;

Companies Act means the Companies Act 1993;

Conditions means, in relation to a Series or a Tranche, the terms and conditions applicable to that Series or that Tranche set out in the Supplemental Trust Deed for that Series and this Deed;

Date of Enforcement means the date on which a Holder or the Trustee makes a declaration pursuant to clause 13.1;

Deed of Negative Pledge and Guarantee means the deed of negative pledge and guarantee entered into by the Issuer and the Guaranteeing Group Companies on 19 May 2005;

Default Interest has the meaning given in clause 7.9;

Director means a director of the Issuer for the time being and includes an alternate director acting as a director of the Issuer;

Dollars and \$ means the lawful currency of New Zealand;

Event of Default has the meaning given to that term in the Deed of Negative Pledge and Guarantee and includes, in relation to a Series, any additional Event of Default referred to in the Supplementary Trust Deed for that Series, provided that an Event of Default under clause 9.1.1 of the Deed of Negative Pledge and Guarantee will only be an Event of Default in respect of any Holder where it applies to sums due and payable to that Holder;

Extraordinary Resolution has the meaning set out in schedule 1;

FASTER means the Fully Automated Screen Trading and Electronic Registration System operated by NZX;

Financial Reporting Act means the Financial Reporting Act 1993;

Financial Statements means, with respect to a person or group of persons, financial statements within the meaning of section 8 or 9 (as appropriate) of the Financial Reporting Act;

Fixed Rate Note means a Note bearing a fixed rate of interest or interest at a rate that is a margin over a Base Rate and that is not reset during the term of the Note;

Floating Rate Note means a Note bearing interest at a rate that is a margin over the Base Rate and that is reset during the term of the Note;

Group means the Issuer and its Subsidiaries;

Guaranteeing Group Companies has the meaning given to that term in the Deed of Negative Pledge and Guarantee, being, at the date of this Deed, the Issuer, Stratford Power Limited and Empower Limited;

Holder means, in relation to a Note at any time, the person whose name is recorded in the Register as the holder of that Note at that time;

Index means, in relation to a Note, the index (if any) specified in the Supplemental Trust Deed applicable to that Note by reference to which the Principal Amount of that Note and/or the amount of interest payable in respect of that Note is to be calculated;

Index-linked Note means a Note in respect of which either the Principal Amount of, or the interest payable on, that Note, or both, is to be calculated by reference to an Index;

Information Memorandum means:

- (a) in relation to any Retail Series, the investment statement and registered prospectus or such other document required by law which may replace an investment statement and registered prospectus relating to that Retail Series; and
- (b) in relation to any Wholesale Series, the information memorandum or other offering document relating to that Wholesale Series,

together with (in each case) all documents to be distributed with or which form part of the relevant document which, in each case, have been prepared by, or on behalf and with the approval of, the Issuer in relation to the relevant Series;

Interest Payment Date means:

- (a) in relation to a Floating Rate Note or an Index-linked Note, the last day of each Interest Period for that Floating Rate Note or Index-linked Note; and
- (b) in relation to a Fixed Rate Note, the quarterly, semi-annual or annual dates (or such other dates) fixed at the time of issue of that Note for the payment of interest in respect of that Note under the applicable Supplemental Trust Deed;

Interest Period means, in relation to a Floating Rate Note, a period determined in accordance with clause 8.1(a) in respect of that Note, and, in relation to an Index-linked Note a period determined in accordance with the applicable Supplemental Trust Deed;

Interest Rate means, in relation to a Note, the rate of interest (if any) payable in respect of that Note (which may be a fixed rate or a margin over the Base Rate) specified at the time of issue of that Note and recorded as such in the Register;

Issue Date means, in relation to a Note, the date on which that Note is issued, being the date recorded as such in the Register in respect of that Note;

Issue Notice means a notice relating to an issue of Notes from the Issuer to the Registrar for the relevant Series in such form as the Issuer and the Registrar for the relevant Series may from time to time agree;

Issuer means Contact Energy Limited (or, in relation to a particular Series, any other person which is or becomes an issuer of the Notes of that Series in accordance with clause 24);

Listed means listed and quoted on the NZDX market operated by NZX or any alternative or successor recognised stock exchange and **Listing** has a corresponding meaning;

Listing Rules means the listing rules of NZX in force from time to time applicable to the Issuer and the relevant Notes;

Margin means, in relation to a Floating Rate Note, the margin specified at the time of issue and recorded as such in the Register in respect of that Floating Rate Note;

Maturity Date means, in relation to a Note, the date for the repayment of that Note (if any), being the date recorded as such in the Register in respect of that Note;

Minimum Principal Amount means, in relation to a Note, the minimum Principal Amount of that Note, being the amount specified as such in the relevant Supplemental Trust Deed;

Note means a note (which shall be an Unsubordinated Note or a Subordinated Note and shall form part of a Retail Series or a Wholesale Series) constituted by, and subject to the terms and conditions set out in, this Deed and the Supplemental Trust Deed, and includes

Notes that are one or more of an Amortising Note, a Fixed Rate Note, a Floating Rate Note, an Index-linked Note, a Zero Coupon Note or a Capital Note;

NZ GAAP means generally accepted accounting practice in New Zealand as defined in section 3 of the Financial Reporting Act;

NZX means NZX Limited;

Perpetual Note means any Note issued with no Maturity Date;

Principal Amount means, in relation to a Note, the amount (other than interest) payable on redemption or repayment of that Note, being the amount recorded as such in the Register in respect of that Note, or, as the context may require;

- (a) in relation to an Amortising Note, the principal amount thereof for the time being outstanding, as reduced in accordance with clause 7.4;
- (b) in relation to an Index-linked Note, the principal amount thereof for the time being outstanding, as increased or reduced in accordance with clause 8.3; or
- (c) in relation to a Perpetual Note, the principal amount thereof for the time being outstanding;

Record Date means, in relation to a payment due on a Note, 5.00pm on the tenth day before (or, in the case of a non-interest bearing Note, the day before) the due date for that payment or, if that day is not a Business Day, the next Business Day;

Reference Banks means ANZ National Bank Limited, ASB Bank Limited, Bank of New Zealand and Westpac New Zealand Limited;

Register means, in relation to a Series, the register of Notes maintained by the Registrar for that Series in accordance with the provisions of this Deed and the Agency Agreement;

Registrar means, in respect of any Series, the person named in the relevant Agency Agreement and specified in the Supplemental Trust Deed for that Series as the registrar, calculation agent and paying agent for that Series, or any successor agent appointed under the relevant Agency Agreement in relation to that Series;

Retail Series means a Series of Notes which may, in accordance with the relevant Conditions, be offered or sold to members of the public, and **Retail Note** means a Note which is part of a Retail Series and **Retail Holder** means a Holder of a Retail Note;

Securities Act means the Securities Act 1978;

Senior Creditors means all the creditors (present and future):

- (a) whose claims are or would be admitted in the Winding-Up of the Issuer; and
- (b) who are not the holders of indebtedness, the right to payment of which by its terms is, or is expressed to be, subordinated in the event of the Winding-Up of the Issuer to the claims of all unsubordinated creditors of the Issuer,

and, for the avoidance of doubt, includes Holders of Unsubordinated Notes;

Series means the Notes issued pursuant to a particular Supplemental Trust Deed (which may be issued in Tranches);

Statement means, in respect of Listed Notes, a FASTER statement issued by the Issuer (or the Registrar on its behalf) to a Holder in relation to the Notes held by that Holder, if applicable, in compliance with the Listing Rules;

Subordinated Indebtedness means any present or future indebtedness of the Issuer for or in respect of moneys borrowed or raised which by its terms is expressed to be subordinated in the event of Winding-Up of the Issuer to the claims of Senior Creditors of the Issuer;

Subordinated Note means a Term Subordinated Note or an Undated Subordinated Note;

Subsidiary means, in relation to any person:

- (a) a subsidiary within the meaning of section 5 of the Companies Act (or any other person which would be a subsidiary of that person if that person and the other person were both registered under the Companies Act); or
- (b) an "in substance subsidiary" in accordance with NZ GAAP, of that person;

Supplemental Trust Deed means a deed supplemental to this Deed entered into by the Issuer and the Trustee pursuant to clause 2.4 constituting and setting out the terms and conditions of a Series;

Term Subordinated Note means a Note which, in accordance with its Conditions, is Subordinated Indebtedness of the Issuer and which is identified in the Supplemental Trust Deed constituting it and in the Register as a Term Subordinated Note and which has a specified Maturity Date. A Term Subordinated Note may be a Fixed Rate Note, a Floating Rate Note, an Index-linked Note or a Zero Coupon Note. A Term Subordinated Note may also be a Capital Note;

Tranche means Notes of the same Series in respect of which all terms are identical (except as to Issue Date, Maturity Date, Interest Rate and frequency of payment of interest);

Transaction Documents means, in relation to a Series, this Deed, the relevant Supplemental Trust Deed, the Deed of Negative Pledge and Guarantee, and the other documents (if any) specified as such in the relevant Supplemental Trust Deed;

Trustee means The New Zealand Guardian Trust Company Limited or any replacement trustee appointed under this Deed;

Trust Powers means, in relation to a Series, the trusts, powers, authorities or discretions vested in the Trustee by this Deed in relation to that Series;

TTA Ratio means the ratio of Total Tangible Assets of the Guaranteeing Group (less amounts equivalent to the Borrowed Money Indebtedness of any Guaranteeing Group Company outstanding in respect of:

- (a) Capital Projects of Guaranteeing Group Companies; and
- (b) Security Interests of Guaranteeing Group Companies as described in clauses 3.1.2(a) to (f) and (h) to (j) and 3.1.3) of the Deed of Negative Pledge and Guarantee,

to the Total Tangible Assets of the Group less an amount equivalent to the Borrowed Money Indebtedness of any member of the Group outstanding in respect of Capital Projects of members of the Group. For the purposes of this definition capitalised terms have the meaning attributed to them in the Deed of Negative Pledge and Guarantee;

Undated Subordinated Note means a Note which, in accordance with its Conditions, is Subordinated Indebtedness of the Issuer and which is identified in the Supplemental Trust

Deed constituting it and in the Register as an Undated Subordinated Note and which has no Maturity Date. An Undated Subordinated Note may be a Fixed Rate Note, a Floating Rate Note or an Index-linked Note. An Undated Subordinated Note may also be a Capital Note;

Unsubordinated Note means a Note which is not a Subordinated Note. An Unsubordinated Note may be a Fixed Rate Note, a Floating Rate Note, an Index-linked Note or a Zero Coupon Note;

Wholesale Series means a Series of Notes which are not permitted, in accordance with the relevant Conditions, to be offered or sold to members of the public, and **Wholesale Note** means a Note which is part of a Wholesale Series and **Wholesale Holder** means a Holder of a Wholesale Note;

Winding-Up means any procedure, whether brought or instigated by a Holder or any other person, for the winding up, liquidation or dissolution of the Issuer otherwise than for the purposes of, and followed by, an amalgamation or solvent reconstruction on terms previously approved by an Extraordinary Resolution of each Class of Holders; and

Zero Coupon Note means a Note in respect of which no interest is payable and that is issued or to be issued by the Issuer at a discount to its Principal Amount.

1.2 References

Except to the extent that the context otherwise requires, any reference in this Deed to:

an **authorisation** includes:

- (a) any consent, authorisation, registration, filing, agreement, notarisation, certificate, permission, licence, approval, authority or exemption from, by or with a governmental agency; or
- (b) in relation to anything which will be proscribed or restricted in whole or part by law if a governmental agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of such period without such intervention or action;

a **clause** or **Schedule** is a reference to a clause of, or schedule to, this Deed and a **section** is a reference to a section of a Schedule;

Deed means this deed and, where the context requires in relation to a Series, means this Deed as modified and supplemented by a Supplemental Trust Deed;

the **dissolution** of any person includes the bankruptcy, winding up or liquidation, removal from the register of that person, and any equivalent or analogous procedure under the law of any jurisdiction in which that person is incorporated, domiciled or resident or carries on business or has assets, but excludes:

- (a) the voluntary administration of a person;
- (b) a change in the jurisdiction of incorporation of a person;
- (c) an amalgamation under Part XIII of the Companies Act between two or more companies comprising the Subsidiaries of the Issuer; or
- (d) in respect of the Issuer an amalgamation under Part XIII of the Companies Act in accordance with clause 12.1(g);

any **governmental agency** includes any government or any governmental, semi-governmental or judicial entity or authority, or legislative body, or any person or body charged with the administration of any law. It also includes any self-regulatory organisation established under statute or any stock exchange;

indebtedness includes any obligation (whether present or future, actual or contingent, secured or unsecured, as principal, surety or otherwise) relating to the payment or repayment of money;

a **law** includes common or customary law and any constitution, decree, judgment, legislation, order, ordinance, regulation, statute or other legislative measure, in each case of any jurisdiction whatever and **lawful** and **unlawful** shall be construed accordingly;

non-tax resident means not resident in New Zealand for tax purposes and not engaged in business in New Zealand through a fixed establishment in New Zealand;

outstanding means, in relation to Notes, all Notes other than those which have been:

- (a) redeemed or repaid in full in accordance with the Conditions applicable to those Notes; or
- (b) purchased and cancelled in accordance with the Conditions applicable to those Notes;

payment includes satisfaction of a monetary obligation;

person includes an individual, firm, company, corporation or unincorporated body of persons, organisation or trust, and any state, government or governmental agency, in each case whether or not having a separate legal personality;

public and **member of the public** shall be construed in accordance with the Securities Act;

security includes any security interest, charge, mortgage, lien, pledge, finance lease, sale and lease-back, deferred purchase arrangement, title retention, or other encumbrance or security arrangement of any nature but does not include any retention of title or security interest in assets purchased in the ordinary course of trading where the purchase price is payable within 90 days of supply of the relevant assets and is not overdue, and **unsecured** means not subject to a security;

tax includes any present or future tax, levy, impost, duty, rate, charge, fee, deduction or withholding of any nature and whatever called (including, for the avoidance of doubt, Approved Issuer Levy), imposed or levied by any governmental agency, together with any interest, penalty, charge, fee or other amount imposed or made on or in respect of any of the foregoing;

tax resident means resident in New Zealand for tax purposes or engaged in business in New Zealand through a fixed establishment in New Zealand; and

written and **in writing** includes all means of reproducing words in a tangible and permanently visible form.

1.3 Cross-references

In relation to any Series, a cross-reference to any clause of this Deed shall, where that clause is amended or substituted by the Supplemental Trust Deed in relation to that Series, be deemed to be a cross-reference to that clause as so amended or substituted.

1.4 Miscellaneous

- (a) The introduction to and headings in this Deed are inserted for convenience only and shall be ignored in construing this Deed.
- (b) Unless the context otherwise requires:
 - (i) words denoting only the singular number shall include the plural and vice versa and words denoting any gender shall include all genders;
 - (ii) words denoting individuals include companies and other corporations and vice versa.
- (c) References to any legislation or to any provision of any legislation shall be deemed to be references to that legislation or provision as from time to time amended, re-enacted or substituted and, unless the context otherwise requires, shall also include any statutory instruments issued under any such legislation or provision.
- (d) References to any document (however described) shall include references to such document as modified, novated, supplemented, varied or replaced from time to time.
- (e) References to any party to this Deed or any other document or any Holder shall include its successors or permitted assigns.
- (f) References to a time of day are references to New Zealand time unless otherwise stated.
- (g) Unless the context otherwise requires anything which may be done at any time may also be done from time to time.

2. Issue and form of notes

2.1 Power to issue Notes

Notes may be issued by the Issuer under this Deed at the times, in the amounts, to the persons, on the terms and conditions and at the prices from time to time determined by the Issuer.

2.2 Form of Notes

Without limitation to clause 2.1, Notes may be issued on terms such that the Principal Amount is a fixed amount or a reducing amount or an amount to be calculated by reference to an Index and/or that interest (if the Note is interest-bearing) will be calculated by reference to a specific interest rate (which may be a fixed rate or a margin over the Base Rate) or by reference to an Index or both. In addition, Notes shall be Subordinated or Unsubordinated Notes, as specified in the Supplemental Trust Deed applicable to those Notes.

2.3 Wholesale Notes and Retail Notes

Notes shall be issued on the basis that the relevant Series may be offered or sold to the public (being Retail Notes) or that the relevant Series is not permitted to be offered or sold to the public (being Wholesale Notes), in each case as specified in the relevant Supplemental Trust Deed.

2.4 Supplemental Trust Deed

- (a) Notes shall be constituted and issued in Series which may be separated into Tranches. Each Series and Tranche shall be subject to the terms and conditions set out in a Supplemental Trust Deed for that Series and Tranche and (as modified by that Supplemental Trust Deed) this Deed.
- (b) To the extent that the Supplemental Trust Deed for a Series modifies this Deed, or in the event of any conflict between the provisions of that Supplemental Trust Deed and those of this Deed, that Supplemental Trust Deed shall prevail over this Deed in relation to that Series.
- (c) The provisions of the relevant Supplemental Trust Deed and this Deed read together in accordance with this clause 2.4 shall constitute the Conditions for the Notes of the relevant Series.
- (d) For the avoidance of doubt, the Holders of a Series will not receive any benefit in respect of the Notes of that Series from the obligations of the Issuer in respect of Notes issued pursuant to another Series.

