WE'RE MAKING LIFE BETTER

ANNUAL REPORT 2019

Contact is the human energy company with great ideas and smart solutions that make living easier for customers, now and in the future.

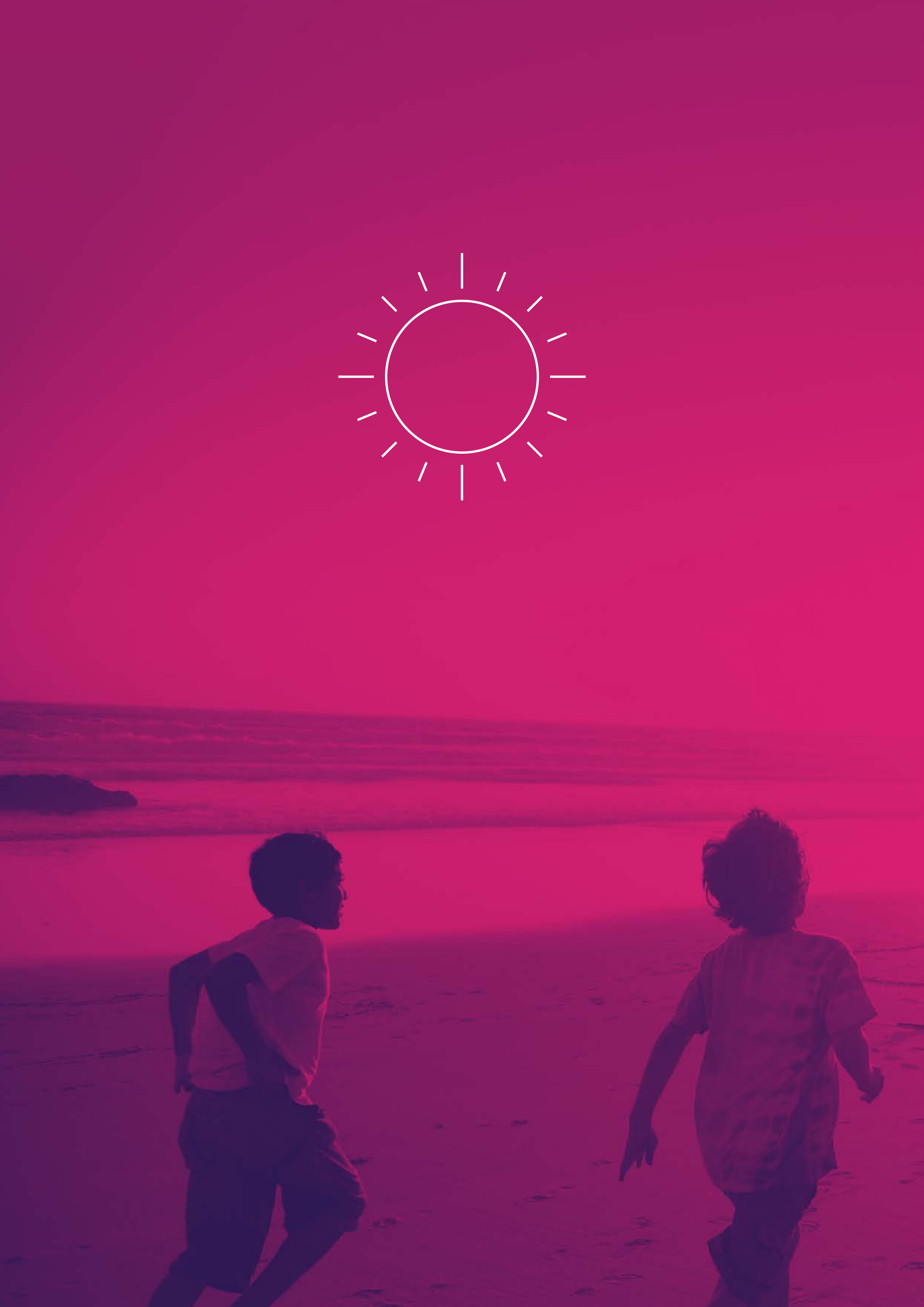
This Annual Report is dated 12 August 2019 and is signed on behalf of the Board by:

Robert McDonald
Chair

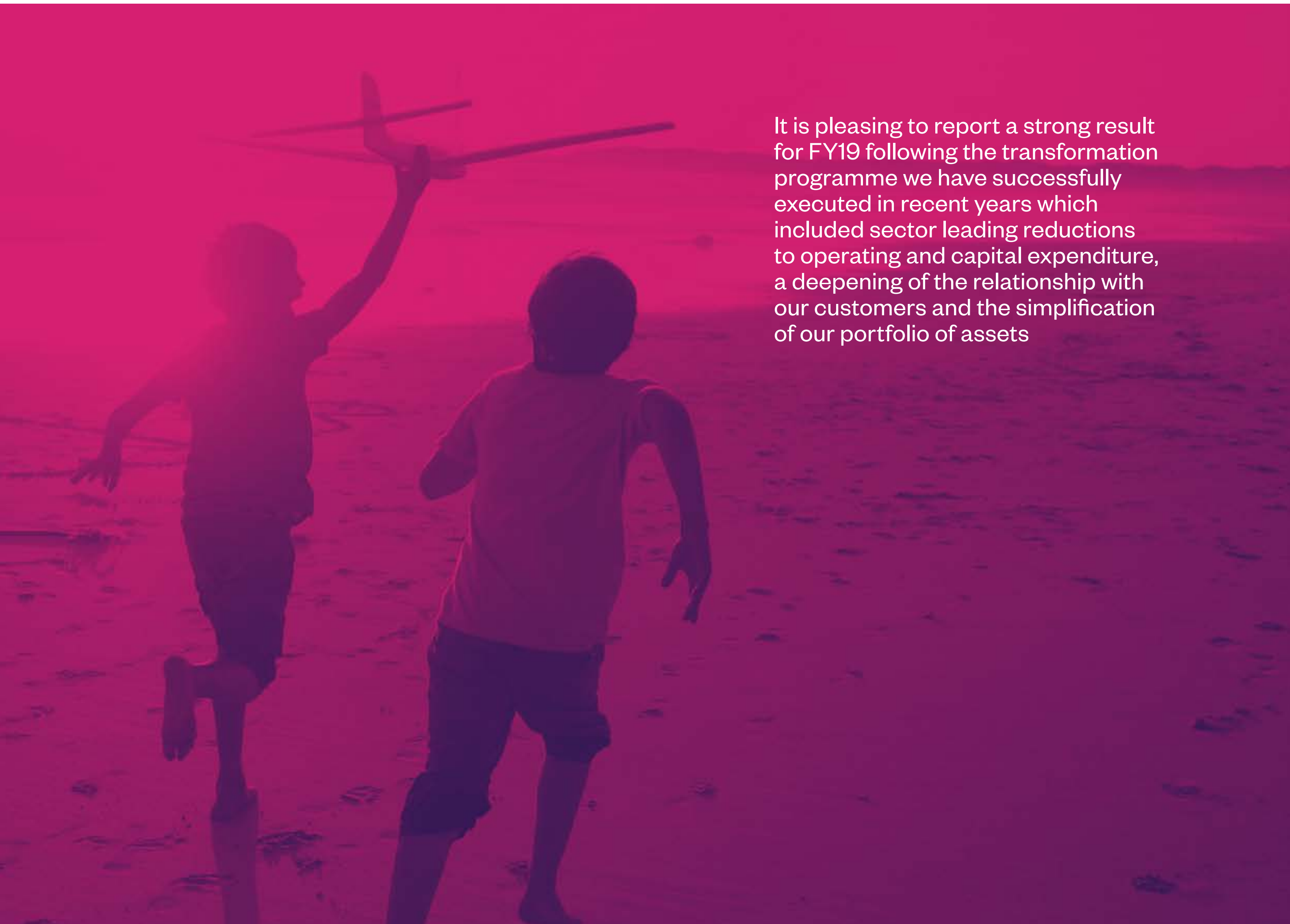
Dame Therese Walsh
Chair, Audit Committee

This report is printed on an environmentally responsible paper produced using Elemental Chlorine Free (ECF) FSC Certified pulp sourced from Sustainable & Legally Harvested Farmed Trees, and manufactured under the strict ISO14001 Environmental Management System. The inks used in printing this report have been manufactured from vegetable oils derived from renewable resources, and are biodegradable and mineral oil free. All liquid waste from the printing process has been collected, stored and subsequently disposed of through an accredited recycling company.

CONTENTS



THIS YEAR IN REVIEW



It is pleasing to report a strong result for FY19 following the transformation programme we have successfully executed in recent years which included sector leading reductions to operating and capital expenditure, a deepening of the relationship with our customers and the simplification of our portfolio of assets

CHAIR'S REVIEW

It is my privilege to share my perspectives on Contact's FY19 performance and outlook.

This Annual Report is a step towards reporting our performance using the globally recognised International Integrated Reporting <IR> framework. We've chosen this <IR> framework to clearly articulate how we create value for all our stakeholders. The <IR> framework requires us to think about value as more than just financial, and to include the value that we create from and for our people, our brand, intellectual property, our assets, natural resources, and our customers, community and relationships.

As well as recording our performance in the context of <IR>, this review shows what we are doing in the context of the Energy Trilemma — Accessibility, Reliability and Environmental Sustainability.

The energy sector is rapidly changing, with increasing customer expectations and an increased focus on climate change by policemakers as well as customers, our people and the communities in which we operate.

Our people have risen to those challenges, and this year we have taken positive steps to position Contact well for the future, and delivered a strong business performance.

Contact's Wholesale business is aiming to decarbonise energy in New Zealand, and our Customer business is aiming to be the most service and value focused retailer in New Zealand.

We are laying the groundwork for a lower-carbon future, while continuing to operate safely and efficiently in the market realities of today. Our flexible generation assets, our continuous improvement programme and our access to stored gas helped us navigate this year's acute thermal fuel constraints.

Contact is actively helping all our customers to maintain access to energy and to avoid incurring burdensome debt with us. Today, we offer more product options and more payment options than ever before, giving our customers more choice, certainty and control over their energy costs and new ways to engage with us. One example is the Basic Plan, a competitive no frills proposition which sees Contact moving away from prompt payment discounts.

The delivery of Contact's operational efficiencies, the quality of the generation assets and the strength of the balance sheet were enhanced by the completion of two major transactions in the year: the completion of the sale of Ahuroa Gas Storage; and the sale of Rockgas LPG. Both transactions provide significant flexibility for our business. In the case of Ahuroa, we have retained long term access to gas storage services and with Rockgas, we have retained the ability to market LPG to our customers.

The asset sales materially improved the strength of Contact's balance sheet and positions us well for future investment. With continued confidence in the business's ability to generate cash flow, the Board changed the distribution policy so that we target a payout of 100% of expected operating free cash flow. This has seen the Board declare a final FY19 dividend of 23 cents per share, up 21% on last year, and target a full year FY20 dividend of 39 cents per share, in line with FY19. The full year dividend declared is 39 cents per share.

We hold resource consents to develop New Zealand's lowest cost new generation build. Our commitment to a lower carbon future and with increasingly unreliable and more expensive gas supply were key factors in the Board's approval of $30 million to drill four appraisal wells on the Tauhara geothermal field near Taupō. We expect to make the final investment decision on a new power station in 2020.

Our commitment to helping large customers to reduce their carbon footprint saw the Board support the acquisition of 49.9% of Simply Energy – an innovative energy solutions company that uses demand-side management tools to improve efficiency and reduce emissions.

During the year the government initiated Electricity Price Review panel consulted on two issues papers. While I am pleased to note that the review panel confirmed New Zealand's electricity market is working well, it also identified areas for improvement including ways to help vulnerable customers, which Contact has been actively supporting. I do note that there was a missed opportunity to consider the role of rising distribution and transmission costs in the costs of delivering electricity to our customers.

This year the membership of the Contact Board has changed. Sir Ralph Norris and Sue Sheldon retired from the Board on 31 August 2018 and our succession planning culminated in the appointment of three new directors – Dame Therese Walsh, David Smol and Jon Macdonald. Each of these directors brings valuable skills that complement the expertise of the longer serving Board members.

Dennis Barnes will leave Contact in 2020, and the Board has commenced a process to find his successor.

On behalf of the Board, I farewell Dennis and thank him for his contribution as Chief Executive for the past eight years. Dennis has presided over a period of significant modernisation of the business while creating consistent value for stakeholders, with a compound annual total shareholder return of 15.8%.

He has led over $2 billion of investment in renewable generation, flexible thermal generation and enterprise-wide systems, and led Contact to an outstanding safety culture, more highly engaged employees, and customers advocating for it in greater numbers.

He leaves the company well positioned to continue to add value to customers and to lead the decarbonisation of the New Zealand energy sector.

Robert McDonald
Chair

CHIEF EXECUTIVE OFFICER'S REVIEW

This year has been notable for the completion of significant transactions, progress in accelerating decarbonisation, increasing customer value and strong financial performance.

We have delivered a solid financial result, improved capital efficiency, deployed good risk management practices, and again proved the value of the flexibility we have built into our diverse generation portfolio.

Two major transactions strengthened our balance sheet and enhanced the resilience of our operations. In October, we completed the sale of the Ahuroa Gas Storage facility to Gas Services New Zealand (GSNZ) for $200 million[1] and, in November, we completed the sale of Rockgas LPG to GSNZ for $260 million.

The Ahuroa sale gave us access to long term gas storage services to meet our flexible thermal generation needs without needing to own and operate the asset, and the Rockgas sale freed us from the fulfilment aspects of the LPG business while still being able to sell LPG to our customers.

We also acquired a 49.9% interest in New Zealand-owned energy innovator Simply Energy. Investing in Simply Energy gives us access to capability to deliver innovative solutions that will help our Commercial and Industrial customers transition to low carbon solutions sustainably and sooner.

Our vision is to create sustainable value for New Zealanders by putting our energy where it matters. We have stood the test of volatile wholesale markets and a competitive retail sector to deliver on that commitment this year.

Our Wholesale business successfully managed periods of low hydro inflows and constrained gas supply, reinforcing the value of our diverse portfolio.

The Customer business has been digitising the customer experience and building data, automation and integration capability, while focusing on lowering operating expenses and reinvesting savings in investment in our brand and technology solutions.

Both businesses have demonstrated their capability and flexibility to respond to complex market conditions, the competitive environment and to contribute positively to the Energy Trilemma of Accessibility, Reliability and Environmental Sustainability.

Accessibility

Our Customer business has made good ground on our strategy of being a service and value focused retailer, connecting customers and communities to smart solutions that make living easier.

This has included innovating to make it easier for customers to connect with us online and with our mobile app, and helping our most vulnerable customers keep the power on with initiatives such as PrePay and flexible billing options.

We have helped our customers to avoid getting into difficult credit positions, and intervened early if they did, which delivered record low levels of outstanding debt.

The government initiated Electricity Price Review highlighted this year that some New Zealand families are struggling to pay for their energy and that the prompt payment discounts are not fair to customers who are unable to pay their bills on time. We have responded by accelerating plans to remove prompt payment discounts and are replacing them with simple plans such as our existing Basic Plan or guaranteed discounts.

Operating earnings (EBITDAF) in our Customer business was $67 million, down $9 million from $76 million in FY18, as continuing competitive pressures limited Contact's ability to recover higher costs for electricity and distribution networks through customer price changes. The result was also impacted by lower sales volumes to electricity customers.

Reliability

New Zealand is at the start of a transformation from reliance on fossil fuels to renewable electricity. Contact is well placed to meet the expected growth in renewable electricity demand, which will result in meaningful reductions to carbon emissions.

This alignment with political and public sentiment underpins our Wholesale business strategy of being 'an innovative, safe and efficient generator, working with business customers and partners to decarbonise New Zealand'.

The increased price and reduced reliability of gas is accelerating the case for replacing thermal plant with new baseload geothermal. In this context, we are taking the next step in developing the geothermal project we have consented at Tauhara by committing to drill four appraisal wells. The drilling will lay the groundwork for a final investment decision for a new power station in early 2020.

We are actively partnering with our Commercial and Industrial customers who are undoubtedly the prime decarbonisation opportunity. Our target is to enable customers to switch to electricity from their current energy sources, help them be more energy efficient, reduce their costs and cut their carbon emissions.

This year we successfully piloted our demand flexibility platform, which rewards Commercial and Industrial customers for reduced energy use at peak times, so we don't have to resort to fossil fuel generation to meet high demand.

1. Up to $10 million of this is contingent on GSNZ obtaining a favourable binding tax treatment ruling.

EBITDAF from our Wholesale business was $464 million in the period, up $67 million from $397 million in FY18.

We rely on the dedication, passion and innovation of our people to be able to keep delivering safe, dependable energy and adding value for our customers and stakeholders.

This year we again measured the engagement of our people with the Ask Your Team survey. Our overall engagement score was 75%, which was well ahead of the 67% benchmark for private companies but behind our 2018 score of 77%. The survey results will help us keep adapting and improving to raise engagement.

We are committed to being an inclusive and diverse employer and this year we achieved Rainbow Tick certification, recognising us as a workplace that accepts and welcomes sexual and gender diversity.

We take pride in our excellent safety systems and generative safety culture, where everyone is empowered to take ownership of health and safety outcomes. Our results this year evidence our good safety culture.

Environmental sustainability

This year we recommitted ourselves to a climate change position, embedded a reporting tool enabling us more oversight of our emissions targets. We were the first New Zealand energy company to have emission reduction targets approved by the Science Based Targets initiative (SBTi). We are revising those targets to align with new recommendations from the SBTi. We were also the first company in New Zealand to sign up as an official supporter of the Taskforce for Climate-related Financial Disclosures. This internationally recognised transparent disclosure regime is increasingly being relied on by the investment community as a tool for understanding climate change risk. We partnered with other New Zealand companies to invest in forestry on marginal land to sequester carbon.

With the National Institute of Water and Atmospheric Research (NIWA), we assessed the potential impact of climate change on our business and used this baseline data to identify climate change risks and opportunities.

We have maintained a strong focus on biodiversity programmes, including supporting the development of a National Policy Statement for Indigenous Biodiversity, continuing to mitigate our impacts on fish migration around our dams, and restoring and protecting habitats.

We also engaged with the Government appointed Interim Climate Change Committee as they developed their report into the Government's renewable electricity aspirations.

And we continued to work collaboratively with tangata whenua and the communities around our sites to involve them, respect their interests, create opportunities and give back in ways that are meaningful to them.

Despite our commitment to environmental sustainability, a landslip at one of our geothermal storage ponds at Karapiti sent sediment and geothermal fluid into the Waipuwerawera Stream and Waikato River in February. We are thankful that no one was hurt. However, the discharge did impact the river, iwi and the community and we deeply regret that. We are working with iwi and the local community to put things right and to learn from the event.