2.5 Creation and issue

- (a) Notes of a Series are constituted when the Supplemental Trust Deed for that Series has been signed by the Issuer and the Trustee.
- (b) Notes are issued and created by the Registrar entering in the Register the particulars of that Note, substantially as specified in the Issue Notice relating to those Notes under the heading "Note Details".

2.6 Provisions applicable to Notes

The Notes shall be issued and held with the benefit of and subject to the applicable Conditions, all of which are binding upon the Issuer, the Trustee and the Holders. The Holders shall be deemed to have notice of the applicable Conditions.

2.7 Enforcement of Holders' rights

- (a) The Trustee holds its rights and benefits under this Deed and the relevant Supplemental Trust Deed in trust for, and for the benefit of, the Retail Holders and (only to the extent expressly set out in this Deed and the Supplemental Trust Deed) the Wholesale Holders. No Retail Holder shall be entitled to enforce any of its rights or remedies under the applicable Transaction Documents directly against the Issuer unless the Trustee fails to enforce such rights or remedies after having become bound to do so in accordance with this Deed.
- (b) Wholesale Holders may enforce any of their rights or remedies under this Deed and the relevant Supplemental Trust Deed directly against the Issuer.

2.8 Form of Notes

- (a) Each Note:
 - (i) shall be in uncertificated book entry form; and
 - (ii) shall have a tenor of one year or longer.

- (b) In respect of each Series, there may be a Minimum Principal Amount for holdings of Notes of that Series and a minimum multiple of that amount for such holdings, in each case as specified in the relevant Supplemental Trust Deed.

2.9 Listing

Notes may be Listed or unlisted as specified in the relevant Supplemental Trust Deed or Information Memorandum or as otherwise provided in respect of any Series.

3. Status of notes

3.1 Status of Notes generally

- (a) The Notes are and will at all times be direct, unsecured and (except in relation to Subordinated Notes) unconditional indebtedness of the Issuer.
- (b) Except where the Notes are expressed in the Supplemental Trust Deed for the relevant Series to be Term Subordinated Notes or Undated Subordinated Notes, the Notes shall be Unsubordinated Notes and nothing in clause 6 shall apply in respect of them.

3.2 Status of Unsubordinated Notes

Unsubordinated Notes rank and will at all times rank equally without any preference or priority among themselves and at least equally with all present and future unsubordinated and unsecured indebtedness of the Issuer (except indebtedness preferred solely by operation of law and subject to laws affecting creditors' rights generally and equitable principles of general application).

3.3 Status of Term Subordinated Notes

Term Subordinated Notes rank and will at all times rank equally without any preference or priority among themselves and at least equally with all other present and future unsecured Subordinated Indebtedness of the Issuer having a fixed maturity date (subject to laws affecting creditors' rights generally and equitable principles of general application).

3.4 Status of Undated Subordinated Notes

Undated Subordinated Notes rank and will at all times rank equally without any preference or priority among themselves and at least equally with all other present and future unsecured Subordinated Indebtedness of the Issuer having no fixed maturity date (subject to laws affecting creditors' rights generally and equitable principles of general application).

4. Title and transfer

4.1 Certificates

At the request of a Holder, or otherwise as required by the Securities Act or any other applicable law, the Issuer shall procure the Registrar of the relevant Notes to issue to that Holder a certificate or notice of registration in relation to the Notes held by that Holder, such certificate or notice to be in the form agreed between the Issuer and the Registrar of the relevant Notes and to comply with law or, in respect of any Listed Notes, a Statement complying with the Listing Rules (if applicable). A certificate, notice of registration or Statement issued in respect of a Note will not constitute a document of title. Entitlement will

be determined solely by entry in the Register and, in the case of the beneficial interest in Notes lodged in Austraclear, the records of Austraclear.

4.2 **Transfer**

Title to a Note may be transferred by a transfer in any commonly used form which complies with all applicable laws and the standard form and procedures of the Registrar of the relevant Notes and which is produced to the Registrar of the relevant Notes.

4.3 **Partial transfers**

A Holder may transfer part of its interest in a Note. However, no transfer of any part of its interest may be effected if such transfer would result in the transferor or the transferee holding or continuing to hold a Note with a Principal Amount of less than the applicable Minimum Principal Amount (or minimum multiple thereof).

4.4 **Fees**

The Issuer and each Registrar shall make no service charge to the Holders for:

- (a) the registration of any holding of Notes; or
- (b) the transfer of registered title to any Notes.

The Issuer and each Registrar may, however, require the payment of any taxes and other governmental charges payable as a result of any transfer.

4.5 **Selling restrictions**

- (a) Each Holder shall only offer for sale or sell any Note in conformity with all applicable laws and regulations in any jurisdiction in which it is offered, sold or delivered.
- (b) Without limitation to the generality of clause 4.5(a), Notes which are expressed in the relevant Supplemental Trust Deed to be part of a Wholesale Series shall not be offered or sold by the Issuer or any Holder to members of the public.
- (c) No Information Memorandum or any advertisement, prospectus or other offering material in respect of any Note may be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations.

5. **Register**

5.1 **Register**

The Issuer shall at all times while Notes are outstanding cause the Registrar for each Series to maintain the Register for that Series, which must record in respect of each Note the information specified in the Issue Notice relating to those Notes under the heading "Note Details" plus the following information:

- (a) the name, address and (where known) tax residency of the Holder;
- (b) details of the account to which payments in respect of the Notes are to be made;
- (c) transfers of the Note;

- (d) details of any resident withholding tax exemption certificate(s) held by the Holder; and
- (e) any other information required by law or the applicable Supplementary Trust Deed, or which the Issuer considers may be desirable in relation to the Notes.

5.2 Disclosure and Inspection

The Registrar of the relevant Notes must disclose to a Holder who so requests, any information held on the Register which relates to the Note(s) registered in the name of that Holder. Subject to the terms of the Agency Agreement, the Issuer and the Trustee may at all reasonable times inspect and take extracts from each Register without payment of any fee. The Issuer will procure that the Register is available for inspection to the extent required by law.

5.3 Register conclusive

Except as ordered by a court of competent jurisdiction, the Issuer, the Trustee and each Registrar are each entitled to recognise the Holder of a Note as the absolute owner of the Note and shall not be bound by any actual or constructive notice of any trust (express, implied or constructive), encumbrance, security or other adverse interest to which any Note may be subject. No recognition of any trust (express, implied or constructive), encumbrance, security or other adverse interest shall be entered on the Register. In the event of any conflict between any certificate or notice of registration issued in respect of a Note and the Register, the Register shall prevail.

5.4 Correction of errors

Each Registrar may, on such evidence as appears to it to be sufficient, correct errors and remedy omissions in the relevant Register.

5.5 Co-ownership Notes

- (a) Where two or more persons are registered as Holders of the same Note(s) by virtue of any application for Notes, memorandum of transfer or other instrument, then, unless the contrary is expressed in the application, memorandum, or other instrument, those persons will be deemed to hold the Note(s) as joint tenants with right of survivorship.
- (b) If two or more persons apply (on an application for any Notes or by memorandum of transfer or other instrument), to be registered as Holders as tenants in common, the Registrar for the relevant Series may, after notifying the persons of its intention to do so, divide the Notes into parcels which represent each such person's share. If the Notes cannot be divided into shares each of which share would comply with the applicable Minimum Principal Amounts (and any minimum multiples thereafter), the Registrar of the relevant Notes may refuse to accept the application, memorandum of transfer or other instrument (as the case may be).

5.6 Acquisition of Notes by operation of law

When the right to any Note is acquired by any person in any manner other than by way of a transfer under this Deed or the relevant Supplemental Trust Deed (whether on the dissolution or death of the relevant Holder, or under a writ of execution, or otherwise) the Registrar of the relevant Notes, on application by or on behalf of that person and on being satisfied that such person is legally entitled to be registered as the Holder of that Note, will enter that person's name in the Register as the Holder of that Note accordingly.

5.7 Notification by Holders

Any change of name or address of any Holder or any change in any other information required to be inserted in any Register in respect of any Holder shall immediately be notified to the Registrar of the relevant Notes in writing by the Holder, or if a joint holding by all the joint Holders.

5.8 Compliance with law

The Issuer shall comply with, and shall use all reasonable endeavours to ensure that each Registrar complies with, all statutory requirements and the requirements of this Deed and the applicable Supplemental Trust Deed relating to the keeping of the Register and the details entered in the Register. Without limitation to the generality of the foregoing, the Register in respect of any Retail Series shall be audited by the Auditors (or such other auditors that are acceptable to the Trustee) annually and at such other times as the Trustee may request in writing if the Trustee has reasonable grounds for believing that the requirements of this clause 5.8 are not being complied with in relation to the Register for any Retail Series.

6. Subordinated notes

6.1 Issue of Subordinated Notes

The Issuer may, if it expressly so provides in the Supplemental Trust Deed for any Series, issue Notes which are subordinated in the event of the Winding-Up of the Issuer to the claims of Senior Creditors of the Issuer, in which case this clause 6 (as it may be modified by the relevant Supplemental Trust Deed) shall apply to that Series.

6.2 Term Subordinated Notes

The rights and claims of Holders of Term Subordinated Notes are, in a Winding-Up of the Issuer, subordinated to the claims of the Senior Creditors of the Issuer (with the intent that all claims of Senior Creditors shall be paid in full before any claims of the Holders of the Term Subordinated Notes are paid), and prior to the commencement of a Winding-Up of the Issuer:

- (a) the obligation of the Issuer to make any payment in respect of the Term Subordinated Notes is conditional upon the Issuer being solvent at the time the relevant payment falls due and, in the event that the Issuer is not solvent at that time, such obligation shall remain conditional until such time as the Issuer becomes solvent; and
- (b) no payment shall be made in respect of the Term Subordinated Notes except to the extent that the Issuer may make such payment and still be solvent immediately thereafter.

6.3 Undated Subordinated Notes

The rights and claims of Holders of Undated Subordinated Notes are, in a Winding-Up of the Issuer, subordinated to the claims of the Senior Creditors of the Issuer and Holders of Term Subordinated Notes (with the intent that all claims of Senior Creditors and Holders of Term Subordinated Notes are paid in full before any claims of the Holders of the Undated Subordinated Notes are paid), and prior to the commencement of a Winding-Up of the Issuer:

- (a) the obligation of the Issuer to make any payment in respect of the Undated Subordinated Notes is conditional upon the Issuer being solvent at the time the relevant payment falls due and, in the event that the Issuer is not solvent at that time,

such obligation shall remain conditional until such time as the Issuer becomes solvent;
and

- (b) no payment shall be made in respect of the Undated Subordinated Notes except to the extent that the Issuer may make such payment and still be solvent immediately thereafter.

6.4 Solvency

- (a) For the purposes of clauses 6.2 and 6.3, the Issuer shall be considered to be solvent at any time if at that time it is able to meet the solvency test in section 4 of the Companies Act.
- (b) A certificate as to whether the Issuer is solvent signed by two Authorised Officers of the Issuer or by two authorised signatories of the Auditors shall be prima facie evidence of the information contained therein.

6.5 Contingent debt

On a Winding-Up of the Issuer, the Trustee and the Holders of Subordinated Notes shall only be entitled to prove for any sum payable in respect of the Subordinated Notes as a debt which is subject to and contingent upon prior payment in full of, in the case of Holders of Term Subordinated Notes, the Senior Creditors, or in the case of Holders of Undated Subordinated Notes, the Senior Creditors and the Holders of Term Subordinated Notes. The Trustee agrees, and by purchasing, or otherwise becoming entered on the Register as a Holder of a Subordinated Note, each Holder of Subordinated Notes will be deemed to agree, that:

- (a) in accordance with section 313(3) of the Companies Act, it is accepting a lower priority in respect of the debt represented by such Note than that which it would otherwise have under section 313; and
- (b) nothing in section 313 will prevent this Deed or any Supplemental Trust Deed from having effect in accordance with its terms.

6.6 No set-off

No Holder of a Subordinated Note shall be entitled to net or set off against any amounts due in respect of the Subordinated Notes held by that Holder any amount held by the Holder to the credit of the Issuer or otherwise to reduce the amount due to such Holder in respect of a Subordinated Note by merger of accounts or lien or the exercise of any other rights of like effect. To the extent any netting, set-off, merger, lien or other right is required by law to be exercised that exercise shall be subject to clause 6.7.

6.7 Trust

Any payment, whether voluntarily or in any other circumstances, received by a Holder of Subordinated Notes or by the Trustee on its behalf from or on account of the Issuer (including by way of credit, netting, set-off or otherwise) or from any liquidator, receiver, manager or statutory manager of the Issuer in breach of this clause 6 will be held by the Trustee or the relevant Holder in trust for and to the order of the Senior Creditors (and, in the case of payments received by the Holders of Undated Subordinated Notes, payments will also be held in trust for and to the order of the Holders of Term Subordinated Notes). Any such trust hereby created shall be for a term expiring on the earlier of the date on which all Senior Creditors (and, in the case of any payment held in trust by a Holder of Undated Subordinated Notes, the Holders of Term Subordinated Notes) have been paid in full or eighty years from the date of this Deed. Neither the Trustee nor any Holder shall have any obligation under this clause 6 in respect of any payment received by anyone other than itself.

6.8 Performance of trust

Any trust mentioned in clause 6.7 may be performed by a Holder or the Trustee by paying or repaying the amount so received or recovered, or so much thereof as shall be necessary to ensure that all of the Senior Creditors (and, in the case of any payment held in trust by a Holder of Undated Subordinated Notes, the Holders of Term Subordinated Notes) are fully paid or repaid, on trust to the liquidator of, or other person charged with or responsible for the making of distributions on behalf of, the Issuer or, where there is no such person, the Issuer, for distribution to the appropriate Senior Creditors (and, in the case of any payment held in trust by a Holder of Undated Subordinated Notes, the Holders of Term Subordinated Notes). The receipt of the liquidator or other such person or the Issuer, shall be a good discharge to the Holder or the Trustee for the performance by it of the trust mentioned in clause 6.7. Any amount which becomes subject to the trust mentioned in clause 6.7 and which is paid or repaid by any Holder, as the case may be, or the Trustee pursuant to this clause 6.8 shall thereafter be treated as between the Issuer and the Trustee or the Holder as if it had never been received or recovered in the first place.

6.9 Contracts Privity Act

For the purposes of the Contracts (Privity) Act 1982 the provisions of this clause 6 are intended to confer a benefit upon the Senior Creditors and, subject to clause 2.7(a) to be enforceable by the Senior Creditors directly, but no consent of the Senior Creditors shall be required to any modification or amendment to this clause 6 in accordance with clause 21.

6.10 No subordination of Trustee's entitlement

The provisions of this clause 6 apply only to payments or repayments by way of Principal Amount or interest on the Subordinated Notes and nothing in this clause 6 shall subordinate, defer in priority or point of payment, or otherwise affect or prejudice the payment or reimbursement of the fees, expenses, indemnities or other moneys payable to the Trustee pursuant to this Deed or any relevant Supplemental Trust Deed, or the rights and remedies of the Trustee in respect thereof.

6.11 Exercise of Trustee's duties

Subject to clause 16.2, the Trustee owes no duties to Holders of Subordinated Notes which are issued as part of a Wholesale Series. In respect of Subordinated Notes issued as part of a Retail Series, the duties of the Trustee shall be construed and interpreted to recognise and take into account the subordinated nature of the Notes including the following characteristics:

- (a) the subordination and the postponement in priority of the Notes to indebtedness to all Senior Creditors (and also, in the case of Undated Subordinated Notes, to Holders of Term Subordinated Notes);
- (b) the Issuer may freely incur further indebtedness to Senior Creditors and further Subordinated Indebtedness; and
- (c) the Issuer may, in the circumstances set out in this Deed and any relevant Supplemental Trust Deed, suspend payment on the relevant Notes;

and the duties of the Trustee, including the duties set out in clause 1 of the fifth schedule to the Securities Regulations 1983, shall to the extent permitted by law be limited and construed by reference to the special features of the Subordinated Notes. All Holders of Subordinated Notes are deemed to have agreed to and accept and are bound by the foregoing limitations.

6.12 Notes paramount

In the execution of the trusts under this Deed in connection with Retail Notes, the Trustee shall at all times:

- (a) regard the interests of the Retail Holders of Unsubordinated Notes as paramount to the interests of the Retail Holders of Subordinated Notes; and
- (b) regard the interests of the Retail Holders of Term Subordinated Notes as paramount to the interests of the Retail Holders of Undated Subordinated Notes,

and the Trustee shall be entitled to act accordingly taking into account the ranking of interests of Retail Holders set out in this Deed and the relevant Supplemental Trust Deeds.

7. Payment of principal amount and interest

7.1 Determination of Principal Amount

The Principal Amount of each Note shall be the amount recorded as such in the Register in respect of that Note, which may be the par or face value or the amount calculated by the Registrar for that Note by reference to the formula recorded in the Register in respect of that Note.

7.2 Principal Amount of Wholesale Notes

The Issuer shall, on the Maturity Date of each Wholesale Note, unconditionally pay or cause to be paid to, or to the order of, the relevant Holder the Principal Amount of that Wholesale Note in accordance with the Conditions applicable to that Note.

7.3 Principal Amount of Retail Notes

- (a) Subject to clause 7.3(b), the Issuer shall, on the Maturity Date of each Retail Note, pay or cause to be paid to, or to the order of, the Trustee the Principal Amount of that Retail Note in accordance with the Conditions applicable to that Note.
- (b) Notwithstanding clause 7.3(a), the Issuer shall, on the Maturity Date of each Retail Note (other than a Perpetual Note), unless and until otherwise requested by the Trustee, pay or cause to be paid to, or to the order of, the relevant Holder the Principal Amount of that Retail Note in accordance with the Conditions applicable to that Retail Note. Such payment shall operate as a payment to the Trustee in satisfaction (to the extent of the amount paid) of the Issuer's obligations under clause 7.3(a).

7.4 Principal Amount of Amortising Notes

The Issuer shall, on each Amortisation Date of each Amortising Note, unconditionally pay, or cause to be paid to, or to the order of, the relevant Holder, the portion of the Principal Amount of that Amortising Note as set out in respect of that Amortisation Date in the Register in respect of that Amortising Note in accordance with the Conditions applicable to that Note.

7.5 Interest

The Issuer shall pay interest on each Interest Payment Date:

- (a) on each Floating Rate Note for each Interest Period, at the rate per annum equal to the aggregate of the Base Rate for that Interest Period (as determined by the Registrar for the relevant Series) and the Margin for that Floating Rate Note;
- (b) on each Fixed Rate Note, at the Interest Rate for that Fixed Rate Note; and
- (c) on each Index-linked Note, in accordance with the formula or at the Interest Rate (as the case may be) recorded in the Register in respect of that Index-linked Note.

7.6 Interest on Wholesale Notes

The Issuer shall, as and when due and payable in accordance with the Conditions applicable to each Wholesale Note, unconditionally pay or cause to be paid to, or to the order of, the relevant Holder all interest and other amounts payable in respect of that Note in accordance with the Conditions applicable to that Note.

7.7 Interest on Retail Notes

- (a) Subject to clause 7.7(b), the Issuer shall, as and when due and payable in accordance with the Conditions applicable to each Retail Note, unconditionally pay or cause to be paid to, or to the order of, the Trustee all interest and other amounts payable in respect of that Note in accordance with the Conditions applicable to that Note.
- (b) Notwithstanding clause 7.7(a), the Issuer shall, as and when due and payable in accordance with the Conditions applicable to each Retail Note, unless and until otherwise requested by the Trustee and without the need for any Holder or the Trustee on its behalf to give notice that payment is required, pay or cause to be paid to, or to the order of, the relevant Holder all interest and other amounts payable in respect of that Note in accordance with the Conditions applicable to that Note. Such payment shall operate as a payment to the Trustee in satisfaction (to the extent of the amount paid) of the Issuer's obligations under clause 7.7(a).

7.8 Non-payment

Each Note will cease to bear interest from its Maturity Date unless payment of the Principal Amount is improperly withheld or refused (or, in the case of a Subordinated Note, if its repayment is suspended under clause 6). In such event, interest will continue to accrue (after, as well as before, any judgment) up to but excluding the date on which payment in full of the Principal Amount is made.

7.9 Default interest

If any amount payable in respect of a Note or any other amount due to any person under this Deed or a Supplemental Trust Deed is not paid on its due date interest (**Default Interest**) shall accrue on the unpaid amount (net of any interim or progress payments made) (after, as well as before, judgment) at the rate determined by the Registrar for the relevant Series to be (in the case of a Floating Rate Note) the aggregate of 2%, the Base Rate and the Margin or (in the case of a Fixed Rate Note) the aggregate of 2% and the relevant fixed rate, or (in the case of an Index-Linked Note) the aggregate of 2% and the one month Base Rate, as the case may be, which on the due date would apply to an Interest Period of one month, shall be determined at monthly intervals thereafter until the unpaid amount (net of any interim or progress payments) is paid and shall be compounded monthly until paid. For the avoidance of doubt, this clause 7.9 shall not apply in respect of payments suspended in accordance with this Deed or any applicable Supplemental Trust Deed.

8. Calculation of interest

8.1 Floating Rate Notes

(a) Interest Periods

Each Interest Period in relation to a Floating Rate Note shall be a period of one, two, three, four, five or six months duration (as specified by the Issuer at the time of issue of that Note and entered in the Register) and:

- (i) the first Interest Period will commence on (and include) the Issue Date and end on (but exclude) the next Interest Payment Date and each subsequent Interest Period will commence on (and include) the Interest Payment Date of the previous Interest Period and end on (but exclude) the next Interest Payment Date;
- (ii) if an Interest Period would otherwise end on a day which is not a Business Day, it will be extended to the next Business Day; and
- (iii) if the final Interest Period would otherwise extend beyond the Maturity Date, it will end on the Maturity Date.

(b) Basis for calculation

Interest shall be calculated on the Principal Amount of each Floating Rate Note, on the basis of the number of days in the relevant interest Period and a year of 365 days. Interest shall accrue from day to day and shall be paid to the Holder in arrears on the Interest Payment Date for that Interest Period.

8.2 Fixed Rate Notes

Interest shall be calculated on the Principal Amount of each Fixed Rate Note and shall be payable in arrears in equal quarterly, semi-annual, annual or other instalments on each Interest Payment Date for that Fixed Rate Note.

8.3 Index-linked Notes

- (a) In the case of an Index-linked Note for which the Principal Amount is calculated by reference to an Index, the Principal Amount on each Interest Payment Date (for the purposes of calculating the amount of interest payable by the Issuer on that Interest Payment Date) shall be determined in accordance with the formula recorded in the Register in respect of that Index-linked Note.
- (b) If the amount of interest payable on an Index-Linked Note on an Interest Payment Date is a negative amount, no amount by way of interest shall be payable by the Issuer on that Interest Payment Date and the positive equivalent of that amount will be deducted from the Principal Amount of that Index-Linked Note for the balance of the term of that Note. Nothing in this clause 8.3 obliges the Holder of that Index-Linked Note to make any payment to the Issuer by reason of the interest payable on the relevant Interest Payment Date being a negative amount.
- (c) If a deduction made pursuant to this clause results in the Principal Amount of the Index-Linked Note being equal to or less than zero, the Issuer shall not be required to make any further payments of interest or principal in respect of that Note and that Note shall be cancelled.

8.4 Broken Periods

The Conditions of any Note may provide that interest for the initial Interest Period for that Note is calculated on a daily basis from a specified date until the first Interest Payment Date.

9. Payments

9.1 Payment to Holder

Payment of the Principal Amount of, and interest (if any) on, a Note (less any amount required to be deducted in accordance with clause 10) shall be made to the person whose name appears in the Register as the Holder of the Note on the Record Date in respect of the relevant payment. If more than one person is so named in the Register, payment will be made to the first person so named.

9.2 Method of payment

A Holder may, by notice to the Registrar for the relevant Series, request the Registrar to make payments in respect of any Note held by it to a specified bank account and may at any time cancel or amend any notice so given. No such notice, or cancellation or amendment of a notice, will have effect in respect of any payment unless received by the Registrar before the Record Date for that payment. In the absence of any such notice payments in respect of each Note will be made by posting a cheque to the address of the relevant Holder appearing in the Register at the Holder's risk. Any notice given under this clause 9.2 will be deemed to be automatically cancelled upon transfer of all or part of a Note. A notice from one of several Holders of the same Notes shall be deemed to be given by all such Holders.

9.3 Business Day

If any Interest Payment Date or the Maturity Date of a Note is not a Business Day for that Note, the due date for the payment to be made on that date will, subject to the terms of the relevant Supplemental Trust Deed, be the next following Business Day and all other provisions of this Deed and each Agency Agreement will be read and construed accordingly.

9.4 Unclaimed payments

(a) Retail Notes

In respect of any Retail Note, if any payment made by the Issuer to any Retail Holder of that Retail Note at its address last entered in the Register is returned unclaimed the amount concerned will (unless the Registrar or the issuer has in the meantime received notice of a change of address to be entered in the Register) be retained by the Registrar for the relevant Retail Series to be held by it for the Retail Holder concerned without any liability to invest or pay interest on that amount. Any money not claimed within a period of six months from the original date of payment must be returned to the Issuer. The Issuer will have no liability in respect of the amount concerned if it remains unclaimed six years after the original date of payment unless a Holder subsequently provides the Issuer with proof of its entitlement thereto together with evidence that that Holder has no claim for the relevant amount under the Unclaimed Money Act 1971.

(b) Wholesale Notes

In respect of any Wholesale Notes, if any payment made by the Issuer to any Wholesale Holder at its address last entered in the Register is returned unclaimed the amount concerned must (unless the Registrar or the Issuer has in the meantime received notice of a change of address to be entered in the Register) be returned to

the Issuer unless it is otherwise agreed between the Issuer and the Registrar for the relevant Notes that such unclaimed monies are to be retained by the Registrar. The Issuer will have no liability in respect of the amount concerned if it remains unclaimed six years after the original date of payment unless a Holder subsequently provides the Issuer with proof of its entitlement thereto together with evidence that that Holder has no claim for the relevant amount under the Unclaimed Money Act 1971.

9.5 Reinstatement

If any payment made to a Holder by, or on behalf of, the Issuer is subsequently rescinded, avoided or otherwise restored to the Issuer, that payment will be deemed not to have discharged or affected the liability of the Issuer in respect of which that payment was made. In that event the relevant Holder and the Issuer will be restored to the position in which each would have been, and be entitled to exercise all the rights which each would have had, if such payment had not been made.

10. Taxes

10.1 Deductions or withholdings

All sums payable under a Note or under this Deed or any applicable Supplemental Trust Deed must be paid:

- (a) free of any restriction or condition;
- (b) free and clear of, and (except to the extent required by law or as provided in this clause 10) without any deduction or withholding on account of, any taxes; and
- (c) (except to the extent required by law) without deduction or withholding on account of any other amount whether by way of set-off or otherwise (except as provided in clauses 10.2, 10.3 and 10.4).

10.2 Non-resident Withholding Tax

Unless otherwise stated in the relevant Information Memorandum or if the relevant non-tax resident Holder notifies the Issuer that it elects that non-resident withholding tax be deducted from payments to it instead of Approved Issuer Levy, if the Issuer is lawfully able to pay Approved Issuer Levy in respect of any payment of interest (or deemed interest) to non-tax resident Holders, the Issuer, or the Registrar for the relevant Series on its behalf, shall pay the Approved Issuer Levy to the appropriate authority and shall deduct the amount paid from the interest (or deemed interest) payable to those Holders in lieu of deducting New Zealand non-resident withholding tax from that payment at the rate otherwise applicable. The amount of the Approved Issuer Levy will be reimbursed to the Issuer by the Issuer deducting the amount of Approved Issuer Levy from the amount of interest otherwise to be paid or compounded to or for the benefit of the non-tax resident Holder. If the non-tax resident Holder has so elected or if the Issuer is not lawfully able to pay Approved Issuer Levy, New Zealand non-resident withholding tax will be deducted from payments of interest (or payments deemed by law to be interest) to non-tax resident Holders. This clause does not apply if the non-tax resident Holder derives interest jointly with one or more tax resident Holders, in that case New Zealand resident withholding tax will be deducted from payments of interest (or payments deemed by law to be interest) in accordance with clause 10.3,

10.3 Resident Withholding Tax

New Zealand resident withholding tax will be deducted from payments of interest (or payments deemed by law to be interest) to Holders who are tax resident or to payments made to non-tax resident Holders where that Holder derives interest jointly with one or more

tax resident Holders unless the Holder is able to establish to the satisfaction of the Issuer, or the Registrar for the relevant Series on its behalf, either by means of the provision of a copy of an appropriate valid exemption certificate or otherwise, that no such tax need be deducted, before the Record Date for the relevant payment.

10.4 No gross-up

The Issuer will not be required to and will not make any additional payment by way of gross-up or otherwise with respect to the deduction or withholding from any payment made in respect of the Notes under clause 10.2 or 10.3. If, in respect of any Note, the Registrar for the relevant Series or the Issuer becomes liable to make any payment of, or on account of, tax payable by any Holder, then the Registrar for the relevant Series and the Issuer shall be indemnified by the relevant Holder in respect of such liability. Any moneys paid by the Registrar for the relevant Series or the Issuer in respect of such liability may be recovered from the Holder as a debt due to the Registrar for the relevant Series or the Issuer and may be withheld from any further payments to that Holder. Nothing in this clause 10.4 will prejudice or affect any other right or remedy of the Registrar for the relevant Series or the Issuer.

10.5 Maximum rate

Deductions of non-resident or resident withholding tax will be made at the default rates required under law from time to time applicable unless a Holder provides an election to the Issuer or the Registrar for the relevant Series (acceptable to it) that a different rate is applicable.

10.6 Tax status

The Issuer and the Registrar for the relevant Series shall be entitled for the purposes of this clause 10 to rely, without further enquiry, upon any evidence produced or statement made by, or on behalf of, a Holder in relation to that Holder's tax status or tax residency, and to regard the Holders entered in the Register as the only beneficial owners of the relevant Notes.

11. Representations and warranties

11.1 Representations and Warranties

The Issuer represents and warrants to the Trustee and the Holders of each Series that:

- (a) **Power and Authority:** it has:
 - (i) the corporate power to enter into, exercise its rights and perform and comply with its obligations under this Deed and the relevant Supplemental Trust Deed and to issue the Notes; and
 - (ii) taken all necessary corporate action to authorise the entry into, execution and delivery of this Deed and the relevant Supplemental Trust Deed and the performance of all the obligations expressed to be binding on it and the issue of the Notes;
- (b) **Valid Obligations:** this Deed, the relevant Supplemental Trust Deed and the Notes (once issued) constitutes its legal, valid and binding obligations enforceable against it in accordance with their terms;
- (c) **No Laws Violated:** none of the execution and delivery of this Deed or the relevant Supplemental Trust Deed, nor the exercise by it of any right or the performance or

observance of any obligation under this Deed, or the relevant Supplemental Trust Deed, the Notes nor any transactions contemplated thereby, will:

- (i) violate or contravene any law to which it is subject; or
- (ii) conflict with, or result in any breach of, any agreement, document, arrangement, obligation or duty to which it is a party or by which it or any of its assets may be bound; or
- (iii) violate any of the documents constituting it or cause any limitation on any of its powers, or on the right or ability of its directors to exercise those powers, to be exceeded; and
- (d) **Authorisations:** all authorisations required by it in relation to the entry into, execution or performance by it and the validity and enforceability of this Deed, the relevant Supplemental Trust Deed and the Notes have been obtained or effected and are in full force and effect.

11.2 Supplemental Trust Deed

In respect of a Series, the Issuer shall make such further representations and warranties as are set out in the Supplemental Trust Deed for that Series.

11.3 Repetition

In respect of a Series, the representations and warranties contained in:

- (a) clause 4.1 of the Deed of Negative Pledge and Guarantee; and
- (b) clauses 11.1 and 11.2 above,
- (c) shall be deemed to be repeated by the Issuer for the benefit of the Trustee and the Holders of that Series on the Issue Date and each Interest Payment Date of each Note forming part of that Series.

12. Undertakings

12.1 General undertakings

The Issuer undertakes to the Holders of each Series and (in respect of Retail Series only) the Trustee that it will, for so long as any Notes of that Series are outstanding:

- (a) **Agency Agreement:** comply with and perform all material obligations under each Agency Agreement and use all reasonable endeavours to ensure that each Registrar also does so;
- (b) **Registrar:** ensure that a Register for each Series of Notes is maintained and give, or procure that the Registrar gives, notice to the relevant Holders of any resignation or removal of the Registrar for that Series and the appointment of any replacement Registrar promptly following such event;
- (c) **Registrar:** in relation to that Series, use all reasonable endeavours to cause the Registrar for that Series to keep the Register for that Series pursuant to the relevant Agency Agreement;

- (d) **Authorisations:** in relation to that Series, obtain, effect and promptly renew from time to time all material authorisations required under any applicable law to enable it or any relevant Guaranteeing Group Company to perform and comply fully with the Conditions for that Series or required on its part (or on the part of any relevant Guaranteeing Group Company) for the validity or enforceability of the Transaction Documents for that Series;
- (e) **Notify Event of Default to Holders:** promptly notify the Trustee (in the case of a Retail Series), and the Holders and the Trustee (in the case of a Wholesale Series), of the occurrence of any Event of Default;
- (f) **Send Notices:** send copies to the Trustee of all notices given by it to Holders of that Series generally;
- (g) **Corporate Existence:** maintain its corporate existence and will not amalgamate, merge or consolidate with any person unless (and without prejudice to the Issuer's rights under clause 24):
 - (i) the Issuer is, following the amalgamation, merger or consolidation, the continuing legal entity; or
 - (ii) in any other case, the resulting or surviving entity assumes the obligations of the Issuer under the relevant Notes to the satisfaction of the Trustee and any Wholesale Holders; and
- (h) **Securities Act:** where that Series is a Retail Series, comply with the provisions of the Financial Reporting Act, Securities Act and the Securities Regulations 1983 applicable to the Retail Notes; and
- (i) **Information Memorandum:** not issue any Information Memorandum in respect of the issue of Notes without prior notice to the Trustee, and not include any statement in any such Information Memorandum, or any advertisement (as defined in the Securities Act) for any Notes, concerning the Trustee, without the prior consent of the Trustee.