Transition

Finally, I have made the Board aware of my intention to leave Contact. In making this decision I know that the company is in a strong position, with excellent prospects and a talented and committed team in place.

It has been a privilege to lead Contact. I am proud of many things Contact has delivered in the past eight years and in particular the value we have returned to you, our shareholders, including the distribution of nearly $2 billion. At the same time we have transformed into a leading New Zealand business investing to reduce our carbon emissions by more than 50% and providing more choice, certainty and control to customers than ever before.

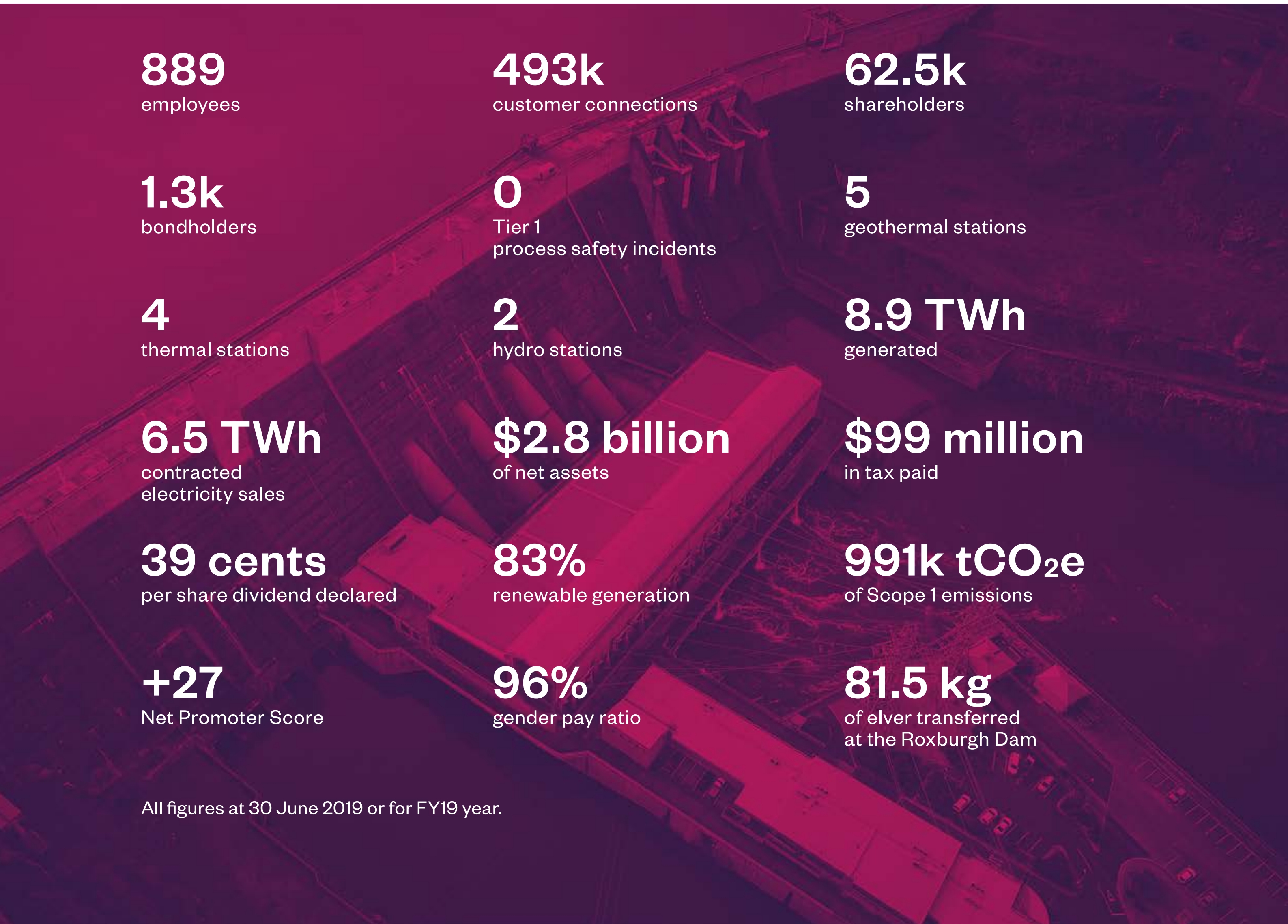
I thank the Board and the many people I've worked with and wish you a prosperous future.

Ngā mihi mahana, nā Dennis

Dennis Barnes

Dennis Barnes
CEO

WHO WE ARE



889
employees

493k
customer connections

62.5k
shareholders

1.3k
bondholders

0
Tier 1
process safety incidents

5
geothermal stations

4
thermal stations

2
hydro stations

8.9 TWh
generated

6.5 TWh
contracted
electricity sales

$2.8 billion
of net assets

$99 million
in tax paid

39 cents
per share dividend declared

83%
renewable generation

991k tCO_2e
of Scope 1 emissions

+27
Net Promoter Score

96%
gender pay ratio

81.5 kg
of elver transferred
at the Roxburgh Dam

All figures at 30 June 2019 or for FY19 year.

Contact is led by an experienced and diverse Board and Leadership Team who are committed to our customers, communities, shareholders and people.

OUR BOARD

From left to right:

Elena Trout, Independent Non-Executive Director
Term of office: Appointed director 3 October 2016, last elected 2016 annual meeting.
Board committees: Member of the Health, Safety and Environment Committee.

Victoria Crone, Independent Non-Executive Director
Term of office: Appointed director 12 November 2015, last elected 2017 annual meeting.
Board committees: Member of the Audit Committee.

Jon Macdonald, Independent Non-Executive Director
Term of office: Appointment effective 1 November 2018, last elected 2018 annual meeting.
Board committees: Member of the People Committee.

Dame Therese Walsh, Independent Non-Executive Director
Term of office: Appointed director 1 September 2018, last elected 2018 annual meeting.
Board committees: Chair of the Audit Committee and Member of the People Committee.

David Smol, Independent Non-Executive Director
Term of office: Appointed director 1 October 2018, last elected 2018 annual meeting.
Board committees: Member of the Health, Safety and Environment Committee.

Whaimutu Dewes, Independent Non-Executive Director
Term of office: Appointed director 22 February 2010, last re-elected 2018 annual meeting.
Board committees: Chair of the Health, Safety and Environment Committee and Member of the Audit Committee.

Robert McDonald, Independent Non-Executive Chair
Term of office: Appointed director 12 November 2015, last elected 2017 annual meeting.
Board committees: Chair of the People Committee.

For more information about our board, including the skills matrix, go to *Contact's Board* in the Governance Matters section.

For the full biographies of our board please see our *website*.

OUR LEADERSHIP TEAM

James Kilty
Chief Generation & Development Officer

Venasio-Lorenzo (Vena) Crawley
Chief Customer Officer

Dorian Devers
Chief Financial Officer

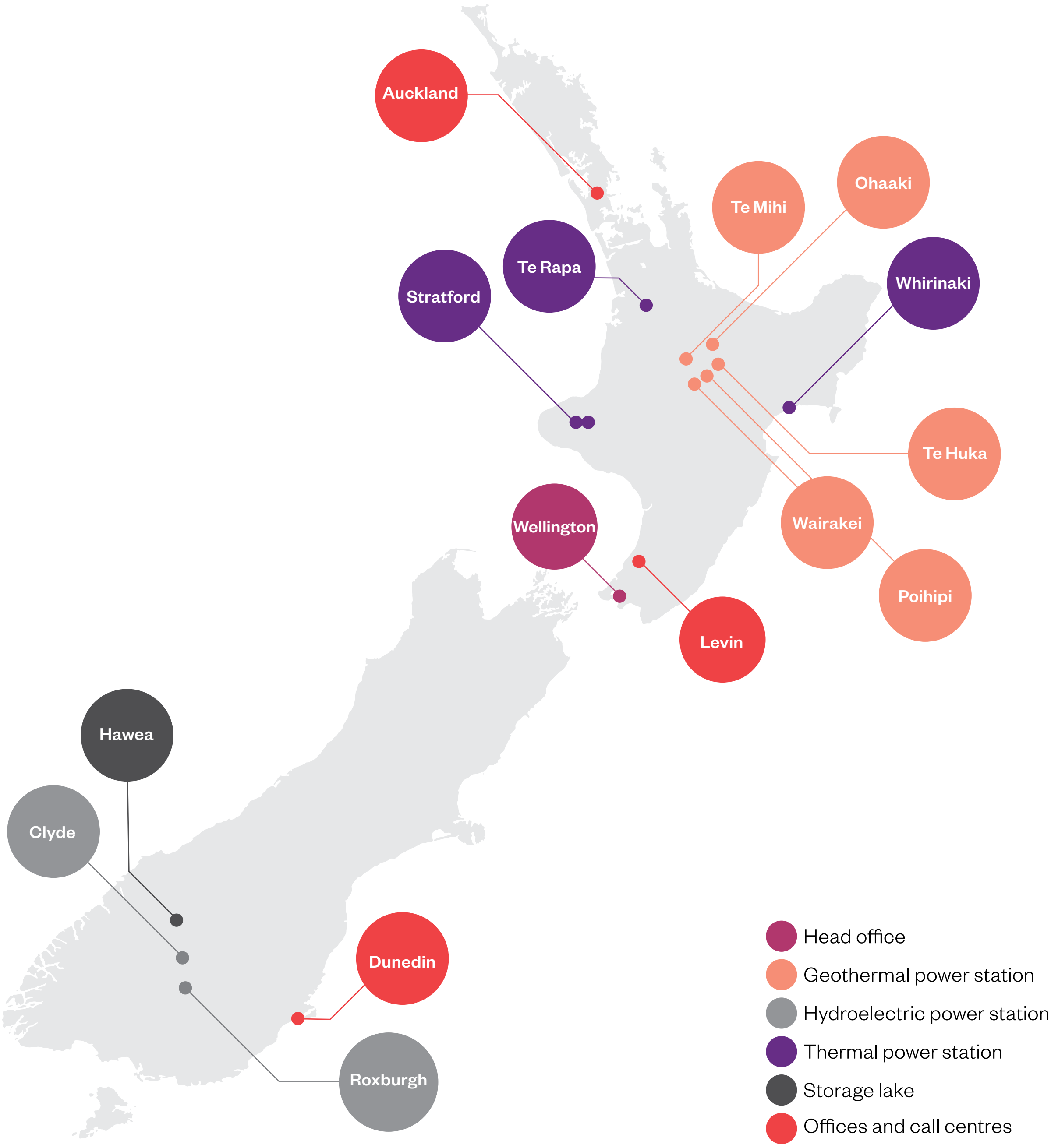
Dennis Barnes
Chief Executive Officer

Catherine Thompson
General Manager, External Relations and General Counsel

Absent: **Megan Curry**
Acting Chief People Officer

For the full biographies of our leadership team please see our *website*.

CONTACT AT A GLANCE



BACK TO CONTENTS PAGE

Customer connections and volume sold by energy type at 30 June

	2019		2018	
	Connections	Volume sold (GWh)[1]	Connections	Volume sold (GWh)
Electricity	413,500	6,550	416,500	6,997
Natural gas	66,500	860	65,000	806
Broadband	12,500		1,800	
Total	**492,500**		**483,300[2]**	

1. GWh = gigawatt hours.
2. Figure restated to include Broadband customers from FY18.

Customer connections by account type at 30 June

	2019	2018[1]
Residential	418,000	493,300
Business	59,000	75,800
Other	3,000	1,600[2]
Total	**480,000**	**570,700**

1. 2018 data included LPG. LPG was not included in 2019 as we had no LPG customers at 30 June as we had sold the Rockgas business.
2. Includes LPG connections where data on account type was unavailable.

Generation by type for the year ended 30 June

Generation type (GWh)	2019	2018
Hydro	4,231	3,479
Geothermal	3,256	3,323
Thermal	1,421	1,812
Total	**8,908**	**8,614**

Generation by station

Name	Output	Commissioned	Type	Location	Capacity (MW)[1]	2019 Generation (GWh)	2018 Generation (GWh)
Ohaaki	Geothermal	1989	Flash steam	Waikato	44	310	280
Poihipi	Geothermal	1996	Flash steam	Waikato	55	388	411
Stratford	Thermal	1998	Combined-cycle gas turbine	Taranaki	377	1,013	1,071
Stratford	Thermal	2011	Peaker, gas turbine	Taranaki	210	207	528
Te Huka	Geothermal	2010	Binary cycle	Taupō	28	186	198
Te Mihi	Geothermal	2014	Flash steam	Taupō	166	1,382	1,372
Te Rapa	Thermal	1999	Open-cycle gas turbine co-generation	Waikato	44	196	211
Wairakei	Geothermal	1958, 2005	Flash steam / binary cycle	Taupō	132	991	1,062
Whirinaki	Thermal	2004	Diesel fuel, open-cycle turbine	Hawke's Bay	155	5	3
Clyde	Hydro	1992	Conventional	Otago	432	2,339	1,912
Roxburgh	Hydro	1956–1962	Conventional	Otago	320	1,892	1,567

1. MW = megawatts.

Our value creation

Our Tikanga guides us in our aim to create sustainable value for New Zealanders by putting our energy where it matters.

At Contact, we focus on ensuring we deliver great value to all of our stakeholders. We are always looking to the future, staying a step ahead and anticipating the things that are going to matter – not just to our business but to New Zealand.

OUR CAPITALS

Together the capitals represent stores of value that are the basis of our value creation.

Our brand and intellectual property

We leverage our relationships, networks, partnerships and culture to create brand value and deliver on our strategy.

Our people

Our people are at the heart of our business. They connect with our customers, shareholders, suppliers, business partners, tangata whenua, government and communities. They are a rich source of innovative ideas that drive our competitive edge.

Our assets

We have a diverse mix of assets to maintain a reliable, affordable and environmentally sustainable electricity supply for New Zealand.

Natural resources

We rely on many natural resources to run our business. It is important that we look after these resources to ensure they are available for future generations to enjoy.

Financial capital

We require funds to use in the production of goods and services in our business. We have shareholders and bondholders who help us to deliver sustainable financial returns now and into the future.

Our relationships

We rely on relationships with a wide variety of stakeholders. We respect the rights and interests of everyone we work with by listening to them, working collaboratively and being the neighbour you'd want to have.

OUR BUSINESS

Contact is one of New Zealand's biggest electricity generators and digital retailers. Our supply chain shows how we create value by focusing on what matters.

We generate energy

We own and operate 11 power stations and produce 83% of our electricity from our renewable hydro and geothermal stations. Our natural gas and diesel fired power stations operate to ensure the lights stay on for New Zealanders when intermittent renewable plants like hydro and wind cannot operate.

We trade

We sell the electricity we generate on the wholesale electricity market. We purchase goods and services from more than 2,000 suppliers. We also trade a range of financial products to manage our risk and create value.

We innovate

We connect customers, partners, suppliers and communities to find smart solutions that make living easier for them. We are an innovative, safe and efficient generator working with customers, partners and suppliers to decarbonise New Zealand's energy sector.

We sell and serve

As a retailer we sell products and services to thousands of individuals and businesses to meet their energy needs.

We respect our environment

We ensure our natural resource use is sustainable and respectful. We always strive to protect, maintain and enhance these taonga to ensure they are available for future generations.

We value our communities

We listen carefully to the aspirations of the communities in which we live, work and operate, focusing our energy, time and resources on delivering meaningful partnerships that support those aspirations.

We value tangata whenua relationships

We interact with various iwi and hapu who have a special relationship with the resources that we use. We acknowledge their role as kaitiaki and the richness of their knowledge, and value the relationships and partnerships we have developed.

NGĀ TIKANGA

Our purpose is to touch lives, to make life better. Our Tikanga guides how we live our purpose and is expressed as Principles, Commitments and Behaviours.

Our Principles

- We act professionally at all times, in accordance with laws and regulations.
- We care deeply about the health and safety of our people and strive to minimise any health, safety and environmental impacts on our customers and communities.
- We put our energy into things that really matter by:
  - adding value to the resources that come under our control
  - being inclusive, encouraging diversity and expression of ideas and opinions (in line with our Commitments and Behaviours)
  - creating value for our stakeholders
  - ensuring the sustainability of our business
  - taking care of the environment by looking after our natural and shared resources
  - being a good neighbour in the communities where we operate.
- We're authentic. We make sound decisions knowing they'll be subject to scrutiny.

Our Commitments

- Creating value for our customers and communities by developing smart solutions that make living easier for them now, and in the future.
- Creating a rewarding workplace for our people by valuing everyone's contribution, encouraging personal development, recognising good performance and fostering equality of opportunity.
- Respecting the rights and interests of communities by listening to them, and understanding and managing the environmental, economic and social impacts of our activities.
- Being respectful of the rights and interests of our business partners so we work collaboratively to create valued, rewarding partnerships.
- Delivering market-leading performance for shareholders by identifying, developing, operating and growing value-creating businesses.
- Staying a step ahead, anticipating the things that are going to matter, not just to our business, but to New Zealand.

Our Behaviours

- Pointed focus sharpens us.
- Human kindness connects us.
- Curiosity propels us.
- 'Progressive' defines us.

FOCUSING ON WHAT MATTERS MOST

We manage our business by understanding what matters most to our stakeholders. This ensures we focus on the key things to deliver sustainable value.

We regularly engage with all our stakeholders to ensure the social, cultural, economic, environmental and political sustainability of our business (the five sustainability pillars).

Here's what our stakeholders have told us they care about the most:

Customers	Personalisation, making life easier, saving money and having more choice, control and certainty.
Investors	Management of business risks, including climate-related risks; efficient capital management by delivering an appropriate dividend while positioning our business for the future to grow earnings.
Our people	Doing what we say we will, caring for our stakeholders, and being valued, respected and safe.
Partners and suppliers	Maintaining positive relationships, collaborating to deliver value, and partnership.
Communities	Being a good neighbour, looking after our natural and shared resources, and delivering benefits and value to the communities we operate in.
Tangata whenua	Partnership, protection and participation in the management of natural resources alongside social, cultural and economic development.
Government	Transitioning to a low-carbon future, while ensuring a reliable, renewable and affordable supply of electricity for all New Zealanders.

As well as engaging with stakeholders year-round, we have an annual stakeholder council meeting with representatives from across the five sustainability pillars, to help identify and prioritise our material topics. We take their top issues along with global trends and research and other feedback, to inform Contact's strategy formation process.

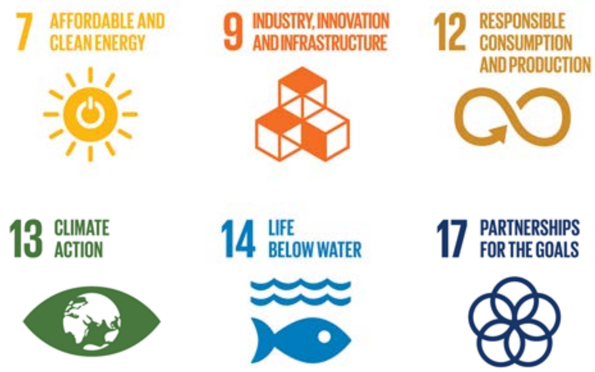
While all of the issues identified in the matrix below are important to Contact, this report focuses on issues in the top right shaded corner.

17

How we impact the Sustainable Development Goals

We've also mapped the material topics that matter most to our business and stakeholders against the *Sustainable Development Goals* to identify which of these goals we have the most impact on or influence over. The United Nations set the 17 Sustainable Development Goals to address the most significant global challenges and achieve a better and more sustainable future for everyone.

While all of the Sustainable Development Goals are important to Contact, the goals where we have identified we can make the most positive difference are:



OUR REPORTING FRAMEWORKS

We report on material environmental, social and governance factors and practices in accordance with the *Global Reporting Initiative* (GRI) guidelines (Core option). We have also started to use the *International Integrated Reporting <IR> Framework* as we continue to seek best practice in sustainability reporting and to give a balanced view of our performance. We report our climate change risks using the *Task Force on Climate-Related Financial Disclosures* (TCFD) framework.

This year we have structured our Annual Report around the *Energy Trilemma*, to report on our performance in the context of energy accessibility, reliability and environmental sustainability.

ACCESSIBILITY

Robust energy systems must balance being reliable, accessible and environmentally sustainable. Maintaining this balance is challenging with the rapid transition to decentralised, decarbonised and digital systems, and consumers having more choices in how they buy and manage their energy.

We play a vital role in the lives of hundreds of thousands of individuals and businesses in New Zealand who rely on the electricity, gas, and broadband that we supply. We help them warm their homes, power their businesses, and connect with their communities and the world.

We listen to what our customers want and align our services and our people capability and culture to meet that. We're using our human energy to make access fair, easy and customer-centric.

MAKING ACCESS EQUITABLE

While most of New Zealand has physical access to energy, we still have economic barriers to access for some people.

Those barriers aren't solely about energy prices, but incomes and other disparities. An energy company can't solve energy or financial hardship in isolation but we can use our human energy and work with others to make energy more accessible, especially for vulnerable and low-income families. We have a role in helping those most in need to keep their lights on and their homes warm.

'One-size-fits-all' isn't the best way to serve our customers or New Zealand so we're offering a range of products to suit all customers.

The government-initiated independent Electricity Price Review highlighted that some New Zealand families are struggling to pay for their energy and that the prompt payment discounts offered by many energy companies are seen as not fair to customers who are unable to pay their bills on time.

In response, we've accelerated plans to remove prompt payment discounts and are replacing them with simple plans such as our existing Basic Plan or guaranteed discounts. This is a complex issue, but for us, it's about listening and doing what's right for our customers.

One way we can ensure access to energy for our customers is to help them avoid getting into debt, and to intervene early if they do. As a result of our efforts to manage debt, 93% of energy bills are now paid on time, and we've reduced the total overdue debt by 20% (to $15.4m at 30 June) and debt over 90 days by 40% (to $1.8m at 30 June). This means that when customers are disconnected as a last resort, the amount they owe is much lower. The average balance at disconnection for the final quarter of FY19 was $489 – down 16% on the same time the previous year.

We also work hard to reconnect customers within 24 hours of disconnection, and in the final quarter of FY19 we achieved this for 54% of disconnected customers–up from 46% for the same time last year.

Giving more payment options

This year we made it easier for customers to budget for their power with new billing options and PrePay.

Customers now have the option to pay their bills weekly, fortnightly, or monthly to match their wage or salary cycles. About 1,300 customers have now chosen weekly or fortnightly payment plans.

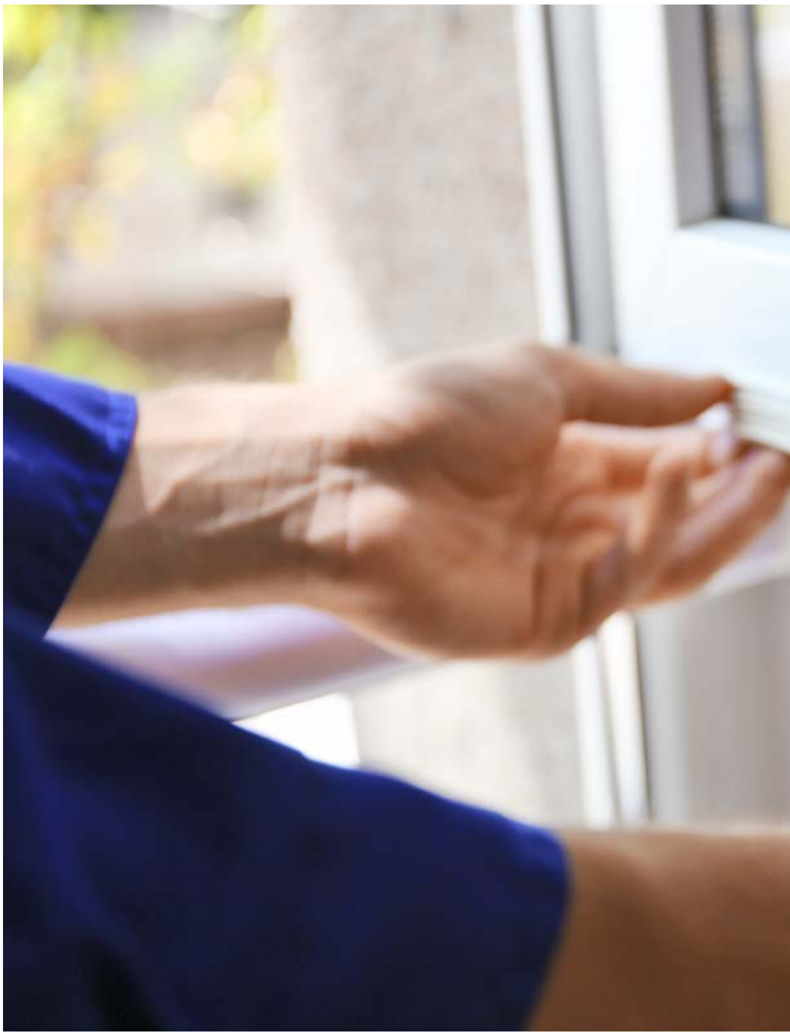
We've also had more than 2,000 customers sign up for PrePay since we launched it in September 2018. More than 80% of these customers would not have previously been able to access energy from us because of their credit history.

PrePay operates like a prepaid mobile phone, so customers control how much they pay and when they pay. They can even build up credit to use over winter when people tend to use more energy. PrePay customers are able to access all the same products, prices, discounts and rewards as post pay customers. We've also found PrePay is a good way to help customers manage outstanding debts while continuing to access energy.

Helping to combat energy hardship

We partnered this year with other energy companies, community organisations and the government to launch *EnergyMate*, a free in-home mentoring service helping families at highest risk of energy hardship to reduce electricity costs and live in warmer homes.

The idea initially came from a Contact-led design thinking initiative, and the Electricity Retailers Association of New Zealand rolled out the pilot in April to 150 families in South Auckland, Rotorua and Porirua. Experienced financial mentors visit people in their homes to offer a range of services, including ensuring they are on the right energy plan, helping them access funding and services such as insulation grants and curtain banks, improving energy awareness, testing appliances and water heating, and providing LED lighting and temperature/humidity sensors.



Checking home insulation

Poor insulation in New Zealand houses is a major issue for energy use, so Contact has partnered with the New Zealand Green Building Council to sponsor *HomeFit* — a simple online assessment and certification programme for homes.

A HomeFit rating gives buyers and renters confidence that a home meets ventilation, insulation, heating and energy efficiency standards.

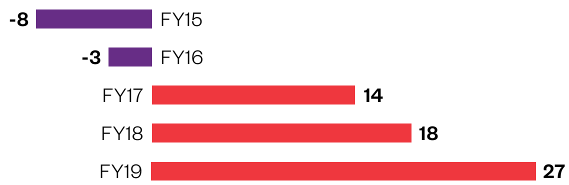
Since HomeFit went live in November 2018, we've promoted it to our customers and through social media. We're looking at how we can further engage our customers and our own people to raise awareness, show the benefits and deliver those benefits to more households.

GIVING CUSTOMERS WHAT THEY WANT

We know that great service and products lead to positive customer experience and improved loyalty. This in turn lowers our cost to acquire new customers and look after existing ones. We have seen great improvements across most of the customer metrics we track, reinforcing that our customers think we are on the right track.

These metrics include our customer switching rates, which were down 0.8% on FY18 and 1.7% below the market average. And our Net Promoter Score (a measure of whether customers will advocate for us) has increased significantly, averaging +27 over the past 12 months, up from +18 the year before.

Net Promoter Score[1]



1.We use the relational Net Promoter Score.

We use ongoing brand tracking and regular customer panels to find out what our customers want and need, and use that information and insight to decide where to put our focus. Customers have told us they want us to show them that we know them, bundle products and services to make their lives easier and help them pay less and ultimately save money. They want fairness and equity. They also want easy access and, by and large, they want it digitally.

We've been responding in a number of ways, including making it easier to do business with us online.

Our customers now have less need to call us because they're satisfied with the service they're receiving, and they're able to interact with us whenever they want using our new website and mobile app. Service calls to our call centre dropped from over 950,000 calls in FY18 to about 850,000 in FY19.

Increasing self service options

We're giving our customers more options for self service with our mobile app, My Account and online services, and we're continuing to enhance these services with new and interesting features. We've recently added features for customers to manage their SmoothPay, PrePay and post pay payments, including changing their bill frequency, making partial payments and adding direct debit. We've also simplified how customers join us, add new products and let us know they're moving home.

We launched our new and improved mobile app in November 2018, and in June we recorded 6,600 average daily users and more than 50,000 active mobile app users — up from 19,400 monthly users for our previous app in June 2018. The number of mobile app interactions was nearly three times higher in June 2019 than December 2018 and the number of transactions completed via the mobile app more than doubled over the same time period. We've increased sales across our digital channels by 60% in the last year.

Offering plans to suit different needs

We're offering more diverse products and services to meet different customers' needs and make life better. Some of our popular new plans and services include:

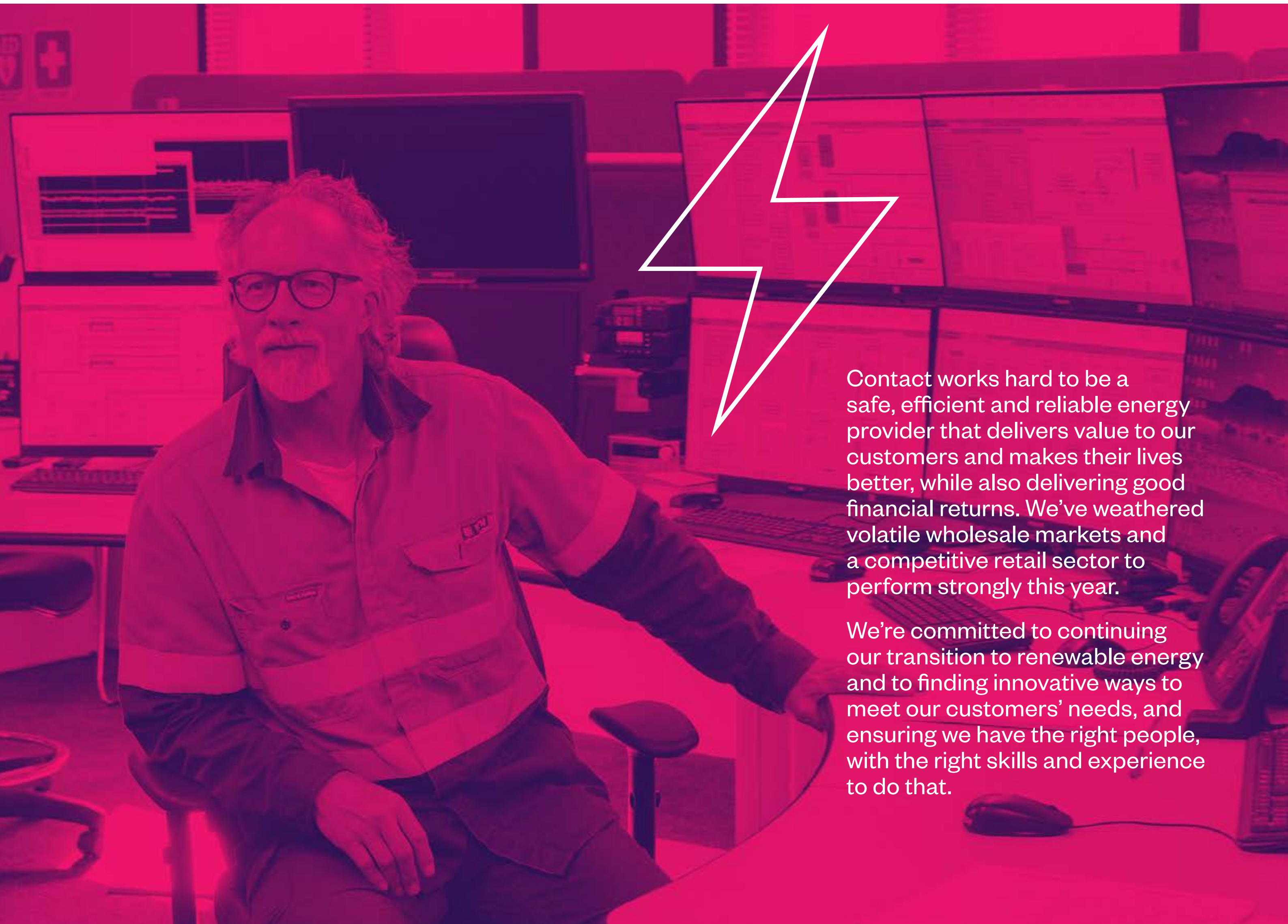
- **Basic** — a simple, hassle-free plan, with no rewards or other added discounts, no fixed term and no break fees. More than 6,000 customers have signed up for our Basic plan, with no prompt payment discount, since it launched in mid-February.
- **Bundle with broadband** — customers can keep things simple and get discounts by getting one bill for broadband, electricity and gas, or broadband and gas. More than 10,000 customers have added broadband this year, making it one of our fastest growing products.
- **Rewards** — we joined the AA SmartFuel (AASF) scheme in 2017 so our customers can sign up to plans that give them fuel discounts. More than 45,000 customers are now receiving AASF rewards. We made changes to the advertising of AASF after the Commerce Commission charged Contact with breaches of the Fair Trading Act in relation to the launch of our AASF advertising campaign. Contact has fully co-operated with the Commerce Commission on this.
- **Take a month off** — an innovative new campaign we tested for a few months this year where customers can choose any month of the year to waive their entire energy bill for that month.

We have a range of plans to suit our customers, which are all on our *website*.

Moving customers to the best plan for them

Sometimes customers find themselves on plans that aren't the best fit for their situation or lifestyle, so we review customers each year to make sure they're on the right plan. In January we switched about 16,000 customers to a low user plan after we contacted them to advise it would save them money. On average these customers will save $110 each year on their new plans.

RELIABILITY



Contact works hard to be a safe, efficient and reliable energy provider that delivers value to our customers and makes their lives better, while also delivering good financial returns. We've weathered volatile wholesale markets and a competitive retail sector to perform strongly this year.

We're committed to continuing our transition to renewable energy and to finding innovative ways to meet our customers' needs, and ensuring we have the right people, with the right skills and experience to do that.

FOCUS ON FINANCIAL PERFORMANCE

Our investors rely on us to deliver sustainable financial returns now and into the future.

Our focus needs to extend beyond short term financial performance so that we create sustainable value for New Zealanders.

This year we've achieved capital efficiency by reducing stay in business capital expenditure, good working capital management from improved debt collection, with the strong performance delivering good operating free cash flow in the year.

We are focused on reducing operational expenses to take costs out of the Customer business while at the same time developing new products, improving the customer experience and selectively investing in robotics and automation. In our Wholesale business, we've moved to a leaner operating model while unlocking fuelling constraints at our geothermal power stations, which has delivered immediate benefits including increased output at Ohaaki.

Our quality portfolio of low-cost, long-life renewable generation assets and strong balance sheet have informed our distribution policy with the Board targeting a payout of 100% of expected operating free cash flow. For FY19 we have declared a full year dividend of 39 cents per share. This is an increase from 32 cents in FY18. We aim to maintain consistency in the dividend despite variable hydrology, costs to maintain our plant, and volatile market conditions.

We value the flexibility provided by our investment grade credit rating, which enables the company to withstand variable market conditions.

Sales of Rockgas and Ahuroa Gas Storage provide flexibility

On 30 November 2018 Contact finalised the sale of Rockgas to Gas Services New Zealand (GSNZ) for $260 million. The sale allowed us to reduce debt while maintaining our position as the leading provider of mass market products by selling LPG on behalf of GSNZ. This model of partnering with GSNZ to deliver products and services to our customers is similar to our how we sell broadband and is likely to be a common feature of our future.

On 1 October 2018 we also finalised the sale of the Ahuroa Gas Storage facility and associated assets to GSNZ for $200 million[1]. GSNZ is now operating the facility as Flex Gas. As part of the transaction Contact retained access to competitive long term gas storage services.

Regulator rejects Undesirable Trading Situation claim

Low hydro levels and a shortage of gas led to high wholesale prices during the year, which some retailers and their customers felt more than others. This resulted in a group of energy market participants filing a claim of an Undesirable Trading Situation (UTS) with the Electricity Authority (EA) against larger generators including Contact. A UTS, if validated, would have been an extraordinary event that threatened the integrity of the wholesale market.

The EA announced on 28 February 2019 that it had found there was no UTS. It found that spot electricity prices had been unusually high, however it said these prices reflected underlying supply and demand.

Supply was able to meet demand during this period as the high spot prices suppressed some demand and because more expensive generating plant became economic to run. Contact's diverse generation portfolio gave us the flexibility to meet higher demand and optimise returns. This included running our thermal plants and deferring a planned outage at Wairakei geothermal power station.

The last five years in review

For the year ended 30 June	Unit	2019[4]	2018[4]	2017[3]	2016	2015
Revenue	$m	2,519	2,275	2,079	2,163	2,443
Expenses	$m	2,001	1,794	1,578	1,640	1,918
EBITDAF	$m	518	481	501	523	525
Profit/(loss)	$m	345	132	151	(66)	133
Underlying profit	$m	176	130	142	157	161
Underlying profit per share	cps	24.6	18.1	19.9	21.7	21.9
Operating free cash flow	$m	341	301	305	352	338
Operating free cash flow per share	cps	47.5	42.0	42.6	48.5	46.6
Dividends declared[2]	cps	39	32	26	26	76
Total assets	$m	4,954	5,311	5,455	5,652	6,089
Total liabilities	$m	2,172	2,584	2,677	2,829	2,918
Total equity	$m	2,782	2,727	2,778	2,823	3,171
Gearing ratio	%	28	35	36	38	36

1. Up to $10 million of this is contingent on GSNZ obtaining a favourable binding ruling on the tax treatment of the main assets
2. FY15 included a special dividend of 50 cents per share.
3. Figures have been restated for the adoption of NZ IFRS 15 *Revenue from Contracts with Customers* and NZ IFRS 16 *Leases*.
4. Figures above reflect the combined result and position for the continuing operations and discontinued operation, and certain 2018 amounts have been reclassified to conform to the current year's presentation.