12.2 Reports

- (a) The Issuer covenants with the Trustee that, so long as any Retail Notes are outstanding, it will deliver to the Trustee (as soon as practicable and in any event within 5 days after the same are provided to NZX or, if the Issuer is not Listed, within 90 days after the end of the relevant period):
 - (i) in respect of each financial half-year ending on a day other than a day that is the end of a financial year, a copy of its half-year report as required by NZX, and which shall include Financial Statements of the Issuer and the Group for that half-year, prepared in accordance with generally accepted accounting practice (as that term is defined in the Financial Reporting Act); and
 - (ii) in respect of each financial year, a copy of its annual report as required by NZX, and which shall include audited Financial Statements of the Issuer and the Group for that financial year, prepared in accordance with generally accepted accounting practice (as that term is defined in the Financial Reporting Act).
- (b) The Issuer covenants with the Trustee that, so long as any Retail Notes are outstanding, and if at any time the TTA Ratio is below 85%, it will deliver to the Trustee (as soon as practicable and in any event within 5 days after the same are provided to NZX or, if the Issuer is not Listed, within 90 days after the end of the relevant period):

- (i) in respect of each financial half-year ending on a day other than a day that is the end of a financial year, Financial Statements of the Guaranteeing Group for that half-year, prepared in accordance with generally accepted accounting practice (as that term is defined in the Financial Reporting Act); and
- (ii) in respect of each financial year, Financial Statements of the Guaranteeing Group for that financial year, prepared in accordance with generally accepted accounting practice (as that term is defined in the Financial Reporting Act), together with an audit report in respect of those Financial Statements if the same are audited..

12.3 Director's certificate

Not later than the time of delivery of the half-year report or the annual report (as applicable) under clause 12.2, the Issuer must deliver to the Trustee a certificate, substantially in the form set out in schedule 2 (or as otherwise agreed between the Trustee and the Issuer) stating the matters referred to therein as at the end of and in respect of such year or half-year, as applicable.

12.4 Auditor's report

The Issuer shall, so long as any Retail Notes are outstanding, provide to the Trustee, at the same time as the annual report for the Issuer is provided in accordance with clause 12.2(b), a separate report by the Auditors stating:

- (a) whether, in the course of performing their duties as Auditors, they have become aware of:
 - (i) any non-payment of interest or any breach of the provisions of this Deed or any Supplemental Trust Deed, and if so giving particulars thereof; or
 - (ii) any matter which, in their opinion, is relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee by this Deed or any Supplemental Trust Deed, by law or by the Securities Act, and if so giving particulars thereof;
- (b) whether they, as Auditors, have audited the Register for each Series, and if not whether another firm (and which firm if any) audited the Register for each Series, and to the extent that the Auditors have audited the Register for a Series, whether the Register for that Series has been duly maintained;
- (c) whether their audit has disclosed any matter, and if so giving particulars thereof, calling in their opinion for further investigation by the Trustee in the interests of the Holders;
- (d) that they have perused the certificate of the directors provided in accordance with clause 12.3 (**Directors' certificate**) given since the last report by the Auditors (or the date of this Deed, whichever is the later), and that, so far as matters which they have observed in the performance of their duties as auditors are concerned, nothing has come to their attention to show that the statements made in the Directors' certificate are not correct; and
- (e) the aggregate Principal Amount of Notes in each Series on issue and outstanding.

13. Default

13.1 Events of Default

If an Event of Default occurs then, at any time thereafter, provided the Event of Default is continuing unremedied:

(a) **Wholesale Series**

a Wholesale Holder may, without prejudice to any other remedies which that Holder may have, declare all (but not some only) of the Notes held by that Holder to be immediately due and payable by notice in writing to the Issuer; and

(b) **Retail Series**

the Trustee may in its discretion and shall immediately upon being directed to do so by an Extraordinary Resolution passed by Holders of the Retail Notes declare the Notes of each Retail Series to be immediately due and payable by notice in writing to the Issuer.

13.2 Distribution of funds in respect of Retail Notes

All moneys received by the Trustee in respect of Retail Notes from the Issuer on or after the Date of Enforcement shall (subject to payment of any debts or liabilities having priority to or ranking equally with any amounts due to Holders pursuant to those Notes) be held and applied (subject to the provisions of clause 6 of this Deed):

- (a) first, subject to any direction made by any court, in payment of all amounts due to the Trustee under this Deed and the relevant Supplemental Trust Deed (including all expenses, losses and liabilities sustained or incurred by the Trustee under this Deed and the relevant Supplemental Trust Deed, all fees payable to the Trustee under this Deed and the relevant Supplemental Trust Deed, and any Default Interest on each such amount);
- (b) secondly, in or towards payment to the Retail Holders of Unsubordinated Notes, rateably in proportion to the amounts actually or contingently owing to them in respect of the Unsubordinated Notes held by them;
- (c) thirdly, in or towards payment to the Retail Holders of Term Subordinated Notes (if any), rateably in proportion to the amounts actually or contingently owing to them in respect of the Term Subordinated Notes held by them;
- (d) fourthly, in or towards payment to the Retail Holders of Undated Subordinated Notes (if any) rateably in proportion to the amounts actually or contingently owing to them in respect of the Undated Subordinated Notes held by them; and
- (e) fifthly, the surplus (if any) of such moneys, in payment to the Issuer or to such other person (including a liquidator of the Issuer) who may be lawfully entitled thereto.

14. Appointment of Trustee

- 14.1 The Issuer appoints the Trustee, and the Trustee accepts appointment, as trustee for the Holders on the terms and conditions of this Deed.

15. Trustee's Fees, Expenses and Indemnities

15.1 Fees

The Issuer shall pay to the Trustee such fees (plus goods and services tax (if any)) as may from time to time be agreed between them in writing.

15.2 Expenses

The Issuer shall pay all expenses (including legal fees on a full indemnity basis and travelling expenses) reasonably incurred by or on behalf of the Trustee in connection with:

- (a) the preparation, signing and (if applicable) registration of this Deed, each Supplemental Trust Deed, and each Information Memorandum;
- (b) the exercise of any Trust Power, including the taking of any expert advice deemed reasonably necessary or expedient by the Trustee;
- (c) the convening and holding, and carrying out of any directions or resolutions, of any meeting of Holders in accordance with the terms and conditions of this Deed and any Supplemental Trust Deed; or
- (d) any waiver, consent or other action requested by the Issuer.

15.3 Indemnity by Issuer

Without prejudice to the right of indemnity by law given to trustees, the Trustee and each of its officers, directors, employees and agents shall be indemnified by the Issuer for all expenses, losses and liabilities (and for the avoidance of doubt excluding income tax on the Trustee's remuneration) reasonably sustained or incurred in carrying out the Trust Powers or otherwise for any action taken, or omitted to be taken, in accordance with the provisions of this Deed, other than a claim arising out of a wilful default, gross negligence or wilful breach of trust.

15.4 Indemnity by Holders

The Trustee is not required to take any action or exercise any Trust Power or comply with any request or direction pursuant to this Deed or any relevant Supplemental Trust Deed (whether or not it is expressed to be bound to do so) unless it has first been indemnified to its satisfaction against all reasonable expenses, losses and liabilities it may sustain or incur by so doing.

15.5 Payments

The fees, expenses, indemnities and other amounts payable under this Deed or any relevant Supplemental Trust Deed to the Trustee (excluding for the avoidance of doubt amounts payable in respect of the Notes) shall be payable by the Issuer at the times agreed (or, in the absence of agreement, on demand) and only on production of a valid tax invoice as defined in the Goods and Services Tax Act 1985 (if applicable) and, if not paid when due, shall carry Default Interest in accordance with clause 7.9 until paid at a rate equal to the aggregate of

2% and the Base Rate which on the due date would apply to an interest period of one month.

16. Trustee's Powers

16.1 General powers

The powers, authorities and discretions conferred on the Trustee by this Deed and each Supplemental Trust Deed shall be in addition to any powers, authorities and discretions which may from time to time be vested in trustees by law in relation to Retail Notes or (if applicable) Wholesale Notes and to any powers, authorities and discretions which may from time to time be vested in the Trustee as the Holder of any Note.

16.2 Wholesale series

- (a) The Trustee shall have no powers or duties in relation to any Wholesale Series except:
 - (i) the powers and duties explicitly set out in the Conditions for any Wholesale Notes; and
 - (ii) the power to compel the Issuer to call a meeting of Wholesale Holders or any Class of Wholesale Holders when requested to do so by Wholesale Holders of more than 10% of the aggregate Principal Amount of the Wholesale Notes or that Class of Wholesale Notes.
- (b) Where any authorisation or direction in respect of the taking of any action or other matter may, under the provisions of this Deed or any Supplemental Trust Deed, be given to the Trustee by an Extraordinary Resolution of Wholesale Holders, the Trustee may act in reliance upon such authorisation or (as the case may be) shall act in accordance with any such direction, and shall not be responsible for any costs, damages, expenses, liabilities or inconvenience that may result from the actions so taken in reliance thereon, provided that the Trustee shall not be so bound to act unless first indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, damages, expenses and liabilities which it may incur by so doing.

16.3 Retail Series

In relation to each Retail Series the Trustee shall, in addition to any powers provided by law, have the following powers and duties, subject to the terms of the Supplemental Trust Deed in relation to the relevant Series:

(a) Monitoring role

The Trustee must exercise reasonable diligence to ascertain whether or not the Issuer has breached the Conditions of any Retail Notes but, until it has received notice to the contrary from the Issuer, the Auditors or any Holder, is entitled to assume that no such breach has occurred. The Trustee shall exercise reasonable diligence to ascertain whether or not the assets of the Issuer that are or may be available, are sufficient or likely to be sufficient to discharge the payment obligations of the Issuer in respect of the Retail Notes as they become due, subject, in the case of any Subordinated Notes issued as part of a Retail Series, to clause 6.11.

(b) Applications to court

If, after due inquiry, the Trustee is of the opinion that the Issuer is unlikely to be able to pay any amounts payable in relation to one or more Retail Series as and when due, or that the provisions of this Deed or the relevant Supplemental Trust Deed are no longer adequate to give protection to the interests of any of the relevant Holders of Retail Notes then, and whenever the Trustee, acting reasonably, considers it in the best interests of the Retail Holders having regard to any other powers or remedies available to it under this Deed or the relevant Supplemental Trust Deed or at law for the protection of the interests of such Holders and to all other circumstances relevant to the general interests of such Holders, the Trustee may, apply to the court pursuant to section 49 of the Securities Act for an order that the Trust Powers be exercised under the direction of the court or for directions or any other order in relation to the extent of, or the carrying out of, the Trust Powers or for any other order under section 49 of the Securities Act and it may support or oppose any application to the court made by or at the instance of any Retail Holder. The Trustee shall be indemnified by the Issuer against all expenses incurred in relation to any such application or proceedings, provided that the Trustee must consult with the Issuer prior to making any such application before the Date of Enforcement.

(c) Material breach

If any breach of this Deed or any relevant Supplemental Trust Deed is likely to occur which the Trustee considers is likely to be materially prejudicial to the interests of any Retail Holders, the Trustee shall be entitled in its absolute discretion to require the Issuer to promptly report to the Retail Holders the circumstances and the nature of such breach and any other relevant information concerning the Issuer which the Trustee has received in relation to this Deed and which it reasonably considers to be material to those Holders, and invite those Holders to indicate to the Trustee their preferences as to any exercise or non-exercise of the Trust Powers under this Deed or the relevant Supplemental Trust Deed. If the Issuer fails to give that report the Trustee shall be entitled to do so itself.

(d) Represent Holders

The Trustee may, either of its own volition or pursuant to any directions or in accordance with any policy given or indicated by any meeting of Retail Holders, represent and act on behalf of those Holders in any matter concerning them generally.

(e) Investment

Any moneys held by the Trustee which are subject to the trusts created by this Deed or any relevant Supplemental Trust Deed may, at the discretion of the Trustee, be invested in the name of the Trustee or its nominee in any investment whatsoever, with power to vary such investments for others of a like nature and to deal with, or dispose of, such investments. The income (less any commissions properly payable to the Trustee) arising from all such investments made by the Trustee will belong to the person in respect of whom such moneys are held by the Trustee.

(f) Power to Remedy Breach

The Trustee's powers to remedy any breach of this Deed or any relevant Supplemental Trust Deed are subject to any other provision of this Deed or the relevant Supplemental Trust Deed which is inconsistent with the exercise of such powers.

17. Exercise of Trustee's Powers

17.1 Discretion

Except as otherwise expressly provided in this Deed or any relevant Supplemental Trust Deed, the Trustee:

- (a) has absolute discretion as to the exercise or non-exercise of the Trust Powers and as to the conduct of any action, proceeding or claim (provided it has acted with reasonable care and diligence);
- (b) may refrain from exercising any Trust Power until directed by Extraordinary Resolution of the Holders or the affected Class of Holders to do so; and
- (c) will not be responsible for any loss, costs, damages, expenses or inconvenience that may result from the exercise or non-exercise of any Trust Power.

17.2 Reliance

The Trustee shall be entitled without liability for loss, to obtain, accept and act on, or to decline and elect not to act on:

- (a) any communication or document (including any fax or email) reasonably believed by it to be genuine and correct;
- (b) any resolution which the Trustee believes to have been properly passed at any meeting of Holders or the affected Class of Holders;
- (c) advice and statements of lawyers, accountants and other experts reasonably selected by it or the Issuer;
- (d) a certificate signed by or on behalf of the Issuer by at least one director of the Issuer or the Chief Financial Officer of the Issuer, as to any matters of fact which might reasonably be expected to be within the knowledge of the Issuer or that any particular transaction, step or thing is expedient or commercially desirable and not detrimental to the interests of Holders generally or of any Class of Holders, as sufficient evidence of such fact or the expediency or desirability of such transaction, step or thing; and
- (e) the statements contained in any certificate or certificates or in any report or reports given pursuant to the provisions of this Deed or any Supplemental Trust Deed, as conclusive evidence of the facts stated therein.

17.3 Delegation

The Trustee, whenever it thinks it expedient in the interests of the relevant Holders to do so, may:

- (a) delegate at any time to any person any of the Trust Powers (including the giving of power to sub-delegate) which cannot conveniently be exercised by it or through its employees, upon such terms and conditions it thinks fit provided any such delegation shall not relieve the Trustee of its responsibilities under this Deed and all Supplemental Trust Deeds; and
- (b) authorise any person as it thinks fit to act as its representative at any meeting.

17.4 Trustee's consent

Any consent given by the Trustee for the purposes of this Deed or a Supplemental Trust Deed may be given on such terms and conditions (if any) as the Trustee thinks fit.

17.5 Subscribers' money

The Trustee shall not be responsible for monitoring the application by the Issuer of the money paid by purchasers of the Notes.

17.6 Safe custody

The Trustee may, at the expense of the Issuer, hold or place this Deed and any other documents with any bank or any person whose business includes the undertaking of safe custody of documents or with any lawyer or firm of lawyers (in each case reasonably considered by the Trustee to be of good repute) and the Trustee is not responsible for or required to insure against any loss incurred in connection with that deposit.

17.7 Fiduciary relationship

Nothing in this Deed prohibits the Trustee, its holding company, any of its subsidiaries or any of the subsidiaries of its holding company (each a "Relevant Company") or the directors or officers of each Relevant Company from:

- (a) being a Holder or a holder of shares or other securities of the Issuer or any associated company of the Issuer; or
- (b) acting in any representative capacity for a Holder or any such holder of shares or other securities.

Without limitation, the Relevant Company may so act on its own account or as executor, administrator, trustee, receiver, committee, guardian, attorney or agent or in any other fiduciary, vicarious or professional capacity. In doing so, it will not be deemed to be a breach of this Deed, any Supplemental Trust Deed or obligations imposed or implied by law arising out of the fiduciary relationship between the Trustee and the Holders.