ENSURING RELIABLE RENEWABLE ENERGY

Our Wholesale business is focused on being an innovative, safe and efficient generator working with business customers, partners and suppliers to decarbonise New Zealand's energy sector.

83% of the energy we generated came from renewable geothermal and hydro sources, and the remainder from thermal generation.

Predicting future energy demand is complex, however most forecast data shows that in the near-term demand will grow at about 1% per year. As New Zealand and customers look to low-carbon solutions we believe this will increase longer-term demand for reliable renewable energy, and our decarbonisation strategy ensures we are well placed to meet this demand.

Decarbonising energy in New Zealand

To decarbonise energy, we aim to lead by example, lead our market and lead business.

We lead by example by making our operations more efficient, minimising any adverse impact on communities and the environment, and walking the talk – if we expect our customers to decarbonise, we must take the journey ourselves. Go to *Taking action on climate change* in the Environment sustainability section for more information.

We are leading our market by closing higher carbon generation assets and developing new, low carbon ones.

Since 2008 we've closed thermal power stations in Otahuhu and New Plymouth and we've developed New Zealand's only underground gas storage facility at Ahuroa, geothermal generation at Te Mihi and Te Huka, and two gas fired peaking plants at Stratford. We also acquired a thermal peaking plant at Whirinaki. Our thermal peaking capacity supports increased use of renewables by providing back-up when there's too little wind, rain or sun.

We're preparing for the market of the future and maximising low carbon energy by building a demand flexibility platform, developing low carbon solutions for customers, and advocating for regulatory settings that will facilitate the transition of New Zealand's energy system away from fossil fuels. We are also investigating developing our geothermal resources and monitoring other renewable generation sources as options for the future.

We help our customers find energy efficiencies and with new products and renewable substitutes to transition from higher carbon fuels to low carbon fuels. We aim to displace 1PJ of industrial heat with electricity by 2022 — roughly the equivalent of the electricity used by all the houses in Taupō in a year.

We are helping customers transition to lower-carbon electricity by enabling on-site generation and storage, electrifying industrial heat, electrifying transport, offering long term renewable electricity supply agreements and offering more customers geothermal direct heat.

We supply geothermal direct heat to Taupō businesses around our geothermal power stations, including the Prawn Park, Tenon, Wairakei Terraces, Ohaaki Heat, Nature's Flame and Wairakei Resort. We are also working with Geo40 who are using new technology for the sustainable production of industrial silica products from geothermal fluids.

Prawn Park

We're helping customers with audits to show how they're using energy and to identify and implement opportunities to reduce their emissions. In FY19 the Energy Efficiency and Conservation Authority (EECA) contributed $174,000 towards 17 customer energy audits, and $484,000 to help review and electrify customer vehicle fleets, and our own vehicles. Our own fleet is now close to 40% EV, and in August we partnered with ChargeNet and Wellington City Council to install three electric vehicle fast charging stations in Wellington to make EV charging more accessible.

Investigating options to develop geothermal resources

We announced that we'll drill four new exploratory wells on the Tauhara geothermal field near Taupō in August 2019, as part of a programme to understand the economics of developing a new power station.

Contact has had options to further develop Tauhara since 2010, when we obtained resource consents for a 250 MW plant on the field. This followed the construction of the 28 MW Te Huka plant the same year.

We haven't progressed with development of Tauhara since 2010 because of flat electricity demand. However, the cost of new geothermal power is reducing at the same time that customers and the country are looking to reduce their reliance on fossil fuels. The cost of running existing thermal stations is also increasing – improving the relative economics of Tauhara.

We've reconsidered Tauhara in this light and believe that a new geothermal power station on this field is now New Zealand's cheapest and most attractive option for renewable baseload electricity generation. The planned drilling will tell us more about the reservoir's characteristics.

Investigating the potential to further develop Tauhara aligns with our decarbonisation strategy and with New Zealand's climate goals. Geothermal energy is important in the transition to a low carbon economy because it's a low emissions energy that provides baseload generation, unlike weather dependent wind, solar or hydro. It can also provide a supply of direct heat for industrial processes and we are working with a number of interested parties on prospective developments.

We will continue to work closely with the local community in Taupō, who have told us that they would like to share the benefits of geothermal developments. These sorts of geothermal developments can be sensitive as historically there have been impacts on land, waterways and biodiversity, however modern adaptive management techniques ensure that effects can be identified early and operational changes can be made to reduce any negative impacts.

Rewarding customers for demand flexibility

We ran a pilot this year for our demand flexibility platform — technology we've built that enables us to pay large electricity users to reduce power use at peak times.

The platform automatically communicates with customers' equipment to reduce electricity use when the grid is facing high demand, most commonly during winter spikes in electricity use. This means we can reduce our use of fossil fuel generation, which is typically used to meet high electricity demand.

Customers are rewarded financially for their flexibility, and are also motivated by the fact they're contributing to a more sustainable, resilient and lower cost grid electricity supply.

We initially piloted the platform on Contact equipment, and now have five contracted customers. Given its success, we will extend the scheme in 2020.

Contact was a finalist in the 2018 Energy Excellence Awards for Innovation in Energy for the development and piloting of the platform.

Investment in Simply Energy adds to capability

Contact announced in June this year that we've acquired an interest (49.9%) in Simply Energy. Simply Energy has a strong reputation for developing innovative technology and data solutions and for opening up new market opportunities. They have an agile customer engagement platform that we can leverage to help us deliver market-leading customer experiences.

Investing in Simply Energy allows us to evolve from 'commodity seller' to a 'trusted, innovative solutions provider' — the type of deep partnership our Commercial and Industrial customers are looking for and which positions us to help our customers achieve decarbonisation.

The transaction includes an option for Contact to buy the remaining shares in Simply Energy to take full ownership in the future.

Responding to gas constraints

The wholesale market experienced fuel production constraints during the past financial year, which led at times to significant increases in wholesale market prices, fuel scarcity and increased volatility. However, our wholesale portfolio performed well during this time, highlighting the value of gas storage at Ahuroa Gas Storage.

While we sold Ahuroa during the year to Gas Services New Zealand (GSNZ), we have retained access to competitive long term gas storage services for 15 years.

GSNZ has committed to expand Ahuroa storage and this should be completed early next year. This will play a valuable role for New Zealand as our electricity market moves from coal and gas generation to more flexible and short term gas generation. In July 2019 GSNZ confirmed they had sold capacity in Ahuroa to a third party.

In June this year, we secured gas supply from Taranaki-based gas producer OMV for 40 TJ/day of gas for the 2019 winter. The agreement also provides for the supply of Maui gas at the same price for 2020 to 2024, with volumes subject to field deliverability. Our thermal power stations will play a key role in providing affordable and reliable electricity when weather-dependent wind, solar, or hydro generation is not available.

GROWING TALENT, INCLUSIVENESS AND DIVERSITY

We rely on the dedication, passion and innovative ideas of our people to deliver safe, dependable energy and add value for our customers in an ever changing and challenging market.

We support our people to do their best work, and we keep them here by rewarding them with competitive salaries and benefits. We also work hard to be a workplace where people from all walks of life are embraced and valued.

We believe an inclusive culture and diverse workforce leads to diversity of thought, better decision-making, stronger business performance, and a better world. Our Inclusion and Diversity Policy provides the framework for inclusion and diversity initiatives at Contact. We still have work to do to be a truly inclusive and diverse company, and we're taking some good steps in the right direction.

We get the best out of our people and support better lives for them by providing flexible working practices, including our flexible working initiative ContactFlex, which customises working solutions to individual circumstances.

We're a member of *Champions for Change*, a group of New Zealand CEOs and Chairs on a mission to accelerate inclusive and diverse leadership. Champions share their inclusion and diversity reporting, which helps give us a benchmark. Overall, our team is 47.1% female (up 4% from 2018), compared with an average of 44.9% across the 39 Champion group members that participated in 2019.

We have seen improvements in gender diversity across most levels in Contact and we continue to focus on executive positions, other management roles, and plant operational roles, where we're not yet meeting the measure of 40-60% female, for gender balance.

To ensure we're attracting the right people, we've developed a new talent acquisition model. The model is about predicting our future talent needs and having great people ready and waiting to join our team. It puts more emphasis on candidate care, engagement with the business, removing bias, and better use of technology and automation such as artificial intelligence. It's also building understanding of our employer value proposition — what's special about working at Contact.

Getting the Rainbow Tick

Contact received Rainbow Tick certification this year for being a safe and inclusive workplace for lesbian, gay, bisexual, transgender and intersex (LGBTI) people — an important step for us in creating a culture where all voices are heard, valued and considered.

To achieve certification, we went through an international best practice assessment that looked at policy, internal and external engagement, organisational development, and monitoring. Our focus over the next 12 months is educating our people, raising awareness, and getting our people involved in rainbow networking opportunities internally and externally. Our aim is to create an environment where our people feel comfortable talking about their sexual orientation, gender identity and ethnicity.

Attracting women into operational roles

We continued to foster inclusion and diversity by supporting the Connexis ITO's Girls with Hi-Vis programme by hosting events at our Stratford and Wairakei power stations. Girls with Hi-Vis aims to attract more women into the trades by giving them the opportunity to see first hand options in the energy sector.

Wellington Pride Parade 2019

For the past four years, Contact supported Girls with Hi-Vis by hosting an event at the Clyde Power Station and promoting the initiative to other organisations. This was so successful that the programme was extended to the North Island this year.

Contact is a global partner for WING (Women in Geothermal), a not-for-profit global organisation promoting education, professional development and the advancement of women in the geothermal industry. We're excited to support scholarship programmes, networking opportunities and development opportunities for WING's participants, with the goal of attracting more women to work in geothermal.

Growing diversity through internships

Last summer, we hosted six interns through Summer of Tech, a not-for-profit programme investing in New Zealand's next generation of tech talent. Following the summer internships, one of our interns joined our team full-time and one is working for us part-time while continuing to study. We're sponsoring Summer of Tech again in 2019/2020, and this year we'll also have access to Tupu Tek, a new internship programme for Pacific tech students. We've also signed up to Summer of Biz, so we can now provide internships for tertiary students studying marketing and human resources too.

Since 2015 we've also run a Māori internship programme. This has helped foster trust between ourselves and our iwi partners, grow our cultural capability, and advance our goal to be inclusive and diverse. We structure the programme to give interns projects aligned with their studies and interests. They also help our business by sharing Te Ao Māori — including Te Reo lessons, marae protocol, and Treaty of Waitangi understanding and the significance for our business. Each year our interns report back to the hapū and iwi of Tuwharetoa and Ngāti Tahu on what they've achieved during their internships. The hapū and iwi appreciate hearing about the projects interns have worked on and what they've learnt.

Growing our people

Our people are the human energy that powers our business and we're committed to giving them opportunities to learn, grow and stretch as individuals. Our approach to development is about meeting people's different needs — everyone on our team is unique and different areas of the business in need people with varied skills and attributes.

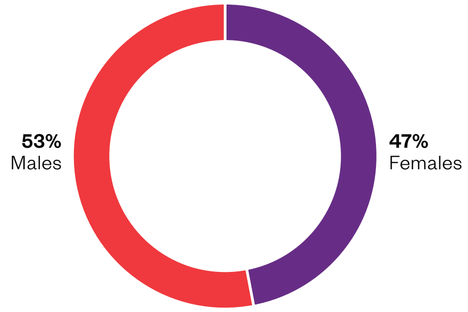
We believe that most learning happens through experience, so we look for on-the-job opportunities, secondments and projects for our people. This includes opportunities outside Contact, such as working with our partners.

Growing our people also includes formal training, coaching and mentoring, initiatives to raise awareness about sexual and gender diversity as part of our Rainbow Tick accreditation, and leadership training for people leaders. We invest in growing leadership for women through Global Women programmes. And we're developing a new leadership programme to ensure we have collaborative leaders who can lead innovation and adapt to the changing environment we work in.

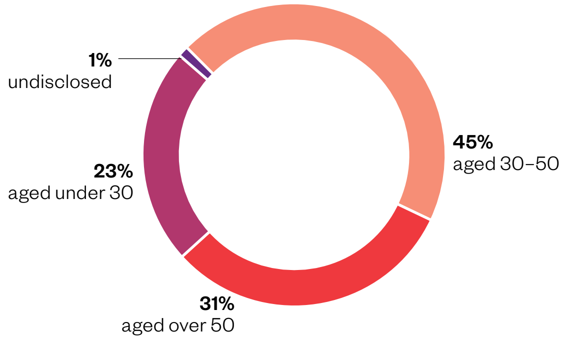
Our engagement survey measures how our leaders are doing, including questions on leadership, culture, performance development and internal communication.

Our average leadership score across Contact this year was 81% which tells us we are in the upper quartile.

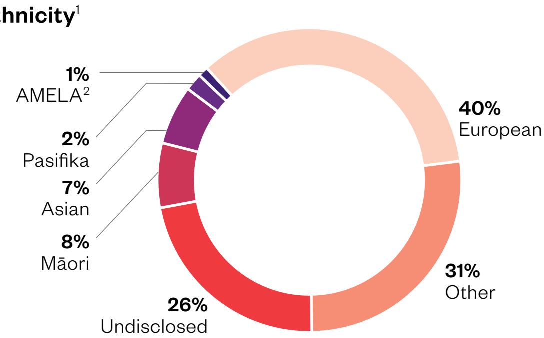
Gender



Age diversity of employees



Ethnicity[1]



1.Total % adds up to more than 100%. This is because individuals can choose to identify multiple ethnicities.
2. African, Middle Eastern & Latin American.

Measuring engagement

We believe that our people's experience is our customers, experience and our culture is our brand. Having satisfied customers starts with having satisfied and engaged people. One of the ways we monitor the engagement of our people is with an annual Ask Your Team survey.

This year 91% of our people completed the survey and our overall engagement score was 75% (which is in the upper quartile for organisations that use the survey), slightly behind our May 2018 score of 77%. We use the insights from our surveys to stay informed about our people's experiences and to focus on what we can do to make this the best place possible to work.

For more diversity information go to *Sustainability* in the Disclosures section.

FOCUSING ON HEALTH AND SAFETY

Our health, safety and environmental management system is designed to keep our most important assets — our people, our plant and the environment — safe.

The sale of Rockgas has seen our safety risk landscape change, and our largest safety risks are now in our Wholesale business. In our Customer business, the safety risks are mostly on our customers' sites (things like unfriendly dogs and old meter boards) so we work closely with our service delivery partners to manage those risks.

As we continue our safety journey, our focus is to have robust systems to be able to fail safely when incidents occur — because we're human and mistakes do happen.

We've been putting initiatives in place to make the 'H' in 'HSE' bigger over the past couple of years. This year we've increased access to our occupational health services and implemented a Wellbeing 360 survey that enables our people to gain more insight into their wellbeing and helps us improve the support we offer.

Gaining more insight into wellbeing

As a company that's built on human energy, we rely on a healthy and well workforce.

We ran a Wellbeing 360 Survey this year to help us understand and support our people's needs. The survey measures mental, physical, work and social wellbeing, and provides each person with personalised results and ideas for improving their wellbeing. We had a great participation rate of 77% — well above the benchmark of 50% — which gives us an opportunity to address issues our people face.

One of the issues we're responding to is mental health awareness and support. We've introduced the GoodYarn programme to build a community in Contact with the knowledge and skills to identify mental health issues and approach and support colleagues in a caring and respectful way. We've made a three year commitment to the programme and so far have trained 10 people from across the business as GoodYarn facilitators.

The survey also gave us insights about how our people feel about our Employee Assistance Programme (EAP); RedMed, our discounted medical insurance benefit with Southern Cross; and ContactFlex which allows our people to work more flexibly. This is helping to direct our ongoing efforts to improve how we support our people's wellbeing. At site and team levels our people are also owning initiatives that make a difference to them – like setting up a gym or running support groups.

We are proud of our Customer business being a finalist in the Wellbeing category of the Deloitte Energy Excellence Awards for their Building Better Workdays programme. The programme is about ensuring our people are healthy and happy — so they're enjoying their work, delivering world class customer experiences and feeling a greater sense of connection with what we do.

Measuring our HSE performance

Contact uses several ways to measure and monitor HSE and we use Total Recordable Injury Frequency Rate (TRIFR) and an HSE Index as our safety performance indicators.

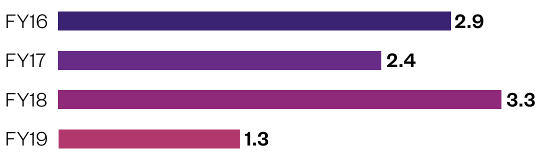
The HSE Index is derived from questions in our Ask Your Team survey. Our people score on how well we're empowering and involving them in process improvement and performance reliability, how safe they feel to speak up and be honest, how well and consistently we support them when things are challenging or go wrong, and how effective our supplier and contractor relationships are. This gives a full picture of our safety journey.

TRIFR is a lagging indicator — it looks back, and although it is based on a count of actual injuries, it takes no account of the risk potential. As our TRIFR has reduced it is becoming less relevant as a way of understanding how our systems and culture are working effectively to keep our people, plant and the environment safe.

From next year we'll fully adopt the HSE Index as our safety performance indicator. We'll also continue to measure and monitor TRIFR because it's a global measure that can be benchmarked and it's our injury measure.

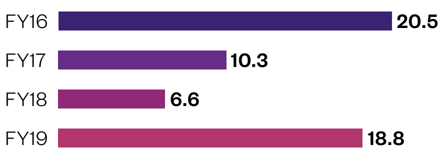
In our Wholesale business, we'll continue to measure Total Incident Severity Rate (TISR), an internally created measure that gives us a much better idea of exposure to risk by assessing the potential severity of both HSE and process safety incidents.

Controlled TRIFR[1]



1. We have removed Rockgas from our data for comparative purposes.

Monitored TRIFR



Our year to date TRIFR for controlled activity (work done under our HSE management system, e.g. at our sites or by our people) was 1.3 against a target of 1.2. This included three minor injuries (minor knocks and strains) and is the lowest number of injuries we have had. Our TRIFR measure is calculated based on the hours worked (2.26m in FY19) and the number of injuries, and we didn't meet our target this year because even though we'd set a target of three injuries, that was against more forecast hours than actually worked. Our TRIFR for monitored activity (work done by our service delivery partners using their own HSE systems) was 18.8 against a target of 6.8, and included five injuries related to property access issues (slips, trips and a dog bite). Our target was based on two injuries in the hours our service delivery partners worked (0.27m for FY19). We are working proactively with our partners to learn from these incidents and improve their systems.

Our HSE Index result this year was 71% which was behind the target we set ourselves of 81%. We are exploring the result with our people to understand what we need to focus on improving.

TISR assesses all HSE events and considers both actual and potential consequences so that we get a view of how well our defences are working for our critical risks. TISR was 3,900 within controlled activity in FY19 (compared with 3,200 in FY18). We also measure and monitor TISR in monitored activity and this was 4,700 for FY19 (compared with 11,100 in FY18).

Process safety

	FY19	FY18	FY17	FY16	FY15
Tier 1	0	0	0	0	1
Tier 2	2	0	0	1	1
Tier 3	58	56	49	58	33

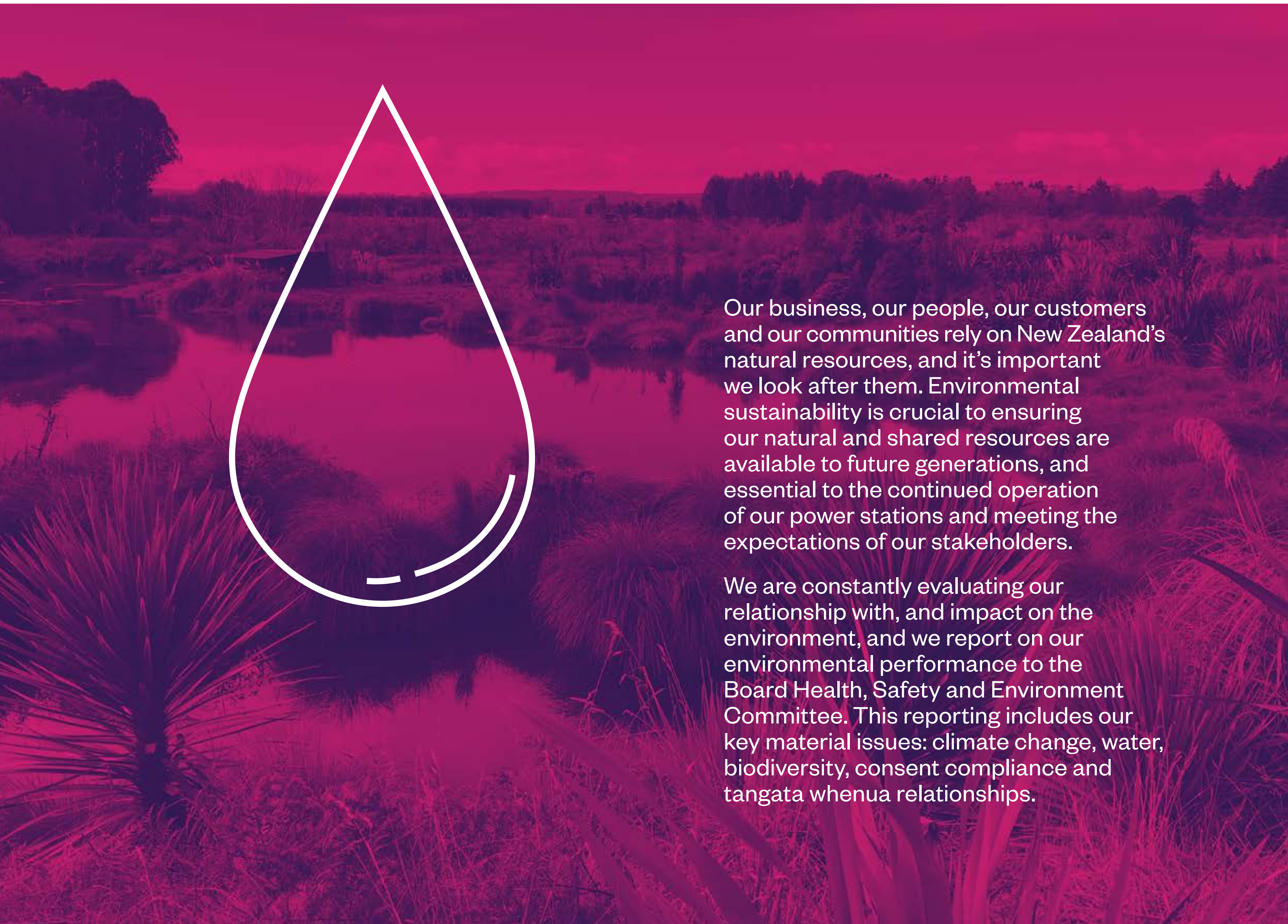
Note: This table represents the number of process safety incidents across our operations. The figures exclude any incidents occurring in the Ahuroa Gas Storage facility or Rockgas LPG facilities.

We use international guidelines to identify and categorise process safety incidents as tier 1 (a significant loss of containment of hazardous material or energy), tier 2 (a lesser loss of primary containment or a significant degradation of barriers), or tier 3 (learning events where issues have been identified in our process safety barriers or controls).

We've had no tier 1 incidents since 2014. In FY19 we had two tier 2 incidents, which included a potential for a significant water hammer event in a geothermal steam line, and a reduction in steam safety valve capacity at a thermal station. The incidents resulted in no injuries or plant damage.

About a quarter of the 66 tier 3 incidents related to automatic protection operating as designed to keep our plant safe, about a quarter related to minor loses of primary containment of material, a quarter related to anomalies in our work control processes, and the remainder were equipment faults or minor procedural issues.

ENVIRONMENTAL SUSTAINABILITY



Our business, our people, our customers and our communities rely on New Zealand's natural resources, and it's important we look after them. Environmental sustainability is crucial to ensuring our natural and shared resources are available to future generations, and essential to the continued operation of our power stations and meeting the expectations of our stakeholders.

We are constantly evaluating our relationship with, and impact on the environment, and we report on our environmental performance to the Board Health, Safety and Environment Committee. This reporting includes our key material issues: climate change, water, biodiversity, consent compliance and tangata whenua relationships.

USING WATER SUSTAINABLY AND RESPECTFULLY

Water has an important role in Contact's business. Our geothermal operations use fresh water for activities such as cooling and drilling, and we discharge geothermal fluid to the Waikato River. Our thermal power stations use fresh water for cooling and to reduce discharges to air. In our hydro operations, we pass water through dams.

Water is also a vital resource for the wellbeing of our communities. We have developed a *position on water* which guides our actions. It's about ensuring that our use is sustainable and respectful, both culturally and environmentally. To support our sustainable management of freshwater resources, our internal dashboard monitors water use across our operations. Our future focus is to create a more holistic measure of water that shows our wider impacts on waterways.

This financial year we used 17,955,223 megalitres of water, which is significantly higher than previous years due to increased water inflows in our hydro catchment. Of this water, 99% was returned to rivers (after passing through our power stations) or to geothermal reservoirs, with the remainder discharged in line with our resource consents. Overall, water usage for processing, cooling and consumption in our thermal power stations was 1,486 megalitres.

Non-consumptive water usage (ML)[1] for year ended 30 June 2019

Source / water use	(ML)
Clutha Mata-Au River water	17,145,185
Geothermal reservoir	68,494
Geothermal cooling water	309,205
Total	**17,828,884**

1. ML = megalitres

Total water usage for year ended 30 June 2019[1]

Source / water use	Withdrawal (ML)[2]	Discharge (ML)
Geothermal reservoir	105,914	
River and surface water	2,089	
Water from third parties	312	
Council	42	
Discharge from all sources		17,982
Total	**108,357**	**17,982**

1. Management of the use and impact on water is largely done through our resource consent compliance activities.
2. ML = megalitres

Taking responsibility for our impacts

An event at one of our geothermal sites in Taupō this year led to a discharge of sediment and geothermal water into the Waipuwerawera Stream and on into the Waikato River, discolouring the Huka Falls.

As soon as we discovered the discharge, we took immediate steps to contain the site, clean up and prevent further slippage or water flow into the stream, and to engage openly with the local iwi and wider community.

We have investigated to understand what caused the event and to ensure we improve our systems to prevent further incidents like this. The Waikato Regional Council is also investigating this incident.

We are also continuing to talk with iwi and affected stakeholders to respond to any ongoing concerns and remediate residual effects. Water is a precious, shared resource and our access is a privilege that we never take for granted.

TAKING ACTION ON CLIMATE CHANGE

Action to limit the extent and impacts of global warming is stepping up in New Zealand and globally, at regulatory and community levels.

Both the projected physical impacts of climate change and the transitional risks (such as regulatory changes, consumer behavioural shifts and wider societal responses), have significant potential impacts on our business.

Contact has taken steps to ensure we appropriately recognise and account for these risks and opportunities, and in the last year we have:

- formalised the Board's oversight of climate related matters through the Board Health, Safety and Environment Committee
- thoroughly reviewed risks and opportunities associated with climate change on our business
- recommitted ourselves to a *climate change position*;
- embedded an emissions reporting tool enabling more oversight of our wider emissions
- established verified science-based emissions reduction targets
- embedded decarbonisation into our business strategy.

We are proud to be the first company in New Zealand to sign up as an official supporter of the *Taskforce for Climate-related Financial Disclosures* and the first company to establish a Green Borrowing Programme in New Zealand. We've also joined with other business leaders as part of the *Climate Leaders Coalition* to demonstrate our commitment to action and we report carbon information through the *Climate Disclosure Project*.

Modelling climate change scenarios

We engaged the National Institute of Water and Atmospheric Research (NIWA) this year to model likely changes from climate change across each of the regions we operate in and for New Zealand generally.

We modelled two scenarios: a business as usual scenario where greenhouse gas concentrations continue unabated (Representative Concentration Pathway (RCP) 8.5); and a mitigation scenario with a global effort to heavily reduce concentrations (RCP 2.5). This planning identified that in either scenario most of our sites will experience a tripling of the number of hot days, and that spring and summer are expected to become drier and winter wetter. Our hydro catchment is likely to have increased inflows, with potential for hydro generation increasing – especially under the business as usual scenario.

Climate change exacerbates existing risks in some areas, while also posing new risks. We identified a number of transitional risks as the world adapts to a new climate, including effects on the New Zealand electricity market, which is largely dependent on weather to provide fuel, increased pressure on our business to reduce our emissions and transition to lower carbon options, and potential costs resulting from regulatory interventions.

Risks of a changing climate also included additional health, safety and wellbeing hazards for our people working in these conditions; physical impacts on our existing plant including the design of our stormwater systems, increased maintenance requirements and changes to asset management planning; and the availability of, increased pressure on, and access to fresh water for operational use. Hotter temperatures also reduce the efficiency of plant and the capacity of the transmission system to carry current volumes of electricity, so this will need to be carefully managed over the longer term. For more detail on these risks go to the *Climate related risks* in Other Disclosures section.

Contact is well positioned to manage these risks, as well as some opportunities, through the implementation of our decarbonisation strategy.

Our decarbonisation strategy aims to replace our thermal generation assets once they are uneconomic with renewable assets and to increase overall electricity demand by helping our customers transition from higher carbon fuels to electricity.

Partnering for carbon credits

We entered a partnership in March 2019 to invest in creating a geographically diversified forest portfolio to sequester carbon on marginal land.

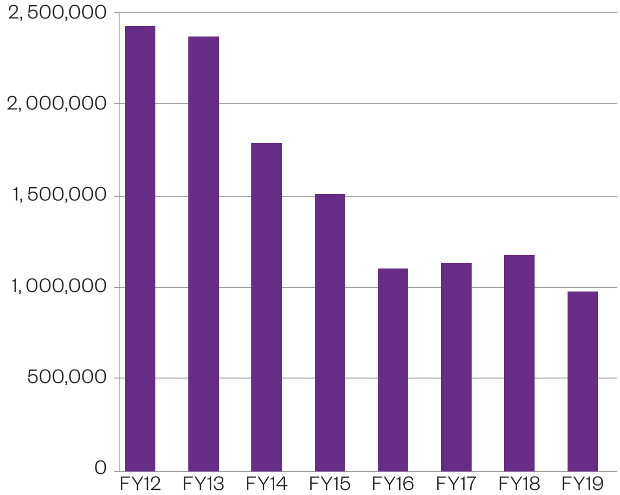
Drylandcarbon is a limited liability partnership with Contact, Air New Zealand, Genesis Energy and Z Energy.

The partnership aims to produce a stable supply of forestry-generated New Zealand Unit (NZU) carbon credits to support fulfilling our annual requirements under the New Zealand Emissions Trading Scheme over the long term.

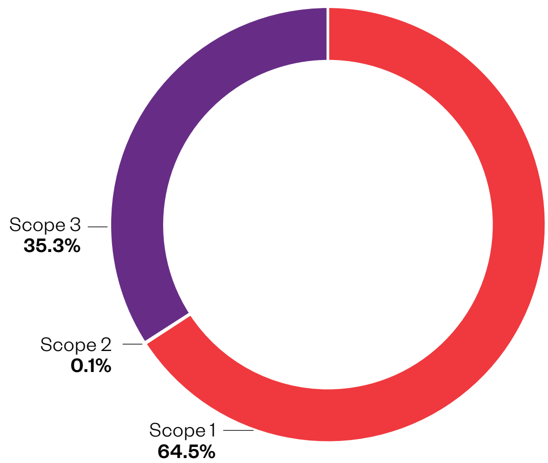
The partnership intends to purchase or license marginal, unproductive and often erosion-prone land and convert it to sustainable forestry for carbon farming. Through the partnership, Contact is committed to positive sustainable outcomes for the environment, for the farming economy and for the rural communities in which Drylandcarbon will operate.

Drylandcarbon's afforestation plans are closely aligned to a number of key Government objectives and will deliver a range of environmental and sustainable development benefits to our regions.

Emissions from electricity generation (tCO_2e)



Total greenhouse gas emissions by Scope (tCO_2e)



Tracking emissions from generation

We follow the Greenhouse Gas Protocol, a global standardised framework for reporting on our emissions, which categorises emissions as Scope 1 (produced directly through our operations), Scope 2 (emissions from purchased electricity) and Scope 3 (emissions in our wider supply chain). Our complete emissions inventory can be found on our *website* and for a fuller summary go to *Emissions data* in the Other Disclosure section.

The majority of our emissions fall into Scope 1, from electricity generation at our thermal and geothermal operations and through our vehicle use. We monitor our direct emissions and other discharges to air in line with resource consents and reporting requirements under the New Zealand Emissions Trading Scheme. Accurate monitoring enables us to track progress against targets and ensure transparency in our operations.

This year, our emissions from electricity generation decreased by 16% on the prior year as a result of increased hydro catchment inflows and a nationwide shortage in gas supply which restricted thermal generation.

Revising our emission reduction targets

This year we verified our emission reduction targets through the Science Based Targets initiative to ensure they are in line with the science required to limit global warming to 2 degrees. All targets have a base year of 2018. Our current target is:

- to reduce our Scope 1 and 2 greenhouse gas emissions by 30% by 2030
- to reduce Scope 3 emissions from use of sold products by 15% by 2030.

In addition to our science based targets, Contact has set the following business targets:

- to displace 1 PJ of fossil fuel with renewable energy by 2022
- to reduce our emissions intensity by 36% by 2030.

In late 2018, the Intergovernmental Panel on Climate Change, the United Nations' body for assessing science related to climate change, released a report saying that a 2 degree limit is not enough to prevent significant damage to society. In light of this, we are reviewing our current targets as part of our commitment to leading by example.

Delivering these targets requires us to execute our decarbonisation strategy to build more renewable generation to displace thermal generation. This means demand may increase before we have built new renewable generation, so we may see small increases in our emissions from using thermal generation to meet that need, before we see significant long term reductions.

PROTECTING AND ENHANCING BIODIVERSITY

Our operations can have wide-ranging impacts on water, rivers, birds, animals and plant life and we believe it's our responsibility to protect, maintain and enhance biodiversity in the areas we operate in.

The diversity of our generation operations means a range of different impacts in different regions. We have site specific management plans for local biodiversity impacts and we report on progress on those to the Board Health, Safety and Environment Committee.

We worked with government and conservation representatives, subject matter experts and energy peers during the drafting of the National Policy Statement for Indigenous Biodiversity, which was released by the Biodiversity Collaborative Group in October 2018. Overall we are supportive of the draft statement, which sets out policies to manage natural and physical resources to maintain indigenous biological diversity under the Resource Management Act. Some draft policies may restrict the development of new geothermal and wind generation in New Zealand, so we've continued to do work to provide further options that enhance and protect native vegetation and wildlife while still enabling New Zealand to meet climate change targets.

Reducing our impacts on fish migration

We've had good results this year from our work to help native tuna (longfin eel) make their seasonal migrations in the areas around our dams.

Our most significant impact on biodiversity is the impact of our dams on the passage of native fish, including their seasonal migrations. Our dams were built many years ago without considering fish movements. So this is now a focus of our work in the Clutha catchment, and we're working with the Department of Conservation, Ngāi Tahu and the South Island eel industry to ensure our efforts are best practice.

The latest elver (juvenile eel) season, in January and February, was the most successful transfer of elvers upstream and beyond the Roxburgh Dam on the Clutha River since consistent records began in 2012. We caught and transferred 81.5 kilograms of elvers at the Roxburgh Dam, and about 90% of those were caught in a new trap installed in 2017.

We trap the elvers below the Roxburgh Dam and release them at four different locations upstream, in consultation with iwi and other stakeholders. The migrating elvers will swim upstream from their point of release and into high country lakes or rivers such as the Manuherikia River or Lake Wanaka.

We also need to assist the downstream movement of adult eels when they are ready to migrate to breed. This summer we contracted a commercial fisher who caught 36 migrant eels from Lake Wanaka and Lake Dunstan and transported them to below the Roxburgh Dam so that they could head out to sea to spawn. We also caught 101 eel above 4kg (the maximum size a commercial eeler can take) and released them below the Roxburgh Dam to support these eels to migrate to the ocean to spawn once they mature.

Restoring and protecting habitats

In addition to our trap and transfer effort with eels, we have restored riparian habitat in the Clutha catchment to support native fish species including tuna (eel), kanakana (lamprey), inanga (whitebait) and giant kokopu. These restoration projects have all been in partnership with the Department of Conservation. They are on private land and have all been enthusiastically supported by those landowners.

Our geothermal operations can have indirect impacts on the habitat of at-risk or threatened thermotolerant species. These sites have very special biodiversity values as the available habitat is limited to certain temperature and chemical conditions. In our experience, the success of thermotolerant species can be enhanced through pest management and the removal of invasive species. This year, in collaboration with the Waikato Regional Council, we removed wilding pines from approximately 25 hectares of geothermally significant land in Taupō and are creating a management plan for the long term sustainability of the site.