The Relevant Company will not by reason of its fiduciary capacity be prevented from:

- (a) making any contracts or entering into any transactions with the Issuer or any associated company of the Issuer in the ordinary course of the business of the Relevant Company; or
- (b) undertaking any insurance, financial or agency service for any of them; or
- (c) accepting or holding the office of trustee for the holders of any securities (whether secured or unsecured) issued by the Issuer or by any other entity.

The Relevant Company will not be accountable to the Issuer or to any other company or the Holders for any profits arising from any such contracts, transactions or offices.

17.8 Confidentiality

Unless required to do so by law, court order or the Conditions, the Trustee shall not be required to disclose to any Holder any confidential financial or other information made available to the Trustee by the Issuer.

17.9 Binding on all Holders

Any action taken by the Trustee in accordance with this Deed is binding on all of the Holders or all of the relevant Holders (as the case may be).

17.10 No obligation to consult

Except where expressly required otherwise in this Deed, the Trustee is not obliged to consult with the Holders before giving any consent, approval or agreement or making any determination under this Deed.

17.11 Listing Rules

Subject to compliance by the Trustee with its obligations under the Securities Regulations 1983, the Trustee shall not be required to monitor compliance by the Issuer or any other party with the Listing Rules and, in the absence of notice to the contrary from the Issuer of NZX, shall be entitled to assume that the Issuer is so complying. In the event of non-compliance with the Listing Rules, the Trustee, in determining the action to be taken or not taken by it, shall be entitled to have regard to the actions of NZX, as relevant, in relation to that non-compliance by the Issuer.

18. Replacement of Trustee

18.1 Resignation or removal of Trustee

Subject to the appointment and acceptance of a successor Trustee as provided in this clause 18:

- (a) the Trustee may resign at any time by giving not less than 90 days' written notice to the Issuer;
- (b) the Issuer may remove the Trustee from office by giving not less than 90 days' written notice to the Trustee; or
- (c) the Holders may remove the Trustee from office by giving not less than 90 days' written notice to the Issuer and Trustee upon the passing of an Extraordinary Resolution of every Class of Holders to that effect.

18.2 Appointment of new Trustee

Upon such a notice of resignation or removal being given, the Issuer will, subject to clause 18.3, have the right to appoint a successor Trustee, which must be a person who is authorised to act as a trustee under section 48 of the Securities Act.

18.3 Approval by Extraordinary Resolution

Where the successor Trustee is to be appointed as a consequence of the removal of the Trustee pursuant to clause 18.1(b), and at such time there are Retail Notes outstanding under this Deed and any Supplemental Trust Deed, then the removal of the Trustee and the appointment of the successor Trustee shall be subject to approval by an Extraordinary Resolution of Retail Holders.

18.4 Failure to Appoint Trustee

Other than where the successor Trustee requires approval pursuant to clause 18.3, if a successor Trustee has not been appointed by the Issuer or has not accepted an

appointment within 60 days after any such notice, then the retiring Trustee may, on behalf of the Issuer, appoint a successor Trustee. In circumstances where the successor Trustee requires approval by an Extraordinary Resolution of Retail Holders, any failure of the Issuer to appoint or have approved a successor Trustee will entitle the Retail Holders, by an Extraordinary Resolution of Retail Holders, to appoint a new Trustee.

18.5 Successor Trustee

Upon the acceptance of any appointment under this clause 18 by a successor Trustee:

- (a) the successor Trustee will succeed to, and become vested with, all the rights, powers and obligations of the retiring Trustee under the Transaction Documents and, as from that time, the retiring Trustee shall be discharged from its rights, powers and obligations;
- (b) the retiring Trustee must transfer to the successor Trustee all moneys, investments, property and books held by the Trustee under this Deed; and
- (c) the successor Trustee shall execute all such documents which are necessary or appropriate and in such form as may be reasonably required by the other parties to the Transaction Documents, such that the successor Trustee is bound by all the covenants on the part of the Trustee under the Transaction Documents from the date of such appointment; and
- (d) the Issuer shall execute all such documents which are necessary or appropriate and in such form as may be reasonably required by the retiring Trustee, such that the retiring Trustee is indemnified to its satisfaction in respect of the effectiveness of its retirement and any actions of the successor Trustee.

18.6 Notice

The Issuer shall notify all Holders of the appointment of any new trustee as soon as reasonably practicable following such appointment.

19. Liability of Trustee

19.1 Trustee not Indemnified

No provision of this Deed shall have the effect of exempting the Trustee from, or indemnifying the Trustee against, liability for wilful default, gross negligence or wilful breach of trust where the Trustee fails to show the degree of care and diligence required of the Trustee having regard to the Trust Powers and the provisions of this Deed.

19.2 Duty of care

Notwithstanding any other provision of this Deed but subject to the provisions of any Supplemental Trust Deed, the Trustee does not assume any duty of care to the Issuer, any creditors of the Issuer, the Wholesale Holders or any other person other than the Retail Holders (subject to and in accordance with this Deed and the relevant Supplemental Trust Deed) in exercising the Trust Powers, and shall not be liable to any person (including the Issuer and any Holders) in any way except for wilful default, gross negligence or wilful breach of trust where the Trustee has failed to show the degree of care and diligence required of it having regard to the provisions of this Deed and the relevant Supplemental Trust Deed.

20. Benefit of Deed

The Issuer acknowledges, in relation to each Series and the Holders of the Notes of that Series, that this Deed (including, for the avoidance of doubt, the Supplemental Trust Deed for that Series) is made for the benefit of, and (subject to clause 2.7) is intended to be enforceable by, any person who is from time to time a Holder of the Notes of that Series, the Registrar for that Series, and the Trustee.

21. Amendments

21.1 Limited right to amend

In relation to each Series, except as provided in clauses 21.2 and 21.3, the Issuer may not cancel, vary or amend any provision of this Deed or any Supplemental Trust Deed while any Notes are outstanding. Any amendment to this Deed or any Supplemental Trust Deed must be in writing signed by the Issuer and the Trustee.

21.2 Amendment without consent

- (a) In relation to each Series, the provisions of this Deed and the relevant Supplemental Trust Deed may be amended without the consent of the Holders of that Series where such amendment, in the opinion of the Issuer (and where that Series is a Retail Series, in the opinion of the Trustee) is:
- (i) of a minor, formal, administrative or technical nature;
 - (ii) to correct a manifest error;
 - (iii) to comply with the requirements or a modification of the requirements of any applicable law or any rules of any stock exchange in New Zealand or elsewhere;
 - (iv) necessary for the purpose of obtaining or maintaining a quotation of any Notes on any stock exchange in New Zealand or elsewhere;
 - (v) in respect of any of the provisions for reporting to the Trustee under this Deed or a Supplemental Trust Deed or in respect of clauses 15 and 17; or
 - (vi) (where that Series is a Retail Series) agreed to by the Trustee pursuant to clause 23,

and, in any such case, the Issuer is of the opinion that such amendment will not be materially prejudicial to the interests of Holders of that Series and, where that Series is a Retail Series, the Trustee is of the opinion that such amendment will not be materially prejudicial to the interests of Holders of that Retail Series.

- (b) Notice of any such amendment shall be provided to the Holders of the relevant Series within 30 days of the amendment being made.

21.3 Amendment approved by Holders

Without limiting clause 21.2, the provisions of this Deed may be amended in relation to each Class of Notes if the amendment has been approved:

- (a) by an Extraordinary Resolution of that Class of Holders; or

- (b) in writing by all Holders of that Class of Holders (and such authorisation may be given in one or more documents in similar form).

21.4 **Single meeting**

Without limiting section 14.4 of schedule 1, where the amendment requiring approval of the Holders pursuant to clause 21.3 relates to or arises from any general change in the constitution, affairs or business of the Issuer, and the subject matter of such resolution is the same in relation to Retail Holders and Wholesale Holders, such approval shall not be required to be dealt with by way of separate meetings of each such Class of Holders unless the Trustee determines that there is a material difference in the effect of such resolution on Retail Holders from Wholesale Holders.

21.5 **Notice**

Notice of any proposed variation under clause 21.3 shall be given by the Issuer to each Holder of each affected Class of Holders not less than 14 days before the date on which it is intended that such variation take effect, but the non-receipt of notice by any such Holder shall not affect the validity of any such variation.

22. **Waiver**

22.1 **Temporary Variation**

In addition to, and not in abrogation of or substitution for, clause 21 (but subject to any applicable law and except to the extent expressly provided otherwise in the Conditions for any Notes) the Trustee may, in respect of any Retail Series, temporarily vary the provisions of this Deed or any Supplemental Trust Deed applicable to any Retail Notes in each case for such period and on such terms as:

- (a) the Trustee may deem appropriate provided that it shall be satisfied that the interests of the affected Holders generally will not be materially and adversely prejudiced thereby; or
- (b) may be agreed by the Trustee pursuant to clause 23.

22.2 **Waivers**

Subject to any applicable law and except to the extent expressly provided otherwise in the Conditions for any Notes, by notice to the Issuer the Trustee may, in respect of any Retail Series, waive any breach or anticipated breach by the Issuer of this Deed or the relevant Supplemental Trust Deed applicable to any Retail Notes either wholly or in part for a specified period or indefinitely and on such other terms and conditions as:

- (a) it deems expedient provided that it shall be satisfied that the interests of the affected Holders generally will not be materially and adversely prejudiced thereby, and provided further that no such waiver shall prejudice the rights of the Trustee or the Holders in respect of any other breach; or
- (b) may be agreed by the Trustee pursuant to clause 23.

23. **Statutory Exemptions**

- 23.1 In relation to each Retail Series, except to the extent expressly provided otherwise in the Conditions for that Retail Series, if the Issuer is granted an exemption, or an exemption is

applicable to the Issuer, in relation to any obligation imposed upon the Issuer by or pursuant to the Financial Reporting Act, the Securities Act, the Securities Regulations 1983 or the listing rules of any stock exchange which is materially the same as or analogous to any obligation of the Issuer under this Deed or any Supplemental Trust Deed or any Notes, then provided two Authorised Officers of the Issuer certify that such amendment, temporary variation or waiver will not have a material adverse effect on the Issuer or be materially and adversely prejudicial to the general interests of any Class of Holders, the Trustee may in respect of that Retail Series agree to amend or temporarily vary this Deed or any Supplemental Trust Deed or the Notes of that Retail Series or waive any breach or anticipated breach of such obligation in a manner which is consistent with the relevant exemption.

24. Further and substituted issuers

24.1 Further Issuers

The Issuer shall be entitled to nominate any wholly-owned Subsidiary of the Issuer to be the issuer of the Notes of a particular Series by so providing in the Supplemental Trust Deed for that Series, provided that the new issuer enters into the relevant Supplemental Trust Deed and agrees to become bound by the terms of this Deed and in the case of a Retail Series on terms satisfactory to the Trustee (acting reasonably).

24.2 Substituted Issuers

The Issuer may substitute any wholly-owned Subsidiary of the Issuer (**Substituted Obligor**) in place of the Issuer (or of any previous substitute under this clause) as the principal debtor under this Deed and the Notes in relation to one or more Series but only if:

- (a) where the relevant Series is a Retail Series, the consent of the Trustee is obtained;
- (b) the obligations of the Substituted Obligor under the relevant Notes are guaranteed by the Issuer;
- (c) the Substituted Obligor succeeds to and becomes bound by all the terms and conditions of the Transaction Documents for the relevant Series by entering into such agreements and documents (**Substitution Documents**) each in form and substance satisfactory to:
 - (i) (where the relevant Series is a Retail Series) the Trustee, as the Trustee (acting reasonably) may deem appropriate;
 - (ii) (where the relevant Series is a Wholesale Series) the Holders of that Wholesale Series, as those Holders (acting reasonably) may and, to the extent relevant under this Deed and the relevant Supplemental Trust Deed in the context of a Wholesale Series, the Trustee (acting reasonably) deem appropriate;
- (d) (where the relevant Series is a Retail Series) such amendments are made to any other documents (including any Information Memorandum and prospectus in respect of the relevant Notes) as the Trustee may reasonably deem appropriate;
- (e) two directors of the Substituted Obligor certify that the Substituted Obligor will be solvent immediately after such substitution;
- (f) (if the relevant Notes, or any of them, are publicly rated by a rating agency as a result of a contract between the Issuer and that rating agency) that rating agency confirms in writing that following such substitution the rating assigned to the relevant Notes in

force immediately prior to the substitution taking effect shall be maintained or increased;

- (g) (where paragraph (f) above does not apply, and if the Issuer is publicly rated by a rating agency whether as a result of a contract between the Issuer and that rating agency or otherwise) that rating agency confirms in writing that following such substitution the rating assigned to the Substituted Obligor or any person guaranteeing the obligations of the Substituted Obligor under this Deed immediately prior to the substitution taking effect shall be maintained or increased;
- (h) the Issuer (or any such previous Substituted Obligor) and the Substituted Obligor comply with such other reasonable requirements as the Trustee may direct which the Trustee reasonably considers are in the interests of the Retail Holders (as a whole) of the relevant Notes, which may include a requirement that the Issuer remains bound by all or certain of the provisions of this Deed in respect of the relevant Notes;
- (i) prior to the substitution being effected, the Substituted Obligor warrants and represents to the Holders of the relevant Series that:
 - (i) it has obtained all necessary authorisations for such substitution;
 - (ii) it has obtained all necessary authorisations for the performance by it of its obligations under the relevant Transaction Documents and relevant the Notes and that they are in full force and effect; and
 - (iii) the obligations assumed by it are its legal, valid and binding obligations, enforceable against it in accordance with their terms, subject to laws affecting creditors' rights generally and equitable principles of general application; and
- (j) legal opinions (in form and substance reasonably satisfactory to the Trustee in respect of the relevant Retail Series or the Holders of the relevant Wholesale Series, as the case may be) have been delivered to the Trustee or the relevant Holders, as the case may be, confirming that, following such substitution:
 - (i) the Transaction Documents and the Notes will constitute legal, valid and binding obligations of the Substituted Obligor, enforceable against it in accordance with their terms, subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and equitable principles of general application;
 - (ii) the Substituted Obligor is validly incorporated in its jurisdiction of incorporation;
 - (iii) all necessary authorisations are in full force and effect; and
 - (iv) amounts payable to any Holder of the relevant Series will not be reduced by the existence of any applicable taxes or levies (other than taxes and approved issuer levy that the Issuer is already obliged to withhold or deduct) except for such taxes or levies (if any) in respect of which the Substituted Obligor has agreed to make compensating payments to the Holders of that Series.

24.3 Release of substituted issuer

Any Substitution Document entered into pursuant to clause 24.2 shall, if so expressed, release the Issuer from any or all of its obligations under the Notes and the Transaction Documents for the relevant Series with effect from the date of substitution. Notice of any substitution pursuant to clause 24.2 shall be given to the Holders of the relevant Series within 14 days of the execution of the Substitution Documents and compliance with the other requirements of clause 24.2.

24.4 Completion of Substitution

After notice has been given in accordance with clause 24.3:

- (a) the Substituted Obligor shall be deemed to be the principal debtor and to have all the rights, powers and obligations of the Issuer under the Transaction Documents for the relevant Series as if the Substituted Obligor were originally named in those Transaction Documents in place of the Issuer; and
- (b) this Deed and the Conditions of the relevant Notes shall be deemed to be amended as necessary to give effect to the substitution.

25. Deed of Negative Pledge and Guarantee

25.1 Rights of Trustee on own account

The Issuer, (for itself and on behalf of each other Guaranteeing Group Company as provided for in clause 8.1 of the Deed of Negative Pledge and Guarantee, but subject to clause 25.3 below), extends the benefit of the Deed of Negative Pledge and Guarantee to the Trustee and each Wholesale Holder and, accordingly, for the purposes of the Deed of Negative Pledge and Guarantee:

- (a) this Deed and each Supplemental Trust Deed shall be a "Facility";
- (b) the Trustee shall be a "Financier" (and shall hold its rights as Financier on trust for Retail Holders in accordance with this Deed);
- (c) each Wholesale Holder shall be a "Financier";
- (d) all money owing or payable by the Issuer to Retail Holders or to the Trustee in its own right or on behalf of Retail Holders under or pursuant to this Deed shall constitute "Indebtedness"; and
- (e) this Deed and each Supplemental Trust Deed is a "Letter of Accession".

25.2 Rights of Trustee on behalf of Holders

In addition to its rights under clause 25.1, the Trustee shall hold the benefit of the Deed of Negative Pledge and Guarantee on behalf of Holders in each Retail Series, unless otherwise specified under the relevant Supplemental Trust Deed. Holders in each Retail Series will only be entitled to exercise rights under the Transaction Documents in accordance with clause 2.7(a). Notwithstanding clause 2.7, no Retail Holder shall be entitled to exercise any rights under clause 2.1.3 (Information on Request) of the Deed of Negative Pledge and Guarantee.

25.3 Exclusion of certain provisions

Unless otherwise specified in the relevant Supplemental Trust Deed, neither the Trustee nor any Holders will have the benefit of any of the following clauses of the Deed of Negative Pledge and Guarantee:

- (a) clause 2.1.1 (Annual Financial Statements); and
- (b) clause 2.1.2 (Semi-Annual Financial Statements).

25.4 Amendments to Deed of Negative Pledge and Guarantee

- (a) The Trustee will not have the benefit of, or be subject to, any amendments to the Deed of Negative Pledge and Guarantee made after the date of this Deed unless expressly agreed between the Issuer and the Trustee.
- (b) Subject to paragraph (a) above, the Issuer may amend the Deed of Negative Pledge and Guarantee at any time without the consent of the Trustee.

26. Meetings of holders

26.1 Convening

Meetings of a Class of Holders are to be convened and held in accordance with the provisions of schedule 1.

26.2 No voting by Issuer

Notwithstanding any other provision of this Deed, where the Issuer or any Subsidiary of the Issuer is a Holder, neither the Issuer nor any of its Subsidiaries may vote on any matter relating to the Notes held by the Issuer.

27. Notices

27.1 Writing

Each notice or other communication to be given or made under this Deed or a Supplemental Trust Deed to any person must:

(a) **Writing**

be given or made in writing by fax or letter and be signed by the sender or an authorised officer of the sender;

(b) **Address**

be given or made to the recipient at the address or fax number, and marked for the attention of the person (if any), from time to time designated by the recipient to the other for the purposes of the Transaction Documents;

(c) **Deemed delivery**

not be effective until received by the recipient, and any such notice or communication shall be deemed to be received:

- (i) (if given or made by letter) when left at the address of the recipient or 5 Business Days after being put in the post (by airmail if to another country), postage prepaid, and addressed to the recipient at that address; or
- (ii) (if given or made by fax) upon production of a transmission report by the machine from which the fax was sent which indicates that the fax was sent in its entirety to the fax number of the recipient,

provided that any notice or communication received or deemed received after 5pm on a working day in the place to which it is sent, or on a day which is not a working day in

that place, shall be deemed not to have been received until the next working day in that place.

27.2 Initial address and numbers

The initial address, fax number and person (if any) designated for the purposes of this Deed, are set out below:

(a) **The Issuer:**

Contact Energy Limited
Level 1
Harbour City Tower
29 Brandon Street
Wellington

Fax: 04 499 4003
Attention: The Treasurer

(b) **The Trustee:**

The New Zealand Guardian Trust Company Limited
Guardian Trust House
Level 3
15 Willeston Street
Wellington

Fax: 04 499 1454
Attention: Manager, Corporate Trusts

(c) **The Holders:**

The address of each Holder last entered in the Register.

27.3 Joint Holders

In the case of joint holders of Notes a notice given to the Holder whose name stands first in the Register in respect of such holding shall be sufficient notice to all the joint holders.

28. Release

Upon being indemnified to its reasonable satisfaction pursuant to clause 15.3 and upon proof being given to the reasonable satisfaction of the Trustee that all sums owing or outstanding in respect of the Notes or otherwise under this Deed and any relevant Supplemental Trust Deed have been paid or satisfied or that provision for such payment or satisfaction has been made in accordance with the provisions of this Deed and upon payment or retention of all costs, charges and expenses incurred by, or payable to, the Trustee in relation to this Deed and any relevant Supplemental Trust Deed and the remuneration of the Trustee and all other money payable hereunder the Trustee shall, at the request and cost of the Issuer, execute a deed of release of this Deed and any relevant Supplemental Trust Deed and shall thereupon retire.

29. Miscellaneous

29.1 Registration of Deed

If the Issuer proposes to issue a Retail Series, it shall promptly, at its own cost, register this Deed and the Supplemental Trust Deed and any amendment to this Deed or such Supplemental Trust Deed in respect of that Series as required by the Securities Act and shall pay all costs and expenses incidental to doing so.

29.2 Waivers and remedies

Time shall be of the essence of this Deed and any applicable Supplemental Trust Deed but no delay in acting, or failure to act, by a Holder is a waiver of any of that Holder rights, nor will any single or partial exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The rights provided in this Deed and any applicable Supplemental Trust Deed do not exclude any rights provided by law.

29.3 Partial invalidity

An invalid provision in this Deed and any applicable Supplemental Trust Deed shall not affect the enforceability of the remaining provisions of this Deed or any Supplemental Trust Deed.

29.4 Resolutions of Holders

Any matter relating to this Deed or a relevant Supplemental Trust Deed or the Notes issued pursuant to this Deed may be agreed or approved by the relevant Class of Holders by signing (in any number of counterparts) a memorandum in writing, recording the matter so agreed or approved.

29.5 Further issues

In respect of each Series, subject to any agreement to the contrary contained in any Transaction Document in respect of that Series, the Issuer may from time to time, without the consent of the Holders of that Series, issue further notes or other debt obligations on such other terms and conditions as the Issuer may think fit as part of that Series or a new Series.

29.6 Documents

Copies of this Deed, each Supplemental Trust Deed and the Information Memorandum relating to Notes held by the relevant Holder, the Agency Agreement in relation to the relevant Series and any other Transaction Document in relation to the relevant Series will be made available by the Issuer for inspection during usual business hours by any Holder at the office of the Issuer referred to in clause 27.2 (or such other office as the Issuer may notify the Holders from time to time). Each Holder will be deemed to have notice of the provisions of this Deed and each other Transaction Document in relation to the relevant Series.

29.7 No liability

No Registrar will be liable for any breach by the Issuer of any representation, obligation, undertaking, including the non-payment of any money due, nor will any Registrar be liable for any negligent act, error or omission on the part of the Issuer, nor for acting in accordance with any instruction or direction of the Issuer or with the consent or approval of the Issuer.

29.8 Survival

The indemnities given in this Deed and any Supplemental Trust Deed will survive the repayment of all the Notes and the termination of this Deed and any relevant Supplemental Trust Deed.

29.9 Remedies Cumulative

The rights, powers and remedies provided in this Deed and any relevant Supplemental Trust Deed are cumulative and not exclusive of any rights, powers or remedies provided by law.

29.10 Counterparts

This Deed may be signed in any number of counterparts, all of which together constitute one and the same instrument, and any of the parties may execute this Deed by signing any such counterpart (by fax or otherwise).

30. Governing law

30.1 Governing law

This Deed shall be governed by New Zealand law.

30.2 Submission to jurisdiction

The Issuer and the Trustee submit to the non-exclusive jurisdiction of the New Zealand courts for the purpose of any legal proceedings arising out of this Deed.

Schedule 1: Meeting of Holders

1. Interpretation

1.1 Definitions

In these provisions:

Appointed Time means the day and time at which any meeting of Holders or the taking of a poll of Holders (not at a meeting of Holders) is due to be held.

Extraordinary Resolution means a resolution passed at a meeting of Holders properly convened and held in accordance with the provisions of this schedule, at which not less than three fourths of the persons voting upon a show of hands or, if a poll is properly demanded, not less than three fourths of the votes given on such a poll voted in favour of the resolution.

Proxy Closing Time means 48 hours before the Appointed Time of the relevant meeting of Holders or taking of a poll of Holders.

Representative means:

- (a) in the case of an individual Holder, a person appointed by an instrument of proxy or by power of attorney or, in the event of the death of a Holder, the personal representative of that Holder;
- (b) in the case of a Holder which is a corporation or corporation sole either:
 - (i) a person appointed by an instrument of proxy or by power of attorney; or
 - (ii) a person authorised by the directors of the corporation, or in the case of a corporation sole, a person authorised pursuant to its constitution.

1.2 Classes

In this schedule, references to "Notes" and "Holders" are references to the Notes of the relevant Class of Notes only and the Holders of the relevant Class of Notes only.

2. Convening

2.1 Meeting required by law

The Issuer shall, whenever required to do so pursuant to the Companies Act 1993 or the Securities Act 1978 or any other applicable law, convene a meeting of the Holders.

2.2 By Holders

The Issuer shall, at the request in writing of Holders holding not less than 10% of the aggregate Principal Amount of the Notes, convene a meeting of the Holders. The request must state the nature of the business proposed to be dealt with at the meeting concerned.

2.3 By Issuer

The Issuer may at any time of its own volition convene a meeting of the Holders.

2.4 By Trustee

In relation to any Retail Series, the Trustee may at any time of its own volition (after such consultation with the Issuer which is reasonable in the circumstances as to the nature of the business the subject of the proposed meeting) convene a meeting of Retail Holders. The Trustee shall not be obliged to convene a meeting of Retail Holders pursuant to this section 2.4 until it has been indemnified to its reasonable satisfaction against all costs and expenses to be incurred in relation to that meeting.

2.5 Place of meeting

Each meeting will be held in the city or town in which the registered office of the Issuer is situated or at such other place as designated by the Issuer.

2.6 Regulations

Meetings of Holders shall be convened and held in accordance with the provisions of this schedule or such supplemental rules or procedures for meetings, and variations to the rules and procedures applying to such meeting set out in this schedule, as the Trustee and the Issuer may agree from time to time.

3. Notice of Meetings

3.1 Persons to be notified

Notice of every meeting shall be given in the manner provided in clause 27 of this Deed to:

- (a) every Holder entered in the Register as at the close of business five Business Days prior to the date of despatch of the notice;
- (b) every personal representative or assignee in bankruptcy of any such Holder who, to the actual knowledge of the Issuer, is deceased or insolvent as the case may be;
- (c) the Issuer, if the meeting is convened by the Trustee;
- (d) the Trustee, if the meeting is convened by the Issuer; and
- (e) if the relevant Notes are listed, any stock exchange on which those Notes are listed.

3.2 Time for notification

Subject to sections 3.5 and 4.5, at least 14 days' notice of every meeting will be given. The notice will be exclusive of the day on which it is served or deemed to be served and of the day for which it is given.

3.3 Contents of notice

The notice will specify the place and Appointed Time of the meeting and the general nature of the business to be transacted. It will not be necessary to specify in the notice the terms of the resolutions to be proposed, except in the case of a resolution proposed to be passed as an Extraordinary Resolution in which case the text of the proposed resolution must be set out.

3.4 **Prior notification of Trustee**

The Issuer shall, at least 10 days before the Issuer gives notice of a meeting in relation to such Series, advise the Trustee in writing of the intended place and time of the meeting and the nature of the business to be conducted and shall, in respect of a meeting of any Retail Holders, obtain the prior written approval of the Trustee to any documents it proposes to send to the relevant Retail Holders (such approval not to be unreasonably withheld or delayed). If the Trustee so requires, the documents shall include any statement which the Trustee wishes to make in relation to the meeting and the matters to be considered at it.

3.5 **Short or informal notice**

Notwithstanding any other provision of this section 3, a meeting may be called by shorter notice than that specified in section 3.2, or without any formal notice, and without compliance with section 3.3, and shall be deemed to have been duly called if it is so agreed by all Holders before, at or after that meeting.

3.6 **Accidental omission**

The accidental omission to give notice to, or the non-receipt of notice by, any person (other than the Trustee) entitled to receive notice will not invalidate the proceedings at any meeting.

4. **Quorum**

4.1 **Quorum required**

No business will be transacted at any meeting unless the requisite quorum is present at the commencement of business.

4.2 **Quorum for Extraordinary Resolution**

Subject to section 4.4, the quorum for passing an Extraordinary Resolution will be two or more Holders (present in person or by Representative) holding or representing a majority in Principal Amount of the Notes. Where a Holder holds Zero Coupon Notes, for the purposes of determining the quorum, the Principal Amount of those Zero Coupon Notes is to be construed as a reference to the net present value of those Zero Coupon Notes (as calculated by the Registrar for the relevant Series by adjusting, on a straight line basis, the Principal Amount of the relevant Note by a proportion of any discount to that Principal Amount applicable to such Note on its Issue Date) as at the date of the meeting.

4.3 **Quorum for other business**

Subject to section 4.4, the quorum for the transaction of any business other than the passing of an Extraordinary Resolution will be the Holders present in person or by Representative holding or representing at least 10% in Principal Amount of the Notes. Where a Holder holds Zero Coupon Notes, for the purposes of determining the quorum, the Principal Amount of those Zero Coupon Notes is to be construed as a reference to the net present value of those Zero Coupon Notes (as calculated by the Registrar for the relevant Series by adjusting, on a straight line basis, the Principal Amount of the relevant Note by a proportion of any discount to that Principal Amount applicable to such Note on its Issue Date) as at the date of the meeting.

4.4 **Quorum not present**

If, within 15 minutes (or any longer time not exceeding 45 minutes as the chairman of the meeting may decide) after the Appointed Time, a quorum is not present the meeting, if

convened at the request of Holders, will be dissolved. In any other case it will be adjourned to a day and time (not being less than 14 days later) and to a place as may be appointed by the chairman. At such adjourned meeting all the Holders present in person or by Representative will be a quorum for the transaction of business including the passing of Extraordinary Resolutions.

4.5 Notice of adjourned meeting

Notwithstanding section 3.1, notice of any such adjourned meeting of Holders at which an Extraordinary Resolution is to be submitted shall be given to the Holders recorded in the Register as at the day before the notice of adjourned meeting is given and otherwise will be given in the same manner as for an original meeting (except that only seven clear days' notice will be required) and such notice will state that the Holders present in person or by Representative at the adjourned meeting will form a quorum whatever the Principal Amount of Notes held by them.

5. Chairman

5.1 Wholesale Series

At a meeting of Wholesale Holders a person appointed, by a resolution of Holders, from the Holders or any Representatives present will preside as chairman at a meeting.

5.2 Retail Series

A person nominated by the Trustee shall preside at every meeting of Retail Holders. If no such person is nominated or if at any meeting the person nominated is not present within 15 minutes after the time appointed for holding the meeting, the Holders or Representatives present shall appoint a person to be chairman.

6. Right to Attend and Speak

Any director, officer or solicitor, auditor or accountant of the Issuer, or any person appropriately authorised by the Issuer (or, in relation to any Retail Series, any director, officer or solicitor of the Trustee, or any person appropriately authorised by the Trustee), may attend any meeting and all such persons will have the right to speak at the meeting.

7. Adjournment

7.1 Chairman may adjourn

The chairman may, with the consent of any meeting at which a quorum is present, and will, if so directed by the meeting, adjourn the meeting from time to time and from place to place.

7.2 Business at adjourned meeting

No business will be transacted at any adjourned meeting except business which might have been lawfully transacted at the meeting from which the adjournment took place.

8. Only persons on Register recognised by Issuer

The persons named as Holders in the Register at the Proxy Closing Time will be recognised and treated as the legal owners of the Notes whether those persons are or are not in fact the beneficial owners of those Notes.

9. Authority to Vote

9.1 Voting

An individual Holder may vote personally or by his Representative and a Holder which is a corporation may vote by its Representative. A Holder may appoint more than one Representative, each such Representative being authorised to act on behalf of the Holder in respect of a specified Principal Amount of Notes.

9.2 Entitlement

The persons named in the Register as Holders at the Proxy Closing Time or the personal representatives or assignees in bankruptcy of any such Holder will be exclusively entitled to vote in person or by Representative in respect of the Notes recorded as owned by them.

10. Proxies

10.1 In writing

The instrument appointing a proxy must be in writing signed by the appointer or his attorney or, if the appointer is a corporation, either by an authorised officer or attorney or by any director, general manager, investment manager or other person who appears to have authority to appoint a proxy on behalf of the corporation.

10.2 Proxy need not be Holder

A person appointed to act as a proxy need not be a Holder. A holder of a proxy will have the right to speak at the meeting.

11. Holder may appoint Attorney

11.1 Except where a Holder is the Issuer or any of its Subsidiaries, any Holder may by power of attorney appoint an attorney (who need not be a Holder) to vote and act on his behalf at any meeting. An attorney will be entitled to produce evidence of his appointment at any time before the Appointed Time. An attorney who is so empowered may exercise the Holder's right to appoint a proxy.

12. Corporate Representatives

12.1 Authority

A Representative of a Holder which is a corporation or a corporation sole will, until his authority is revoked, be entitled to exercise the same powers on behalf of the corporation as that corporation could exercise if it were an individual Holder and will be entitled to produce evidence of his authority to act at any time before the Appointed Time of, or at, the meeting or adjourned meeting or for the taking of a poll at which the Representative proposes to vote.

12.2 Right to act

A Representative will have the right to demand or join in demanding a poll and will (except and to the extent to which the Representative is specially directed to vote for or against any proposal) have power generally to act at the meeting for the Holder concerned.

13. Voting Procedure and Polls

13.1 Show of hands

A resolution put to the vote of a meeting will be decided on a show of hands unless a poll is demanded (before or on the declaration of the result of the show of hands) by:

- (a) the chairman; or
- (b) the Trustee;
- (c) the Issuer or any representative of the Issuer; or
- (d) one or more Holders holding or representing not less than 5% in aggregate Principal Amount of the Notes.