Our geothermal operations require vast amounts of land, some of which we lease out to third parties for forestry or farming activities. During the last year, a forestry block in Karapiti was harvested, and instead of replanting the site in pine forest, we trialled replanting using mānuka. Mānuka is a native species that helps to establish regenerating native forest.

We have remained focused on pest management across all of our sites and have successfully removed 1,528 pests (including rats, stoats, hedgehogs, and other mammals) in the last year. We are encouraged by our increasing catch numbers and our people have reported seeing bird life return to natural areas.

Over the past year we have planted 28,415 native trees. Since our restoration and protection programmes began, we have protected 126 hectares of land.

Kiwi kids meeting kiwis

We're helping to build the next generation of sustainability champions by supporting a programme to get schoolchildren up close and personal with our national bird, the kiwi. Kiwi Contact is a programme run by the national kiwi conservation charity Kiwis for Kiwi, to give Taupō primary and intermediate schoolchildren the opportunity to interact with kiwi chicks at the sanctuary at Wairakei golf course. Our 2018 pilot programme was so successful that we renewed our sponsorship for 2019.

LIVING AND WORKING IN OUR LOCAL COMMUNITIES

Generating electricity is a significant operation and we understand that we have a big impact on our communities. We want that impact to be a positive one.

We foster open, respectful, reciprocal relationships with the communities we operate in, and ensure that we understand their needs and aspirations, that they understand our business, and that we give back in ways that are meaningful to them.

Through our site sponsorship programmes, we enable our people to get involved in local initiatives that are important to them and the community they are a part of.

Engaging with tangata whenua

Tangata whenua have a special relationship with the natural resources that we rely on to generate electricity for New Zealand. We interact with various iwi and hapū around our operational sites. We aim to have positive and respectful relationships and we have a tangata whenua strategy which guides us in maintaining those relationships.

In 2019, we reached a milestone in our relationship with Ngāi Tahu through formally establishing the Mata-Au Trust. The trust is a mechanism established as part of our 2002 resource consents to operate on the Clutha river, and supports us to mitigate the impacts of our operations on the iwi. Over the past year we have worked to develop our relationship with the iwi and local Papatipu Rūnaka and we're collaborating on projects such as eel management.

In Taupō, we have continued our programme to refresh and improve relationships with Wairakei and Tauhara hapū. This has included working with Tauhara hapū towards the establishment of a Kaitiaki Reference Group to formally represent the interests of the hapū in relation to our development plans at Tauhara. We are also pleased to have a commercial partnership with a local Māori Lands Trust, Tauhara Moana, for geothermal access rights.

At Ohaaki, we continue to maintain our relationship with the iwi and landowners Ngāti Tahu. This year we partnered with the iwi and NIWA to hold a wānanga (gathering) for their community, to help them understand the impact that climate change may have on them and to be prepared for the future.

We embrace the diverse cultures that make our communities unique, and encourage opportunities to learn and share more about each other. This year we celebrated Matariki (Māori New Year) in a unique way with our geothermal team. We provided a traditional hāngī for our people, cooked in a new steam hāngī pit installed on our site. This hāngī pit enables local hapū to continue their cultural practice of using geothermal steam for cooking, while reconnecting them with the geothermal resource in the area.

Preparing for Tauhara development

Contact has had a significant presence in the Taupō community since geothermal energy operations began at Wairakei more than 60 years ago. At our Wairakei sites, we employ around 80 people, most of whom live in Taupō and are passionately part of the community through Community Contact, our staff volunteering programme. We enable our team to get behind initiatives that are important to them as often as they like.

We recognise that the local iwi, hapū and community have a special interest in any future developments at Tauhara. Not only would a new development bring significant investment and jobs to the region, it would provide opportunities for partnership and collaboration on joint goals.

We intend to engage early to identify mutually beneficial opportunities that may help shape the project and its delivery. Contact is confident that if an investment decision is made, the project would not only be New Zealand's most attractive option for renewable baseload electricity generation, but would also contribute to the prosperity of the Waikato region.

Supporting local initiatives in our communities

Our community programmes are based around developing regional sponsorships and local initiatives that contribute positively to the places we call home. In addition to the *Kiwis for Kiwi* and *Girls with High-Vis* programmes, we support a number of other community initiatives. In FY19 we spent over $350,000 on community sponsorships.

Funding lunches for tertiary students

We partnered with Toi Ohomai this year to support their free lunch initiative for tertiary students at the Taupō campus. The free lunch programme helps students struggling to meet the cost of living while studying. As well as funding about 50 lunches each week, we provided some of the students with safety gear, stationery and unpaid work experience at our geothermal stations.

Electricity for the night shelter

We helped support Rotorua's first homeless night shelter 'Sanctuary Manaakitanga' by making a one-off donation of $5,000 worth of power to keep the lights on and everyone warm last winter.

Learning through nature

Kids Greening Taupō empowers students to be actively involved with projects to increase biodiversity and solve environmental problems. Instilling a sense of connection between our children and the natural environment is an important part of ensuring we're helping to build the next generation of sustainability champions. We provide support to a Take Action Fund which provides funding to enable students to get out there planting.

Over 15,000 attend blossom festival

Since 2004, Contact has been a major sponsor of the colourful *Alexandra Blossom Festival*, which takes place close to our Clyde Dam. This year more than 15,000 people turned out to join the festivities, and through our support almost 1,500 children enjoyed fairground rides at Contact Party in the Park.

620 take part in ultimate mountain biking challenge

The Contact *EPIC* is a major highlight in the local Hawea community each year and we are proud to have been its principal partner since 2008. This year 620 riders took part in the gruelling event, and through a community fund established in collaboration with the event's organisers, $20,000 has been raised over the last three years. This fund is now available to support applications for funding from community based organisations and individuals.

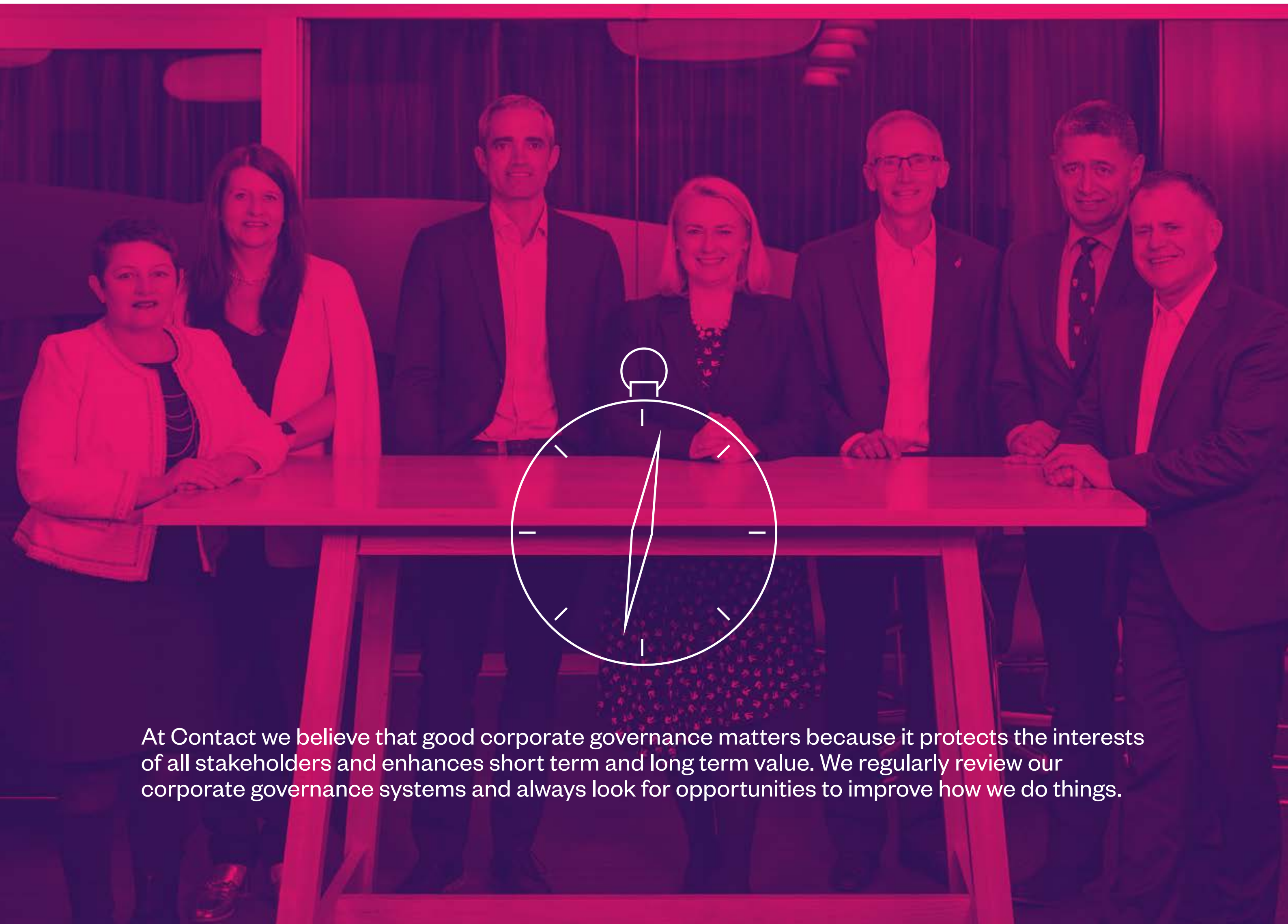
Supporting Excellence in Education in the Environment

We're committed to supporting New Zealanders working hard to protect our environment, so this year we partnered with the Taranaki Regional Council, becoming a key sponsor of their 2018 Environmental Awards Excellence in Education category. We will continue the sponsorship this year.

Funding 30,000 swimming lessons

Our long-standing sponsorship of SwimWell Taupō provides access for every school aged child in the district to free swimming and water safety lessons, helping children to develop the skills and confidence they need to stay safe while having fun in the water. Each year our support enables more than 30,000 swimming and water safety lessons to be delivered to 3,500 local children, aged 5–12 years.

GOVERNANCE MATTERS



At Contact we believe that good corporate governance matters because it protects the interests of all stakeholders and enhances short term and long term value. We regularly review our corporate governance systems and always look for opportunities to improve how we do things.

At 30 June, we comply with the recommendations of the NZX Corporate Governance Code in all material respects.

Our full reporting against the NZX Code is set out in our Corporate Governance Statement, which is available on our *website*.

This section of the Annual Report gives a summary of our corporate governance practices. All information in this section is current at 30 June 2019 unless otherwise stated.

CONTACT'S BOARD

The Board's role and responsibilities

The Board is responsible for the governance, direction, management and performance of Contact.
Specific responsibilities include:

- setting and approving Contact's strategic direction
- monitoring financial performance
- appointing the CEO and monitoring CEO and senior management performance
- ensuring appropriate systems to manage risk
- reviewing and approving compliance systems
- overseeing our commitment to our Tikanga, sustainable development, the community and environment, and the health and safety of our people.

Board composition

The membership of the Contact Board changed this year. Sir Ralph Norris and Sue Sheldon retired from the Board and our succession planning process culminated in the appointment of three new directors – Dame Therese Walsh, David Smol and Jon Macdonald – who were all confirmed by shareholders at the annual meeting in November. Each of these directors brings valuable skills that complement the expertise of the longer serving Board members. The Board now consists of seven directors, all of whom are independent (i.e. none of the factors described in the NZX Corporate Governance Code that may impact a director's independence apply to any Contact director).

The Board has refreshed Contact's director skills matrix, which sets out the skills necessary for Contact's success and assesses the skills of each director against the desired skills. It's not expected that every director will be an expert in every area, but all skills should be represented in the Board as a whole.

The matrix shows the expertise and secondary skills among current directors, which is considered a good spread. In addition to the skills in the matrix, all seven Contact directors have strong governance expertise.

	Strategic Focus	Expertise	Governance Capabilities
Customer	**Next generation customer experience**		Deep customer insight and advocacy. Understands generation changes and the impact on customer drivers. Retail transformation expertise including customer centric experience design, data analytics, digital marketing, sales, and agile retail. Skills to support and challenge progress towards improving the customer experience and reducing cost to serve.
Wholesale	**Energy sector including regulation, generation and renewable energy**		Broad leadership experience across the energy sector including a generation portfolio and regulation/ government engagement. Core understanding of generation and key drivers in moving towards a high quality renewable energy business model. Operational risk management including health and safety. Skills to support and challenge in strategic risk management, growth strategy and sustainability including anticipation of market needs.
Wholesale	**Physical infrastructure**		Experience successfully leading sector adjacent companies (e.g. physical infrastructure, engineering and construction), large scale projects, investment and management. Skills to support and challenge in project investment, build and industrial maintenance.
Corporate and Portfolio	**Capital markets — investment community knowledge and connections**		Significant investment community experience. This spans finance, communications, marketing and securities law to enable the most effective two-way understanding of, and communication between, the company and the financial community — ultimately contributing to fair valuation and ability to gain buy-in for future strategic shifts (e.g. divestment/expansion/international mergers and acquisitions).
Corporate and Portfolio	**Portfolio efficiency**		Expertise in cost base reduction and increasing flexibility of an asset portfolio in a sustainable manner. Proven track record in cost out, improving reliability and resource utilisation while maintaining safety in an adjacent sector. Ideally experience in optimising and automating processes and lowering cost in resource environments.
Corporate and Portfolio	**Iwi connection/ relationships**		Iwi connection in order to predict sentiments and utilise relationships to influence outcomes for the organisation.
Corporate and Portfolio	**Financial expertise**		Accounting and finance, experience in a scale regulated entity including transformation and cost optimisation. Meets criteria to chair Audit Committee. Brings expertise in wholesale commodity markets.
Corporate and Portfolio	**IT/technology**		Contemporary digital ecosystem experience-platforms and systems development to support lean operations, automation, security management and innovation. Skills to support and challenge in digital capital investment plan, systems-enabled operational efficiencies and customer service improvements.

Primary Secondary

Board performance

We recognise the value of professional development and the need for directors to remain current in industry and corporate governance matters. Contact assists directors with their professional development in a number of ways, including an induction programme for new directors, briefings to upskill the Board on new developments, workshops on key issues and Board study tours.

A fund is available for director development opportunities, and the Chair may approve allocations from the fund for opportunities that benefit both Contact and an individual director.

We regularly review the performance of the Board to ensure the Board as a whole and individual directors are performing to a high standard. A comprehensive review is carried out approximately every two years.

Board committees

The Board has established three committees to perform work and provide specialist advice in areas of focus.

The Audit Committee helps the Board fulfil its responsibilities relating to Contact's external financial reporting, internal control environment, internal and external audit functions, and risk management practices. In FY20, the Audit Committee will become the Audit and Risk Committee, with increased responsibility for risk management.

The Health, Safety and Environment (HSE) Committee oversees Contact's HSE policies and management system. It helps the Board set targets for HSE performance and oversees climate-related matters.

To reflect the importance of people to Contact's success, the Remuneration and Nominations Committee became the People Committee in September, with a broader mandate to support and advise the Board in fulfilling its responsibilities across all aspects of Contact's people and capability strategies, policies and practices. In addition to its expanded role, the People Committee retains responsibility for Board composition, performance and remuneration, and CEO appointment, performance and remuneration.

The current members of the committees are:

Committee	Members
Audit Committee	Dame Therese Walsh (Chair) Victoria Crone, Whaimutu Dewes
Health, Safety and Environment Committee	Whaimutu Dewes (Chair) David Smol, Elena Trout
People Committee	Robert McDonald (Chair) Jon Macdonald, Dame Therese Walsh

The committee charters are on our *website* and more detailed information about the role and responsibilities of each committee is available in our *Corporate Governance Statement*.

Attendance at Board and committee meetings

Sir Ralph Norris and Sue Sheldon retired from the Board on 31 August and Robert McDonald was appointed Chair. Dame Therese Walsh, David Smol and Jon Macdonald joined the Board on 1 September, 1 October and 1 November, respectively. Accordingly, the membership of Board committees changed during the year.

The table below records director attendance at Board and committee meetings. In addition, a number of directors attended meetings of committees that they were not a member of as an observer. The Chair of the Board attended every board committee meeting held during the year.

	Meeting attended[1]			
	Board	Audit Committee	HSE Committee	People Committee[2]
Current directors				
Robert McDonald	10/10	1/1		2/2
Victoria Crone	10/10	3/3	1/1	1/1
Whaimutu Dewes	9/10	4/4	3/3	
Jon Macdonald	7/7			2/2
David Smol	8/8		2/2	
Elena Trout	10/10		3/3	
Dame Therese Walsh	8/9	3/3		1/2
Outgoing directors				
Sir Ralph Norris	1/1			1/1
Sue Sheldon	1/1	1/1		1/1

1. This table records the number of Board and committee meetings each director attended as a member of the Board or relevant committee, alongside the number of meetings held while that director was a member.
2. The Remuneration and Nominations Committee became the People Committee from September 2018.

CODE OF CONDUCT

We expect all of our people to act honestly, with integrity, in Contact's best interests and in accordance with the law, all the time. This expectation is enshrined in our Code of Conduct, which underpins our corporate policy framework. In FY19, our annual entity level controls review focused on culture and conduct.

We set new corporate policies to address key risks and set expected standards of behaviour for our people. Information about how our key policies operate is in our Corporate Governance Statement and the policies themselves are on our *website*.

We have a whistleblower hotline, operated by an external independent reporting service, to help ensure we're aware of any breaches of the Code of Conduct, our policies or any other illegal or unethical activity.

Anyone at Contact who is concerned about any incident or behaviour can use the hotline to report that matter, anonymously if they choose. Any disclosures made through the whistleblower hotline are reported to the CEO and where appropriate, the Chair. We have a Protected Disclosure (Whistleblowing) Policy, which offers protections for employees who disclose serious wrongdoing in accordance with the process in the policy.

RISK MANAGEMENT AND ASSURANCE

Risk management

Our Board has established a robust risk management framework, which is aligned to the International Standard ISO 31000 Risk Management–Guidelines. Our framework ensures we have appropriate systems in place to identify material risks. We make sure we understand the potential impact of identified risks and that, where applicable, the Board sets appropriate tolerance limits.

Our framework ensures we assign responsibilities to individuals to manage identified risks and we monitor any material changes to Contact's risk profile.

Assurance

Our business assurance team fulfils our internal audit function and provides objective assurance of the effectiveness of our internal control framework. The team is based in-house, and draws on external expertise where required.

The team brings a disciplined approach to evaluating and improving the effectiveness of risk management, internal controls and governance processes. We use a risk-based assurance approach driven from our risk management system. The business assurance team also assists external audits by making findings from the internal assurance process available for the external auditor to consider when providing their opinion on the financial statements. The team has unrestricted access to all of Contact's departments, records and systems, and to the external auditor and other third parties as it deems necessary.