A declaration by the chairman that a resolution has been carried by the requisite majority or lost will be conclusive evidence of that fact unless a poll is demanded.

13.2 Number of votes

On a show of hands each person present at the meeting and entitled to vote (whether personally or as a Representative) will have one vote only. On a poll every Holder who is present in person or by a Representative will have one vote for every \$1 of Principal Amount of the Notes of which he is the Holder, provided that where a Holder holds Zero Coupon Notes, for the purposes of calculating that Holder's voting entitlement in this clause, the Principal Amount of those Zero Coupon Notes is to be construed as a reference to the net present value of those Zero Coupon Notes (as calculated by the Registrar for the relevant Series by adjusting, on a straight line basis, the Principal Amount of the relevant Note by a proportion of any discount to that Principal Amount applicable to such Note on its Issue Date) as at the date of the meeting. On a poll votes may be given either personally or by Representative and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

13.3 Poll

If a poll is demanded it will be taken in the manner directed by the chairman and the result of the poll will be deemed to be the resolution of the meeting at which the poll was demanded.

13.4 Chairman has no casting vote

The Chairman of any meeting will not have a casting vote in addition to the votes (if any) to which the Chairman may be entitled as a Holder or on behalf of Holders.

13.5 Election of chairman

A poll demanded on the election of a chairman or on a question of adjournment will be taken immediately. A poll demanded on any other question will be taken either immediately or at a time within 30 days from the date of the meeting and in a place appointed by the chairman.

The result of the poll will be deemed to be the resolution of the meeting at which the poll was demanded. No notice need be given of a poll not taken immediately.

13.6 No disturbance

The demand for a poll will not prevent the continuance of a meeting for the transaction of business other than the question in relation to which the poll has been demanded.

13.7 Joint Holders

In the case of joint Holders the vote of the senior who tenders a vote whether in person or by Representative will be accepted to the exclusion of the vote of the other joint Holders and for this purpose seniority will be determined by the order in which the names stand in the Register in respect of the joint holding.

13.8 Disqualification

A vote given in accordance with the terms of an instrument of proxy or power of attorney or other authority will be valid notwithstanding the previous death, insanity or (in the case of a corporation) liquidation of the principal or revocation of the proxy or power of attorney or authority or the transfer of the Notes in respect of which the vote is given, provided that no written notice of such death, insanity, liquidation, revocation or transfer is received by the Issuer at its registered office before the commencement of the meeting or adjourned meeting at which the proxy, attorney or authority is used. Neither the Issuer nor any Subsidiary of the Issuer shall be entitled to vote in respect of any Notes held by them.

14. Extraordinary Resolutions

14.1 Powers

A meeting of Holders will, in addition to all other powers which by this Deed are specified as exercisable by Extraordinary Resolution, have the following powers exercisable by Extraordinary Resolution namely power to:

- (a) sanction either unconditionally or upon any conditions the release of the Issuer from the payment of all or any part of the moneys payable pursuant to this Deed or the Notes;
- (b) sanction any request from the Issuer for the exchange of the Notes for, or the conversion of the Notes into, shares, stock, debentures, debenture stock or other obligations or securities of the Issuer or any other company formed or to be formed;
- (c) postpone or, with the concurrence of the Issuer, to accelerate the day when the Principal Amount of any Notes becomes payable and to suspend or postpone for a time the payment of interest on any Notes;
- (d) sanction any alteration, release, modification, waiver, variation, or compromise or any arrangement relating to the rights of the Holders against the Issuer or its assets however those rights arise;
- (e) assent to any amendment to the terms of this Deed or the relevant Supplemental Trust Deed proposed or agreed to by the Issuer (and, where required, the Trustee) and to authorise the Issuer and the Trustee to execute any Supplemental Trust Deed embodying any such amendment;

- (f) give any sanction, assent, release or waiver of any breach or default by the Issuer or the Trustee under any of the provisions of this Deed or the relevant Supplemental Trust Deed;
- (g) sanction any scheme for the reconstruction of the Issuer or for the amalgamation of the Issuer with any other corporation where such sanction is necessary;
- (h) subject to section 62 of the Securities Act 1978, discharge, release or exonerate the Trustee from all liability in respect of any act of commission or omission for which the Trustee has or may become responsible under this Deed or any Supplemental Trust Deed;
- (i) subject to the provisions of this Deed, remove any Trustee and to approve the appointment of or appoint a new Trustee;
- (j) consent to, approve, authorise and direct the Trustee in respect of any of the matters referred to or any of the foregoing paragraphs of this section 14.1, or as to any other matter which may be necessary to carry out and give effect to any Extraordinary Resolution;
- (k) authorise or direct the Issuer and in respect of a Retail Series, the Trustee to execute any supplemental deed or other document embodying such sanction, authority or approval, assent, release, waiver, direction or request.

14.2 Binding on Holders

An Extraordinary Resolution passed at a meeting of Holders properly convened and held will be binding upon all the Holders whether or not present or entitled to be present at the meeting and the Holders will be bound to give effect to that resolution. The passing of any such resolution will, as between the Issuer and the Holders, be conclusive evidence that the circumstances justify the passing thereof the intention being that the meeting is entitled to determine without appeal whether or not the circumstances justify the passing of any such resolution. Notwithstanding the foregoing, a resolution which affects a particular Holder or Holders holding a Class of Notes only (as opposed to the rights of the Holders generally) will not be binding on such Holder or Holders unless such Holder or Holders agree to be bound by the terms of such resolution or unless the Holders of that Class have so agreed by virtue of an Extraordinary Resolution of the Holders of that Class of Notes. Whenever there are Notes outstanding which do not form a single Class then the provisions of this schedule shall have effect subject to the following:

- (a) a resolution which affects a particular Holder only, rather than the rights of all Holders generally, or of a particular Class of Holders generally, will not be binding on such Holder unless such Holder agrees to be bound by the terms of such resolution;
- (b) a resolution which affects one Class of Notes only is deemed to have been duly passed if passed at a properly convened and held meeting of the Holders of that Class (or pursuant to section 16);
- (c) a resolution which affects more than one Class of Notes, but does not give rise to a conflict of interest between the Holders of any of the Classes so affected is deemed to have been duly passed if passed at a single properly convened and held meeting of the Holders of all Classes so affected (or pursuant to section 16);
- (d) a resolution which affects more than one Class of Notes and gives or may give rise to a conflict of interest between the Holders of any of the Classes so affected is deemed to have been duly passed if passed at separate properly convened and held meetings of the Holders of each Class so affected (or pursuant to section 16); and

- (e) in respect of each meeting referred to in paragraphs (b), (c) and (d) of this section 14.2, the provisions of this schedule apply with the necessary modifications as though references in them to Notes and Holders were references to the relevant Class or Classes and to the Holders of the Notes comprised in such Class or Classes, respectively.

14.3 Reliance on advice

The Issuer and the Trustee may rely on, and the Holders and the Registrar for the relevant Series shall be bound by, a legal opinion from a leading law firm in New Zealand addressed to the Issuer and/or the Trustee, as the case may require, to the effect that a resolution affects one Class only or, if it affects more than one Class of Notes, does not give rise to a conflict of interest, for the purposes of determining the meeting or meetings which need to be held for the purposes of section 14.2.

14.4 Single meeting

Where any resolution of the Holders relates to or arises from any general change in the constitution, affairs or business of the Issuer, and the subject matter of such resolution is the same in relation to Retail Holders and Wholesale Holders, such approval shall not be required to be dealt with by way of separate meetings of each such Class of Holders unless the Trustee determines that there is a material difference in the effect of such resolution on Retail Holders from Wholesale Holders.

15. Minutes to be kept

- 15.1 Minutes of all resolutions and proceedings at every meeting will be made by the Trustee in the case of a meeting of Retail Holders or any of them, or in any other case the Issuer or, if the Issuer is not present at the meeting, by a person appointed by the chairman of the meeting. Minutes must be entered in books from time to time provided for that purpose by the Issuer. Any such minutes, if signed or apparently signed by the chairman of the meeting at which a resolution was passed or proceedings had or by the chairman of the next meeting of Holders, will be prima facie evidence of the matters recorded in those minutes. Until the contrary is proved every meeting in respect of which minutes have been made will be deemed to have been properly held and convened and all resolutions passed or proceedings had at that meeting to have been properly passed and had.

16. Resolutions in writing

16.1 Extraordinary Resolution

Anything that may be done by Holders by a resolution or Extraordinary Resolution passed at a meeting of Holders may be done by a resolution in writing signed by not less than 75% of the Holders having the right to vote on that resolution, holding in aggregate the Notes conferring the right to cast not less than 75% of the votes which could be cast on that resolution.

16.2 Counterparts

Any such resolution may consist of several documents in similar form, each signed by one or more Holders.

16.3 Execution

Any such resolution may be signed by a Holder, or an agent or attorney of the Holder duly authorised in writing, or if the Holder is a company, by a director, or by an attorney so authorised by the company.

Schedule 2: Form of Directors' Certificate

1. This report is given by the undersigned Directors of Contact Energy Limited (**Issuer**) pursuant to clause 12.3 of the Master Trust Deed dated [] between the Issuer and The New Zealand Guardian Trust Company Limited, as trustee (**Trust Deed**).
2. Unless the context otherwise requires, terms defined in the Trust Deed have the same meaning herein.
3. We, the undersigned, hereby state that as at the last day of the financial [year] [half-year] ending on [] (**Reporting Date**), to the best of our knowledge and belief having made all due inquiries, and, during the immediately preceding financial [year] [half-year]:
 - (a) [Here state any matter, or state if there is not any matter, which has arisen relating to the Issuer which would materially and adversely affect the ability of the Issuer to perform its obligations under the Trust Deed and the Notes];
 - (b) the Issuer has observed and complied with all provisions expressed to be binding upon it under the Trust Deed and any relevant Supplemental Trust Deed in respect of Retail Notes including the payment of all interest on, and the Principal Amount in respect, of the Retail Notes;

[If the Issuer has not so complied and observed the provisions of the Trust Deed or any Supplemental Trust Deed set out the particulars of the contravention and proposals to remedy the same]
 - (c) no Event of Default has occurred;

[If any Event of Default has occurred, set out the particulars of the Event of Default and, if appropriate, details of how it has been, or is proposed to be, remedied.]
 - (d) the Principal Amount of Retail Notes (if any) which have been repaid on maturity is \$[];
 - (e) all interest due on the Retail Notes has been paid;

[If any interest has been suspended in respect of Subordinated Bonds in the immediately preceding financial year or half-year, provide details]
 - (f) each Register in respect of a Series has been duly maintained in accordance with the Trust Deed;

[If any Register in respect of a Series has not been duly maintained set out the particulars of the failure to maintain]
 - (g) the Issuer has complied with clause 2.3.1 (Debt:Equity Ratio) of the Deed of Negative Pledge and Guarantee;

[If the Issuer has not so complied and observed its banking covenants set out the particulars of the contravention and proposals to remedy the same]
 - (h) the Guaranteeing Group Companies under the Deed of Negative Pledge and Guarantee are [] and [];

[If there are no Guaranteeing Group Companies, state so. Provide details regardless of whether any particular Series is guaranteed by the Guaranteeing Group Companies.]

BELL GULLY

- (i) the ratio in clause 2.3.2 of the Deed of Negative Pledge and Guarantee is [above/below] 85%.

[If the ratio is below 85%, additional reporting requirements apply under clause 12.2(b) of the Trust Deed].

4. As at the date of this certificate, to the best of our knowledge and belief the available assets of the Issuer are sufficient or likely to be sufficient to discharge amounts payable in respect of the Notes over the 12 month period commencing on the Reporting Date.
5. As at the Reporting Date the aggregate Principal Amount of the Retail Notes outstanding is \$[].

This certificate is given on the [] day of 20[]

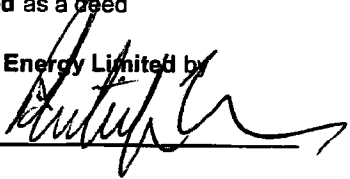
Director

Director

Execution

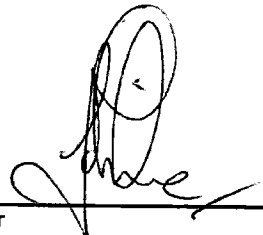
Executed as a deed

Contact Energy Limited by



Director

Phillip John Pryke
Print Name



Director

John Herbert Glanville Milne
Print Name

Executed under the name and seal
of **The New Zealand Guardian
Trust Company Limited** by:

Authorised Signatory

Print Name

Witness to both signatures
(if not signed by two directors)

Print Name

Occupation

Address

Authorised Signatory

Print Name

Execution

Executed as a deed

Contact Energy Limited by

Director

Print Name

Executed under the name and seal
of The New Zealand Guardian Trust
Company Limited by:

Authorised Signatory

John B. Sewell

Print Name

Gisela Parker

Witness to both signatures
(if not signed by two directors)

Gisela Parker

Print Name

Secretary

Occupation

Wellington

Address

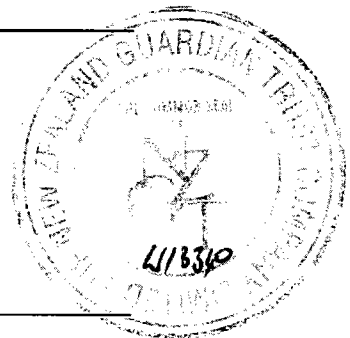
Director

Print Name

Authorised Signatory

JANUSZ YESZYNSKI

Print Name



Supplemental Trust Deed Series 1

Contact Energy Limited

Issuer

and

The New Zealand Guardian Trust Company Limited

Trustee

Date *23 February 2009*

BELL GULLY

WELLINGTON HP TOWER, 171 FEATHERSTON STREET
P O BOX 1261, WELLINGTON 6140, DX SX11164, NEW ZEALAND
TEL 64 4 915 6800 FAX 64 4 915 6810

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This Supplemental Trust Deed is made on 23 February 2009

between (1) Contact Energy Limited (Issuer)

and (2) The New Zealand Guardian Trust Company Limited (Trustee)

Introduction

This deed is a supplemental trust deed entered into pursuant to clause 2.4 of the Master Trust Deed to provide for the constitution and issue of the Bonds described in this Supplemental Deed.

Covenants

1. Interpretation

1.1 Master Trust Deed: The terms of the Master Trust Deed (including, without limitation, the definitions, rules of construction and the miscellaneous provisions of clauses 1.1, 1.2 and 1.4 respectively of the Master Trust Deed) shall apply in this Supplemental Deed and to the Bonds constituted by this Supplemental Deed except to the extent modified in this Supplemental Deed. To that extent, or in the event of any conflict between the provisions of this Supplemental Deed and those of the Master Trust Deed, the provisions of this Supplemental Deed shall prevail over those of the Master Trust Deed.

1.2 Additional or modified defined terms: In this Supplemental Deed, unless the context otherwise requires:

Bonds mean the unsecured, unsubordinated, fixed rate Notes which are to be issued pursuant to this Supplemental Deed.

Master Trust Deed means the master trust deed dated on or about the date of this Supplemental Deed between the Issuer and the Trustee.

Maturity Date means, in respect of a Bond, the Maturity Date specified on the Rate Card applicable to that Bond.

Rate Card means, in respect of any Bond, the rate card circulated by the Issuer setting out, amongst other things, the Interest Rate and the Maturity Date applicable to that Bond.

Registrar means Computershare Investor Services Limited.

Supplemental Deed means this supplemental trust deed and, for the avoidance of doubt, includes the terms of the Master Trust Deed as applied herein in accordance with, and subject to, clause 1.1.

1.3 Modification of other terms in Master Trust Deed: In this Supplemental Deed, the terms **Bonds**, **Holder**, **Information Memorandum** and **Register** have the meanings given in the Master Trust Deed but, in this Supplemental Deed, refer only to the Bonds of this Series, to the Holders of those Bonds, to the Information Memorandum relating to this Series and to the Register in relation to this Series.

1 

2. Issue and Terms of Bonds

- 2.1 **Maximum Principal Amount:** The maximum Principal Amount of Bonds that may be issued is \$300 million although the Issuer shall be entitled to issue additional Bonds, with no aggregate maximum Principal Amount, if it receives applications from investors for Bonds having total Principal Amounts greater than \$300 million.
- 2.2 **Status under Master Trust Deed:** The Bonds are Fixed Rate Notes.
- 2.3 **Sale restrictions:** The Bonds may only be offered for sale or sold in New Zealand in conformity with all applicable laws and regulations in any jurisdiction in New Zealand. No Bonds may be offered for sale or sold in any other country or jurisdiction except in conformity with all applicable laws and regulations of that country or jurisdiction. The Information Memorandum may not be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations in that country or jurisdiction.
- 2.4 **Terms and Conditions:** The terms and conditions to apply to the Bonds are set out in Schedule 1.
- 2.5 **Guaranteeing Subsidiaries:** The Bonds will not, at the time of issue, be guaranteed by any Subsidiary.