Auditors

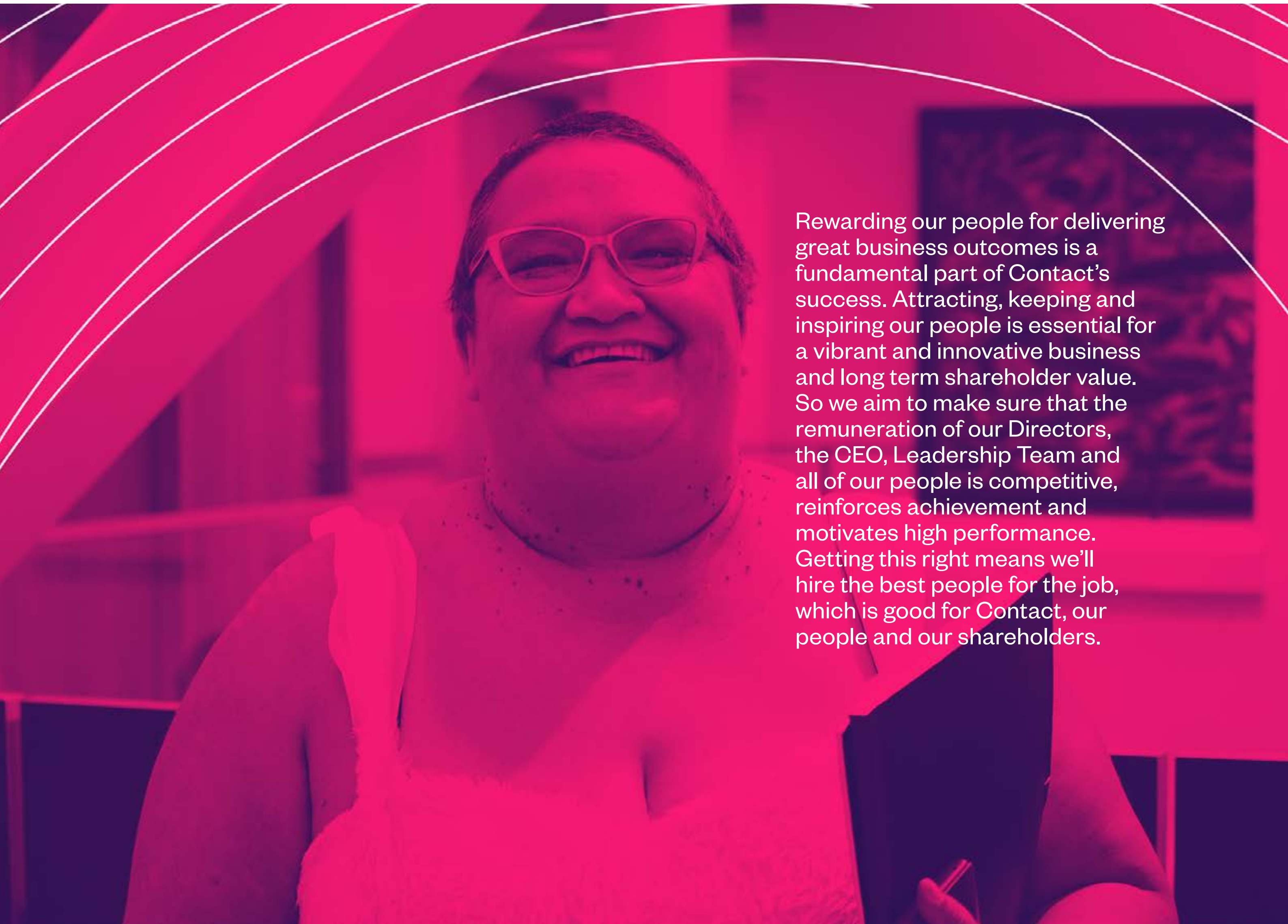
We recognise that the role of our external auditor is critical for the integrity of our financial reporting. Our external auditor is KPMG and David Gates has been our audit partner for four financial years.

Our External Audit Independence Policy sets out the framework we use to ensure the independence of our external auditors is maintained and their ability to carry out their statutory audit role is not impaired. Under this policy, the external auditor may not do any work for Contact that compromises, or is seen to compromise, the independence and objectivity of the external audit process. In addition, KPMG confirms their continuing independent status to the Board every six months.

Before KPMG undertakes any non-audit work for Contact, specific approval must be given by the Audit Committee or the Audit Committee Chair, and approval will only be given where KPMG's independence will not be compromised. KPMG did no non-audit work for Contact this year.

Representatives from KPMG attend Contact's annual shareholder meeting, where they're available to answer shareholders' questions relating to the audit.

REMUNERATION REPORT



Rewarding our people for delivering great business outcomes is a fundamental part of Contact's success. Attracting, keeping and inspiring our people is essential for a vibrant and innovative business and long term shareholder value. So we aim to make sure that the remuneration of our Directors, the CEO, Leadership Team and all of our people is competitive, reinforces achievement and motivates high performance. Getting this right means we'll hire the best people for the job, which is good for Contact, our people and our shareholders.

DIRECTORS' REMUNERATION

The total directors' fee pool is $1,500,000 per annum. It has not been increased since it was approved by shareholders in 2008. Actual fees paid to directors are determined by the Board on the recommendation of the People Committee.

The remuneration scale for directors for the year ending 30 June 2019 is set out below. Between FY18 and FY19, base director fees increased by 1.5%, with an 8% reduction to the Board Chair's fee and approximately 30% reduction to the Audit Committee fees.

	FY19	
	Chair per annum	**Member per annum**
Board of Directors(1)	$275,000(2)	$135,000
Audit Committee	$45,000(2)	$22,500(2)
Health, Safety and Environment Committee	$25,000	$12,750
People Committee	$25,000	$12,750

1. No additional fees are paid to the Board Chair for committee roles.
2. Took effect 1 September 2018.

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

Details of the total remuneration received by each Contact director for FY19 are as follows:

Directors[1]	Board fees	Audit Committee	Health, Safety and Environment Committee	People Committee[2]	Total Remuneration
Sir Ralph Norris (Chair until 31 August 2018)	$50,000				$50,000
Robert McDonald (Chair from 1 September 2018)	$251,667	$5,500			$257,167
Victoria Crone	$135,000	$16,875	$3,187	$4,250	$159,312
Whaimutu Dewes	$135,000	$24,250	$25,000		$184,250
Jon Macdonald	$90,000			$8,500	$98,500
Sue Sheldon	$22,500	$10,250		$2,125	$34,875
David Smol	$101,250		$9,563		$110,813
Elena Trout	$135,000		$12,750		$147,750
Dame Therese Walsh	$112,500	$37,500		$9,563	$159,563
Total	**$1,032,917**	**$94,375**	**$50,500**	**$24,438**	**$1,202,230**

1. Sir Ralph Norris and Sue Sheldon resigned from the Board with effect from 31 August 2018.
Dame Therese Walsh was appointed to the Board with effect from 1 September 2018.
David Smol was appointed to the Board with effect from 1 October 2018.
Jon Macdonald was appointed to the Board with effect from 1 November 2018.
2. The Remuneration and Nominations Committee became the People Committee from September 2018.

CHIEF EXECUTIVE OFFICER REMUNERATION

Dennis Barnes's remuneration is reviewed by our Board each year. The Board works closely with and is advised by Contact's People Committee. Dennis's remuneration reflects the complexity of the role and the wide-ranging skills needed to do it well. We also consider market remuneration data benchmarks, look at the achievement of performance goals and factor in creating long term sustainable shareholder value. His total remuneration is made up of a fixed remuneration component which includes cash salary and other employment benefits, and pay for performance remuneration containing short term incentives (cash and equity awarded through deferred share rights). In October 2018 equity awards for Dennis Barnes for FY18 and FY19 were agreed with the Board as noted below. This agreement amended FY18 equity awards that had been noted in the previous Annual Report.

CEO remuneration for performance periods ended 30 June 2018 and 30 June 2019

	Fixed remuneration			Pay for performance remuneration				Total remuneration
	Salary paid $	Benefits[1] $	Subtotal $	Cash STI $	Equity STI $	Equity LTI $	Subtotal $	$
FY19	976,539	46,485	1,023,024	764,792[2]	-	-	764,792	1,787,816
FY18	958,306	44,202	1,002,508	529,100[3]	1,500,000[4]	-	2,029,100	3,031,608

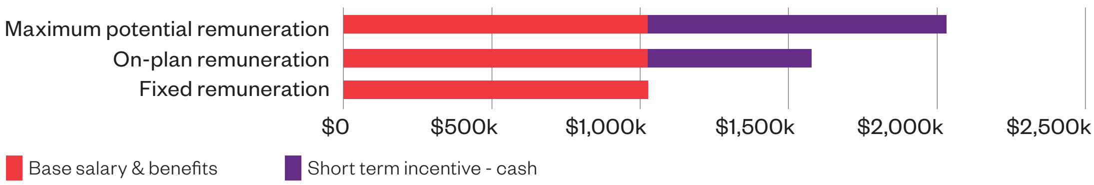
1. Benefits include 3% KiwiSaver contribution and Health Insurance.
2. Short term incentive for FY19 period, paid in FY20.
3. Short term incentive for FY18 period, paid in FY19.
4. Equity – based on fair value allocation, performance hurdles tested 2019, if met will be paid in shares.

Pay for performance remuneration breakdown for the year ended 30 June 2019

Scheme	Description	Performance measure	Percentage awarded
Cash STI	Cash STI is a discretionary scheme based on achievement of KPIs. *Maximum potential set at 100% of base salary.*	60% based on corporate shared KPIs: • *60% free cash flow* • *30% earnings per share* • *10% total recordable incident frequency rate and HSE Index.* 40% based on individual KPIs being engagement, costs, corporate reputation and executive capability.	78% (payable in September 2019)

CEO remuneration

The scenario chart below demonstrates the elements of the CEO remuneration design for the year ended 30 June 2019.

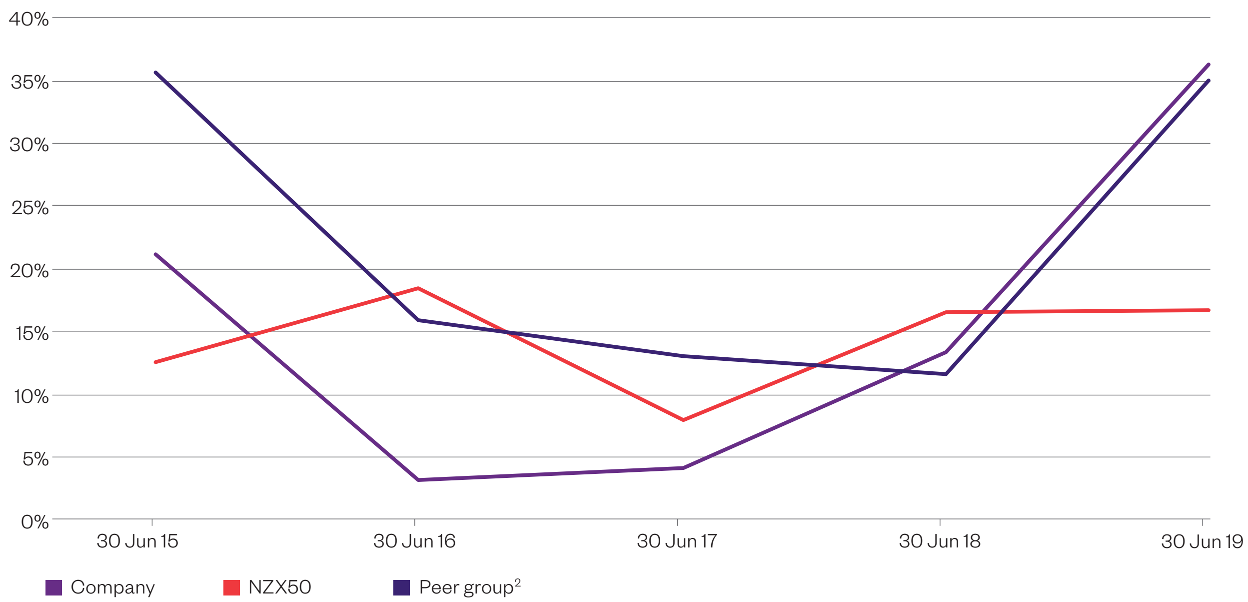


Five year CEO remuneration summary

	Total Remuneration Paid[1] $	Percentage Cash STI awarded against maximum %	Percentage vested Equity STI against maximum %	Span of Equity STI performance period	Percentage vested Equity LTI against maximum %	Span of Equity LTI performance period
FY19	1,787,816	78%	100%	2016–2018	0%	n/a
FY18	3,031,608	55%	100%	2015–2017	0%	n/a
FY17	2,081,641	50%	0%	n/a	0%	n/a
FY16	1,875,951[(3)]	45%	100%[(2)]	2014–2016	100%	2010–2013 2011–2014 2012–2015 2013–2016 2014–2017
FY15	1,210,145[(3)]	35%	0%	n/a	0%	n/a

1. Total remuneration paid includes salary, benefits, cash STI, and Equity STI and LTI fair values which have been allocated but awards are subject to achievement of performance hurdles.
2. 100% of Equity STI and LTI vested in August 2015 as a result of Origin selling its shareholding in Contact triggering vesting of equity due to the change of control.
3. Dennis Barnes was seconded to the role of CEO by his employer Origin Energy Limited from April 2011 until August 2015. During the term of the secondment, remuneration paid by Contact to Dennis Barnes was processed by Contact reimbursing Origin Energy for his costs. The figures provided confirm his base salary level and cash STI for the periods.

Five year summary TSR[1] performance graph



1. TSR calculated using the volume-weighted average price for the three months prior to year end, in line with the equity scheme rules.
2. Peer group is a simple average of Meridian, Genesis, Mercury, Vector and Trustpower. Trustpower's FY16/17 data not included.

BACK TO CONTENTS PAGE

EMPLOYEE REMUNERATION

We're committed to paying market rates for all our roles, making sure our people are being rewarded for their performance and experience.

There are three parts to employee remuneration — fixed remuneration, pay for performance remuneration and other benefits. These work together to attract, reward and keep high performing employees.

Fixed remuneration

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

Pay for performance remuneration

Pay for performance remuneration recognises and rewards high performing employees and is made up of short term incentives (cash and deferred share rights), and long term incentives (options and performance share rights).

- Short Term Incentives (STIs)
  STIs are designed to recognise and reward high performance with cash incentives for our eligible people, and deferred share rights through Contact's equity scheme for some higher level roles. The STIs, which have a maximum potential level set reflecting the person's position grade, are based on performance measured against key performance indicators (KPIs) which generally consist of company, business unit and individual objectives. The Board reserves the right to adjust STI awards if company targets are not met.
- Long Term Incentives (LTIs)
  Contact provides awards of performance share rights through Contact's equity scheme to senior and key talent people. This aims to encourage and reward longer-term decision making and align participants' interests with those of Contact's shareholders. These are subject to performance hurdles.

Equity scheme

At 30 June 2019 there were 85 participants in Contact's equity scheme. For more details on the equity scheme and the number of options, performance share rights and deferred share rights granted, exercised, lapsed and on issue at the end of the reporting period, go to *note E10* of the Financial statements section.

Contact does not implement any clawback practices on employee remuneration other than in situations permitted by New Zealand legislation (e.g. for correction of overpayments). We have remediated underpayments to our current and ex-employees following a review of how we applied the regulations in the Holidays Act 2003.

Other benefits

We know that rewards mean more than just money, so we also offer our people a range of benefits. Some of these have eligibility criteria and are made up of:

- discounts for home energy, including electricity, natural gas
- employer subsidised health insurance
- an employee share ownership plan called 'Contact Share', (for details of Contact Share go to *note E10* of the financial statements)
- and additional benefits and offers from retailers and services providers.

The table shows the number of our people (and any who have left Contact) who received remuneration and other benefits during FY19 of at least $100,000 for the year ended 30 June 2019.

The value of remuneration benefits analysed includes:

- fixed remuneration including allowance/overtime payments
- employer superannuation contributions
- short term cash incentives relating to FY18 performance but paid in FY19
- the value of equity-based incentives received during FY19
- the value of Contact shares received during FY19
- redundancy and other payments made on termination of employment.

The figures do not include amounts paid post 30 June 2019 that relate to the year ended 30 June 2019. The remuneration (and any other benefits) of the CEO, Dennis Barnes, is disclosed in the CEO remuneration section.

Pay equity

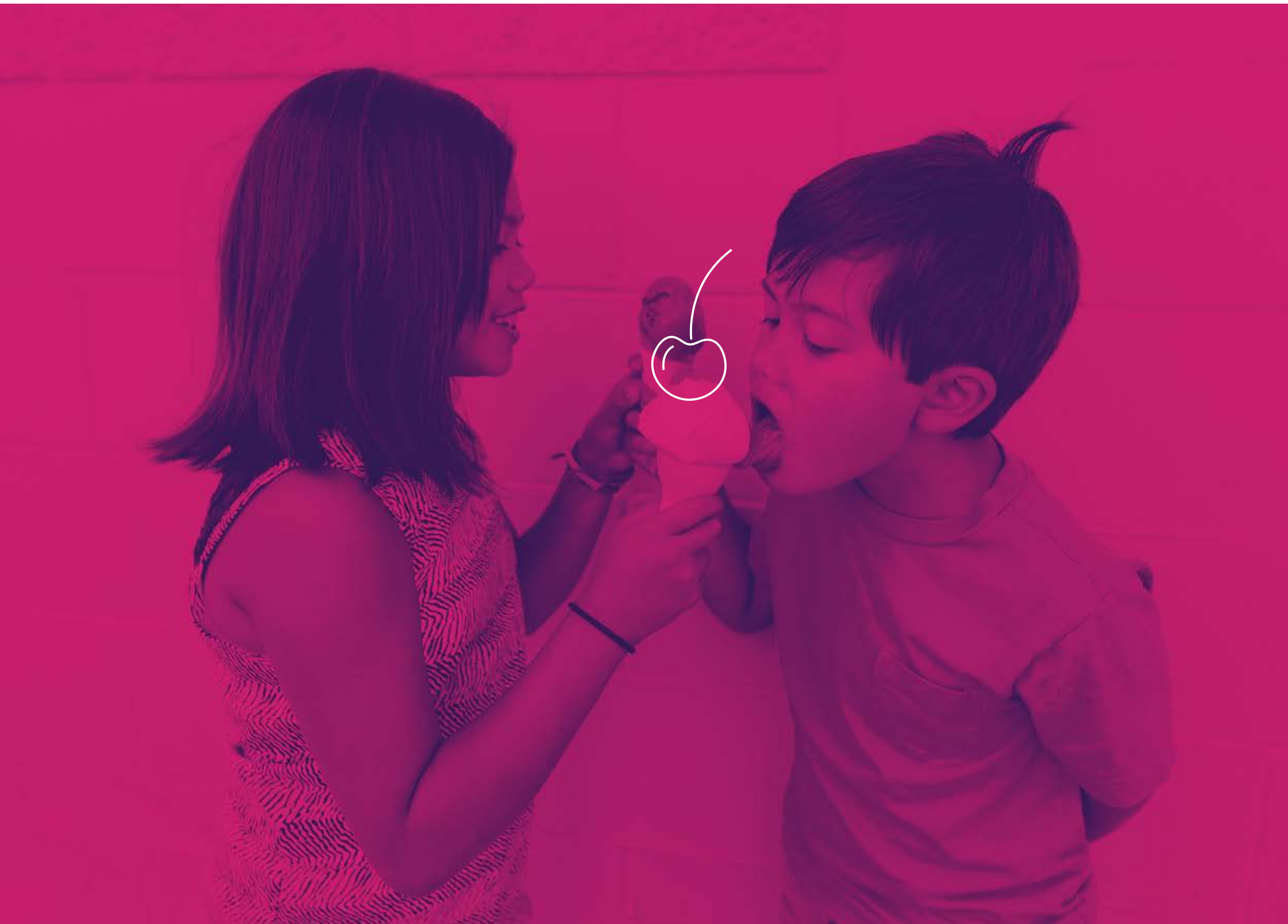
Pay equity is monitored and reported on, comparing pay by gender in roles at the same grade levels (i.e. people with similar sized jobs and skills, knowledge and accountabilities). At 30 June 2019 our pay equity sits at 96%. We make adjustments to individual salaries where appropriate to address pay equity, while applying our grading structure.