3. Deed of Negative Pledge and Guarantee

- 3.1 **No Guarantee:** Clauses 5, 6 and 7 of the Deed of Negative Pledge and Guarantee shall not apply to the Bonds or to any principal, interest or other amount represented by the Bonds.
- 3.2 **Contact as Guaranteeing Group:** The definition of 'Guaranteeing Group Company' in the Deed of Negative Pledge and Guarantee shall be amended, for the purposes of the Bonds, as follows:
- "Guaranteeing Group Company" means (except in the case of clause 3.1.2(c) of the Deed of Negative Pledge and Guarantee, where it shall have the meaning set out in the Deed of Negative Pledge and Guarantee) the Parent;
- 3.3 **Financial Covenants:** Clause 2.3.2 (Guaranteeing Group Worth) of the Deed of Negative Pledge and Guarantee shall not apply to the Bonds.
- 3.4 **No prejudice to permitted transactions:** Nothing in this Deed (including the definition of Guaranteeing Group Company set out in clause 3.2) shall prejudice or prohibit any transaction permitted to be undertaken by a Guaranteeing Group Company (as defined in the Deed of Negative Pledge and Guarantee) under the Deed of Negative Pledge and Guarantee.

4. Conditions Precedent

- 4.1 **Conditions precedent:** The Issuer is not entitled to issue any Bonds until the Trustee has confirmed to the Issuer in writing that it has received the following in form and substance satisfactory to it:
- (a) a duly executed original of the Master Trust Deed and this Supplemental Deed;

- (b) a certified copy of the Deed of Negative Pledge and Guarantee;
- (c) a copy of the registered prospectus and investment statement issued by the Issuer in relation to the issue of the Bonds; and
- (d) a copy of each of the certificates of registration given by the Companies Office under the Securities Act in respect of:
 - (i) the Master Trust Deed;
 - (ii) this Supplemental Deed; and
 - (iii) the prospectus issued by the Issuer in relation to the issue of the Bonds; and
- (e) confirmation from the solicitors to the Issuer, in a form reasonably acceptable to the Trustee, that each Information Memorandum in respect of the Bonds complies with the Securities Act and the Securities Regulations 1983.

4.2 Conditions precedent on issuance: In addition to the requirements set out in clause 4.1, the Issuer shall not issue any Bonds unless the representations and warranties contained in clause 11.1 of the Master Trust Deed and 5.1 of this Supplemental Trust Deed are true and correct in all material respects by reference to the facts and circumstances existing as at the Issue Date for those Bonds.

4.3 Issue notice: Promptly after the issuance of Bonds on each Issue Date, the Issuer agrees to send to the Trustee a copy of the notice it sends to the Registrar in accordance with the Agency Agreement setting out the particulars of the Bonds issued on that Issue Date.

5. Representation and undertaking

5.1 No Event of Default: Pursuant to clause 11.2 of the Master Trust Deed, the Issuer represents and warrants to the Trustee, as at the date of this Deed, that no Event of Default has occurred and is continuing.

5.2 Quotation: The Issuer undertakes to use its best endeavours to ensure that the Bonds are, within a reasonable time after the final date on which Bonds are available for subscription, quoted on the NZDX.

6. Miscellaneous

6.1 Counterparts: This Supplemental Deed may be signed in any number of counterparts, all of which together constitute one and the same instrument, and any of the parties may execute this Supplemental Deed by signing any such counterpart.

6.2 Governing law: This Supplemental Deed shall be governed by and construed in accordance with New Zealand law.

6.3 Submission to jurisdiction: The Issuer submits to the non-exclusive jurisdiction of the New Zealand courts for the purpose of any legal proceedings arising out of this Supplemental Deed.

Execution

Executed as a deed.

Contact Energy Limited by

Director

Phillip John Pryke

Print Name

Director

John Herbert Glanville Milne

Print Name

Executed under the name and seal of The New Zealand Guardian Trust Company Limited
by its authorised signatories in the presence of:

Authorised Signatory

Print Name

Witness to both Signatures

Print Name

Occupation

Address

Authorised Signatory

Print Name

Execution

Executed as a deed.

Contact Energy Limited by

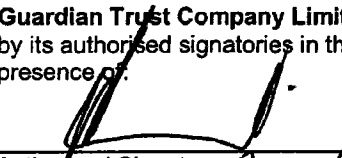
Director

Print Name

Director

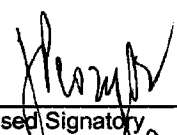
Print Name

Executed under the name and seal of The New Zealand Guardian Trust Company Limited by its authorised signatories in the presence of:




Authorised Signatory
John B. Sewell

Print Name



Authorised Signatory
JAMES PIESZYNSKI

Print Name





Witness to both Signatures

Gisela Parker

Print Name

Secretary

Occupation

Wellington

Address

Schedule 1: Terms and Conditions of Bonds

1. GENERAL

1.1 The Bonds are subject to the provisions of the Trust Documents and, to the extent imported by the Trust Documents, the Deed of Negative Pledge and Guarantee. Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the Trust Documents.

1.2 Words and expressions defined in the Trust Documents and used in the Conditions have the meanings given to them in the Trust Documents, as applicable, unless otherwise defined. In addition, unless the context otherwise requires:

Accrued Interest means, on any date and in respect of any Bond, all interest on the Principal Amount of that Bond which has accrued in accordance with these Conditions but has not been paid to the relevant Bondholder and includes, where the context requires, interest overdue for payment.

Bondholder means a holder of Bonds.

Contact Energy means Contact Energy Limited.

Interest Payment Date means, in respect of a Tranche of Bonds, each date for the payment of interest for that Tranche in each year and including the Maturity Date as set out in the applicable Rate Card.

Interest Rate means, in relation to a Bond offered under the Investment Statement and Prospectus, the initial rate of interest per annum payable on the face value of that Bond as set by Contact Energy in consultation with the Joint Lead Managers, and set out on the Rate Card applicable to that Bond.

Investment Statement means the investment statement dated on or about 23 February 2009 in relation to the Bonds.

Joint Lead Managers means First NZ Capital Securities Limited, ANZ, part of ANZ National Bank Limited, ABN AMRO New Zealand Limited and Forsyth Barr Limited.

Minimum Holding means Bonds with an aggregate Principal Amount of \$5,000.

Principal Amount means, in relation to a Bond, the amount (other than interest) payable on redemption or repayment of that Bond, being the amount recorded as such in the Register in respect of that Bond.

Prospectus means the registered prospectus dated on or about 24 February 2009 in relation to the Bonds.

Record Date means, in relation to a payment due on a Bond, the tenth calendar day before the relevant Interest Payment Date or Maturity Date or if that tenth day is not a Business Day, the Business Day immediately preceding such day.

Register means the register kept in respect of the Bonds maintained by the Registrar.

Trust Documents means the Master Trust Deed and the Supplemental Trust Deed.

2. STATUS AND RANKING OF THE BONDS

2.1 Status

The Bonds constitute unsecured unsubordinated debt obligations of Contact Energy, will rank equally in all respects with each other and with all unsecured unsubordinated indebtedness of Contact Energy other than indebtedness preferred by law.

2.2 Relevant Provisions of Trust Documents

The order of priority of payment in which amounts received by the Trustee under or in respect of Bonds must be applied, and the provisions specifying the remedies of the Trustee and the Bondholder in relation to the Bonds, are set out in the Trust Documents.

2.3 Repayment on Maturity Date

Unless and until amounts owing under the Bonds are paid or repaid earlier under the Trust Documents or these Conditions, Contact Energy shall repay the Principal Amount owing under the Bonds, together with Accrued Interest, on the Maturity Date.

3. EVENT OF DEFAULT

At any time after the occurrence of an Event of Default (as defined in the Master Trust Deed) the Trustee at its discretion may, or upon being directed to do so by an Extraordinary Resolution must, declare the Bonds to have become immediately due and payable, whereupon the Bonds shall forthwith become immediately due and payable.

4. INTEREST

4.1 Interest Rate and Calculation of Interest

- (a) Each Bond bears interest on the Principal Amount at the Interest Rate.
- (b) Interest will be calculated on the Principal Amount of each Bond and will accrue daily from the date application monies were banked by the Registrar in respect of each Bond on the basis of a 365-day year (subject to Condition 4.2). Interest will cease to accrue on each Bond on the date on which it is repaid, repurchased or redeemed in full.

4.2 Payments

All payments in relation to a Bond may be satisfied by:

(a) *Post*

mailing cheques to the addresses of; or

(b) *Direct credit*

direct credit to any bank account nominated in writing (prior to the Record Date) by,

the Bondholder entered in the Register on the Record Date. Such mailing or direct credit will occur prior to 5:00pm on the relevant Interest Payment Date (or, if that date is not a Business Day, the next Business Day after that date) or other date on which payment is required to be made. Interest will be paid to the original subscriber on the first Interest Payment Date regardless of any prior transfer of the relevant Bonds.

4.3 Withholding Taxes

(a) *Deduction for Withholding*

Subject to Condition 4.3(b) (*Approved Issuer Levy*), all payments or credits to, or to the account of, Bondholders (including payments of, and credits in respect of, interest) will be made net of any tax or levy in respect thereof required by law to be withheld, deducted or paid by Contact Energy, except to the extent that the Registrar is satisfied that the Bondholder is exempt from any such tax or levy or is a person in respect of whom any such withholding, deduction or payment is not required to be made. Any Bondholder claiming any such exemption or to be such a person must provide the Registrar with such evidence as the Registrar may from time to time require to satisfy itself in respect of the validity of that claim.

(b) *Approved Issuer Levy*

Contact Energy will register the Bonds with Inland Revenue for approved issuer levy (within the meaning of section 86F of the Stamp and Cheque Duties Act 1971) (**AIL**). Unless otherwise agreed Contact Energy will, where it is lawfully able, pay AIL at the minimum rate permitted by law on payments made or credited to Bondholders who are not New Zealand tax residents and do not engage in business in New Zealand through a fixed establishment in New Zealand (**Non-Resident Bondholders**). The amount of AIL will be reimbursed to Contact Energy by Contact Energy deducting the amount from the interest otherwise to be paid or compounded to or for the benefit of the Non-Resident Bondholder. At the written request of a Non-Resident Bondholder, to be made to the Registrar, Contact Energy will not deduct AIL and will deduct non-resident withholding tax, at the rate required by law (as reduced by any applicable double tax agreement) from payments made or credited to that Non-Resident Bondholder. Where Bonds are held jointly by a New Zealand tax resident and a Non-Resident Bondholder, Contact Energy will deduct resident withholding tax at the rate required by law. Contact Energy or the Registrar may require satisfactory evidence as to a Bondholder's tax and residency status before agreeing to apply any particular withholding regime in respect of that Bondholder.

(c) *No gross-up*

The actual amount of interest payable to each Bondholder on each Interest Payment Date will be the gross amount of interest calculated in accordance with Condition 4.1, less any amount deducted or paid by Contact Energy under Condition 4.2 or 4.3. Contact Energy is not liable to increase any payment to a Bondholder on account of any deduction or payment made under Condition 4.2 or 4.3.

(d) *Taxation Indemnity from Bondholder*

If, in relation to any Bond, the Trustee or Contact Energy becomes liable to make any payment of or on account of tax payable by the Bondholder or in relation to any Bonds, the Trustee and Contact Energy is each indemnified by the Bondholder and the personal representatives or successor of that Bondholder (and, as concerns the Trustee, also by Contact Energy who shall in turn be indemnified by the relevant Bondholder) in respect of any such liability, and any moneys paid by the Trustee and Contact Energy in respect of any such liability may be recovered by action from such Bondholder and the personal representatives or successor of the such Bondholder (as the case may be) as a debt due to the Trustee or Contact Energy. Nothing in this Condition prejudices or affects any other right or remedy of the Trustee or Contact Energy.

5. TRANSFERS AND REPLACEMENTS OF BONDS

5.1 Transfers

The Bonds may be transferred in minimum Principal Amounts of \$1,000 or such lesser amount as Contact Energy may from time to time permit subject to this Condition 5, provided that, following any such transfer, the transferee (and the transferor, unless its holding is reduced to zero) holds Bonds with an aggregate Principal Amount of not less than the Minimum Holding.

5.2 Form of Transfer

Subject to these Conditions and the Trust Documents, a Bondholder may transfer any Bond held by him or her by:

(a) *Written instrument*

a written instrument of transfer in the usual or common form signed by the transferor and the transferee; or

(b) *FASTER system*

means of the FASTER system operated by NZX; or

(c) *Other method*

any other method of transfer of marketable securities which is not contrary to any law and which may be operated in accordance with any Listing Rules, and which is approved by Contact Energy.

5.3 Registration Process

(a) *Transfers other than through FASTER*

The following provisions apply to instruments of transfer other than any transfer under Condition 5.2(b) (*FASTER System*):

(i) the instrument of transfer must be left at the Registry and such other evidence as the Registrar or the Trustee requires to prove the transferor's title to, or right to transfer, the Bonds including the relevant holder and FASTER identification number, together with evidence that any applicable duties and taxes required to be paid by any relevant legislation in order for the Bonds to be transferred have been paid; and

(ii) on registration of a transfer of a Bond, a FASTER statement will be issued to the transferee of such Bond.

(b) *Fees*

The Registrar may charge a fee to Contact Energy for:

(i) registering transfers of Bonds; or

(ii) splitting holdings in relation to Bonds; or

(iii) issuing FASTER statements (where bound to do so) in relation to Bonds; or

(iv) using holder or FASTER identification numbers in relation to Bondholders; or

- (v) effecting conversions between sub-registers (if any) of the Register; or
- (vi) noting transfer forms in relation to Bonds.

5.4 Transfers must be Registered

Subject to this Condition 5 (*Transfers and Replacements of Bonds*), Contact Energy must direct the Registrar not to refuse to register or fail to register or give effect to, a transfer of Bonds.

5.5 Refusal to Register Transfers

Contact Energy may direct the Registrar to refuse to register any transfer of Bonds where these Conditions, the Trust Documents, any Listing Rules or any applicable legislation permits or requires Contact Energy to do so.

5.6 Notice of Refusal to Register

Where registration of a transfer of Bonds is refused under Condition 5.5 (*Refusal to Register Transfers*), Contact Energy must direct the Registrar to give written notice of the refusal and the precise reasons for the refusal to the party lodging the transfer, if any, within five Business Days after the date on which the transfer was lodged. The failure to give such a notice will not invalidate the decision not to register.

5.7 Retention of Transfers

Contact Energy is to direct the Registrar to retain all instruments of transfer of Bonds which are registered, but any instrument of transfer of Bonds the registration of which was declined or refused (except on the ground of suspected fraud) is to be returned to the party lodging the transfer.

5.8 Powers of Attorney

Any power of attorney granted by a Bondholder empowering the donee to deal with, or transfer Bonds, which is lodged, produced or exhibited to the Registrar will be deemed to continue and remain in full force and effect as between Contact Energy, the Trustee, the Registrar and the grantor of that power, and may be acted on, until express notice in writing that it has been revoked or notice of the death of the grantor has been received at the Registry.

5.9 Transmission by Operation of Law

Any person becoming entitled to any Bond by operation of law (including the death or bankruptcy of any Bondholder) may, upon producing such evidence of entitlement as is acceptable to Contact Energy, obtain registration as the Bondholder of such Bond or execute a transfer of such Bond. This provision includes any case where a person becomes entitled as a survivor of a person registered as joint Bondholder.

5.10 Notices

All notices given by Bondholders in accordance with these Conditions will be irrevocable.

5.11 Sale of less than Minimum Holding

The board of Contact Energy may at any time give notice to any Bondholder holding less than a Minimum Holding of Bonds that if at the expiration of three months after the date the notice is given the Bondholder still holds Bonds which are less than a Minimum Holding, the



board may exercise the power of sale of those Bonds set out in this Condition 5.11. If that power of sale becomes exercisable:

- (a) the board may arrange for the sale of those Bonds through the NZDX or in some other manner approved by NZX;
- (b) the Bondholder shall be deemed to have authorised Contact Energy to act on the Bondholder's behalf and to execute all necessary documents for the purposes of that sale;
- (c) Contact Energy shall account to the Bondholder for the net proceeds of sale of the Bonds (after deduction of reasonable sale expenses), which shall be held on trust for the Bondholder by Contact Energy and paid to the Bondholder for the Bonds sold; and
- (d) the title of a purchaser of any Bonds sold pursuant to this Condition 5.11 shall not be affected by any irregularity or invalidity in the exercise of the power of sale or the sale itself.



CERTIFICATE OF REGISTRATION OF PROSPECTUS

(Under Section 42(5) of the Securities Act 1978)

CONTACT ENERGY LIMITED

660760

This is to certify that a Prospectus, for CONTACT ENERGY LIMITED, dated the 23rd day of February 2009 was registered on the 24th day of February 2009.

Neville Harris

Neville Harris
Registrar of Companies
Dated this 27th day of February 2009