We changed our remuneration system at the beginning of FY19 and this resulted in a reduced number of pay grades, impacting our pay equity unfavourably by 1%.

Employee remuneration over $100,000 for FY19

Band	Grand total
$100,001 – $110,000	42
$110,001 – $120,000	36
$120,001 – $130,000	39
$130,001 – $140,000	30
$140,001 – $150,000	37
$150,001 – $160,000	44
$160,001 – $170,000	34
$170,001 – $180,000	17
$180,001 – $190,000	18
$190,001 – $200,000	15
$200,001 – $210,000	11
$210,001 – $220,000	5
$220,001 – $230,000	11
$230,001 – $240,000	2
$240,001 – $250,000	6
$250,001 – $260,000	1
$260,001 – $270,000	2
$270,001 – $280,000	1
$280,001 – $290,000	3
$290,001 – $300,000	1
$310,001 – $320,000	3
$320,001 – $330,000	3
$330,001 – $340,000	3
$340,001 – $350,000	2
$350,001 – $360,000	2
$370,001 – $380,000	1
$380,001 – $390,000	1
$390,001 – $400,000	1
$410,001 – $420,000	3
$420,001 – $430,000	1
$460,001 – $470,000	2
$540,001 – $550,000	1
$550,001 – $560,000	1
$660,001 – $670,000	1
$700,001 – $710,000	1
$750,001 – $760,000	1
	382

OTHER DISCLOSURES



STATUTORY

Disclosures of interests by directors

The following are particulars of general disclosures of interest by directors holding office at 30 June 2019, pursuant to section 140(2) of the Companies Act 1993. Each such director will be regarded as interested in all transactions between Contact and the disclosed entity.

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

Robert McDonald	
Fletcher Building Limited	Director
Sovereign Assurance Company Limited	Director
Chartered Accountants Australia & New Zealand	Director
University of Auckland Business School Advisory Board	Chair
McDonald Family Trust	Trustee

Victoria Crone	
Callaghan Innovation	Chief Executive Officer
Figure.NZ	Chair

Whaimutu Dewes	
Sealord Group Limited	Chair
Kura Limited	Chair
Pupuri Taonga Limited	Director
Aotearoa Fisheries Limited	Chair
Ngāti Porou Forests Limited	Chair
Ngāti Porou Whanui Forests Limited	Chair
Ngāti Porou Fisheries Limited	Chair
Ngāti Porou Seafoods Limited	Director
Real Fresh Limited	Director
Whainiho Developments Limited	Managing Director/ Shareholder

Jon Macdonald	
Mitre 10 (New Zealand) Limited	Director
NZX Limited	Director
Titan Parent New Zealand Limited (ultimate NZ owner of Trade Me Group Limited) and various subsidiaries	Director
Trade Me Group Limited	CEO[1]
NZ Technology Training Trust	Trustee
The Champ Trust	Trustee/Beneficiary

1. Jon Macdonald ceased to be CEO of Trade Me Group Limited on 26 July 2019.

David Smol	
New Zealand Transport Agency	Director
Victoria Link Limited	Director
Rimu Road Consulting Limited	Director

Elena Trout	
Callaghan Innovation	Director
Government Inquiry of the 'Auckland Fuel Disruption'	Chair
Ngāpuhi Asset Holding Company Limited and various subsidiaries	Director
Joint NZ Defence Force and Ministry of Defence Capability Governance Board	External Advisory Member
Energy Efficiency and Conservation Authority (EECA)	Director
Low Emission Vehicles Fund (a fund from EECA budget)	Chair
Harrison Grierson Holdings Limited	Director
Marsden Maritime Holdings Limited	Director
Motiti Investments Limited	Director

Dame Therese Walsh	
TVNZ	Chair
Air New Zealand	Director
ASB Bank	Director
Antarctica NZ	Director
Wellington Regional Stadium	Trustee
Victoria University of Wellington	Pro-Chancellor
Therese Walsh Consulting Limited	Director
On Being Bold	Director
Wellington Homeless Women's Trust	Ambassador

Information used by directors

No director issued a notice requesting to use information received in his or her capacity as a director that would not otherwise be available to the director.

Indemnity and insurance

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

Directors' security participation

Directors are required to hold a minimum of 20,000 shares within three years of appointment.

Securities of the company in which each director has a relevant interest at 30 June 2019

Director	Ordinary shares	Bonds
Robert McDonald	30,000	35,000
Victoria Crone	17,550	
Whaimutu Dewes	20,011	
Jon Macdonald	20,000	
Elena Trout	20,000	
Dame Therese Walsh	10,000	

Securities dealings of directors

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

Director	Date of acquisition	Nature of transaction	Consideration per share	Number of shares acquired
Victoria Crone	21/09/18	On-market purchase	$5.82	5,150
	12/10/18	On-market purchase	$5.63	7,950
	19/10/18	On-market purchase	$5.62	4,450
Jon Macdonald	05/03/19	On-market purchase	$6.35	20,000
Elena Trout	23/04/19	On-market purchase	$6.86	4,000
Dame Therese Walsh	5/09/18	On-market purchase	$5.56	10,000

Subsidiary company directors

The following people held office as directors of Rockgas Limited during FY19. No director of Rockgas Limited received additional remuneration or benefits in respect of their directorships.

Directors	Term during FY19
Dennis Barnes	1 July 2018 - 30 November 2018
Graham Cockroft	1 July 2018 - 24 August 2018
Jacqui Nelson	1 July 2018 - 30 November 2018
Catherine Thompson	24 August 2018 - 30 November 2018

Shareholder statistics

Twenty largest shareholders at 30 June 2019

	Number of ordinary shares	% of ordinary shares
HSBC Nominees (New Zealand) Limited	79,658,604	11.11
Citibank Nominees (NZ) Limited	54,656,408	7.63
HSBC Nominees (New Zealand) Limited	52,696,037	7.35
JP Morgan Chase Bank	47,228,596	6.59
National Nominees New Zealand Limited	35,269,733	4.92
Accident Compensation Corporation	30,915,357	4.31
Cogent Nominees Limited	23,165,184	3.23
FNZ Custodians Limited	22,646,857	3.16
HSBC Custody Nominees (Australia) Limited	19,619,260	2.74
New Zealand Superannuation Fund Nominees Limited	19,219,586	2.68
J P Morgan Nominees Australia Pty Limited	18,048,242	2.52
Tea Custodians Limited	17,322,209	2.42
JB Were (NZ) Nominees Limited	10,539,594	1.47
Custodial Services Limited	10,057,559	1.40
BNP Paribas Nominees NZ Limited	9,806,515	1.37
Custodial Services Limited	8,714,297	1.22
Premier Nominees Limited	8,224,328	1.15
New Zealand Permanent Trustees Limited	8,106,928	1.13
Citicorp Nominees Pty Limited	7,015,011	0.98
Private Nominees Limited	6,978,801	0.97
Total for top 20	**489,889,106**	**68.35**

Distribution of ordinary shares and shareholders at 30 June 2019

Size of holding	Number of shareholders	% of shareholders	Number of ordinary shares	% of ordinary shares
1 – 1,000	28,635	45.81	18,673,793	2.61
1,001 – 5,000	28,646	45.83	51,448,197	7.18
5,001 – 10,000	3,103	4.96	21,812,107	3.04
10,001 – 50,000	1,900	3.04	36,266,235	5.06
50,001 – 100,000	134	0.21	9,567,993	1.33
100,001 and over	94	0.15	579,006,457	80.78
Total	**62,512**	**100.00**	**716,774,782**	**100.00**

Substantial product holders

According to notices given under the Financial Markets Conduct Act 2013, no persons were substantial product holders of the company as at 30 June 2019.

Bondholder statistics

Retail fixed rate bonds (CEN030) at 30 June 2019

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001 – 5,000	59	7.63	295,000	0.20
5,001 – 10,000	139	17.98	1,315,000	0.88
10,001 – 50,000	414	53.56	11,869,000	7.91
50,001 – 100,000	71	9.19	5,843,000	3.89
100,001 and over	90	11.64	130,678,000	87.12
Total	**773**	**100.00**	**150,000,000**	**100.00**

Twenty largest CEN030 bondholders at 30 June 2019

	Number of CEN030 bonds	% of CEN030 bonds
Forsyth Barr Custodians Limited	18,670,000	12.45
FNZ Custodians Limited	17,452,000	11.63
Investment Custodial Services Limited	11,796,000	7.86
Cogent Nominees Limited	10,610,000	7.07
Citibank Nominees (NZ) Limited	9,022,000	6.01
NZ Permanent Trustees Limited Group Investment Fund No 20	6,184,000	4.12
Custodial Services Limited	5,302,000	3.53
Custodial Services Limited	315,6500	2.10
Custodial Services Limited	3,079,500	2.05
Forsyth Barr Custodians Limited	2,935,000	1.96
Lynette Therese Erceg & Darryl Edward Gregory & Catherine Agnes Quinn	2,500,000	1.67
Private Nominees Limited	2,431,000	1.62
Custodial Services Limited	2,203,000	1.47
JB Were (NZ) Nominees Limited	2,090,000	1.39
Tappenden Holdings Limited	2,000,000	1.33
University of Otago Foundation Trust	1,985,000	1.32
Custodial Services Limited	1,884,000	1.26
FNZ Custodians Limited	1,601,000	1.07
Tea Custodians Limited	1,599,000	1.07
BNP Paribas Nominees NZ Limited	1,545,000	1.03

Retail fixed rate bonds (CEN040) at 30 June 2019

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001 – 5,000	35	9.59	175,000	0.18
5,001 – 10,000	76	20.82	733,000	0.73
10,001 – 50,000	189	51.78	5,094,000	5.09
50,001 – 100,000	27	7.40	2,072,000	2.07
100,001 and over	38	10.41	91,926,000	91.93
Total	**365**	**100.00**	**100,000,000**	**100.00**

Twenty largest CEN040 bondholders at 30 June 2019

	Number of CEN040 bonds	% of CEN040 bonds
Citibank Nominees (NZ) Limited	28,034,000	28.03
FNZ Custodians Limited	11,380,000	11.38
Cogent Nominees Limited	5,400,000	5.40
Investment Custodial Services Limited	5,214,000	5.21
HSBC Nominees (New Zealand) Limited	5,038,000	5.04
Custodial Services Limited	4,146,000	4.15
Private Nominees Limited	3,189,000	3.19
Custodial Services Limited	2,707,000	2.71
Custodial Services Limited	2,375,000	2.38
Custodial Services Limited	2,281,000	2.28
FNZ Custodians Limited	2,269,000	2.27
Forsyth Barr Custodians Limited	2,012,000	2.01
Bnp Paribas Nominees NZ Limited	1,520,000	1.52
JP Morgan Chase Bank	1,400,000	1.40
Forsyth Barr Custodians Limited	1,388,000	1.39
JB Were (NZ) Nominees Limited	1,275,000	1.27
Custodial Services Limited	973,000	0.97
Forsyth Barr Custodians Limited	805,000	0.81
Pt (Booster Investments) Nominees Limited	800,000	0.80
Investment Custodial Services Limited	800,000	0.80

Retail fixed rate bonds (CEN050) at 30 June 2019

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001 – 5,000	5	2.43	25,000	0.03
5,001 – 10,000	47	22.82	455,000	0.45
10,001 – 50,000	102	49.51	2,773,000	2.77
50,001 – 100,000	23	11.16	1,751,000	1.75
100,001 and over	29	14.08	94,996,000	95.00
Total	**206**	**100.00**	**100,000,000**	**100.00**

Twenty largest CEN050 bondholders at 30 June 2019

	Number of CEN050 bonds	% of CEN050 bonds
HSBC Nominees (New Zealand) Limited	12,500,000	12.50
FNZ Custodians Limited	8,005,000	8.01
BNP Paribas Nominees NZ Limited	7,530,000	7.53
Tea Custodians Limited	7,460,000	7.46
Citibank Nominees (NZ) Limited	6,050,000	6.05
National Nominees New Zealand Limited	5,000,000	5.00
Forsyth Barr Custodians Limited	4,953,000	4.95
Custodial Services Limited	4,202,000	4.20
Custodial Services Limited	3,998,000	4.00
HSBC Nominees (New Zealand) Limited	3,730,000	3.73
JB Were (NZ) Nominees Limited	3,548,000	3.55
Custodial Services Limited	3,383,000	3.38
Risk Reinsurance Limited	3,000,000	3.00
Custodial Services Limited	2,667,000	2.67
Cogent Nominees Limited	2,470,000	2.47
Investment Custodial Services Limited	2,358,000	2.36
Westpac Banking Corporation	2,000,000	2.00
JB Were (NZ) Nominees Limited	1,300,000	1.30
Custodial Services Limited	1,289,000	1.29
Private Nominees Limited	1,000,000	1.00

NZX waivers

There were no waivers granted by NZX or relied on by Contact in the 12 months preceding 30 June 2019.

Stock exchange listings

Contact's ordinary shares are listed and quoted on the NZX Main Board (NZSX) and the Australian Securities Exchange (ASX) under the company code 'CEN'. Contact has three issues of retail bonds listed and quoted on the NZX Debt Market (NZDX) under the company codes 'CEN030', 'CEN040' and 'CEN050'. Contact's listing on the ASX is as a Foreign Exempt Listing. For the purposes of ASX listing rule 1.15.3, Contact confirms that it continues to comply with the NZX listing rules.

Exercise of NZX disciplinary powers

NZX did not exercise any of its powers under Listing Rule 9.9.3 in relation to Contact during FY19.

Auditor fees

KPMG has continued to act as auditors of the company. The amount payable by Contact and its subsidiaries to KPMG as audit fees in respect of FY19 was $509,000, $2,500 for scrutineering at the Annual meeting and $3,500 for supervisor reporting. There was no non-assurance work undertaken by KPMG during the year.

Donations

In accordance with section 211(1)(h) of the Companies Act 1993, Contact records that it donated $4,000 in FY19. Donations are made on the basis that the recipient is not obliged to provide any service such as promoting Contact's brand and are separate from Contact's sponsorship activity. No political contributions were made during the year.

Credit rating

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

The $150 million unsubordinated, unsecured fixed rate bonds issued in September 2015 are rated BBB by Standard & Poor's.

The $100 million unsubordinated, unsecured fixed rate bonds issued in February 2017 are rated BBB by Standard & Poor's.

The $100 million unsubordinated, unsecured fixed rate bonds issued in March 2019 are rated BBB by Standard & Poor's.

SUSTAINABILITY

The sustainability aspects reported in this Annual Report cover the operations of Contact Energy Limited and its subsidiary Rockgas[1] for the period 1 July 2018 to 30 June 2019.

Contact does not have a policy on the assurance of non-financial or sustainability data. Data throughout this report has been checked by an independent party for accuracy.

Memberships of associations or advocacy organisations

Holds a position on the governance body	Participates in projects or committees
Electricity Retailers' Association of New Zealand (ERANZ)	Business New Zealand
Gas Industry Company	Business New Zealand Energy Council
Electricity Authority Market Development Advisory Group	The Sustainable Business Council
NZ Hydrogen Association	Land and Water Forum
	Liquefied Petroleum Gas Association
	Liquigas
	ERANZ Retailer Revenue Assurance Advisory Forum
	ERANZ Retailers' Operational Forum
	ERANZ Vulnerable Customer & Medically Dependent Customer (VCMDC) Working Group
	ERANZ Policy Committee
	ERANZ Communications Committee
	ERANZ Data Working Group
	NZ Hydrogen Association
	Generator Forum
	ENA Technical Implementation Working Group
	ENA Joint Implementation Working Group
	Climate Leaders Coalition
	Champions for Change

External commitments

Organisation/Group	Date of adoption	Commitment
Climate Leaders Coalition	July 2018	• To measure our greenhouse gas emissions and publicly report on them. • To set a public emissions reduction target consistent with keeping within 2 degrees of warming. • To work with our suppliers to reduce their greenhouse gas emissions. • We support the Paris Agreement and New Zealand's commitment to it. • We support the introduction of a climate commission and carbon budgets enshrined in law.
Science Based Targets initiative - Committed	March 2018	• We commit to progressing emission reduction in line with verified target.

Emissions data as at 30 June 2019

Contact uses the Greenhouse Gas Protocol to guide its emissions reporting. Emissions are reported on an operational control basis with a base year of FY18, which represents the first year of Contact's reporting of Scope 1, 2 and 3 emissions. As per the Contact Energy Policy for the recalculation of base year emissions data, any structural, methodological or other changes identified that change the emissions reported by more than 5% will trigger a recalculation of the base year and the current reporting year. The sale of Rockgas on 30 November has not triggered our recalculation policy as we still created emissions during the first half of the year and continue to sell LPG on their behalf.

1. Contact sold Rockgas on 30 November 2018.

BACK TO CONTENTS PAGE

Our emissions data includes all gases as per the most recent Intergovernmental Panel on Climate Change (IPCC) report. Emission factors are sourced from the Ministry for the Environment except in the following cases:

- Scope 1 – Gas field specific emissions factors are provided by the supplier and Geothermal field specific factors approved under the Climate Change Unique Emissions Factor regulations 2009. SF6 is sourced from the IPCC 5th assessment report.
- Scope 3 – Category 1 and 2 emissions factors are sourced from the Carnegie Mellon University Economic Input-Output Life Cycle Assessment.

For more detail on FY19 emissions refer to the Greenhouse Gas Inventory document on our *website*.

Scope 1 emissions

This table reports Contact's Scope 1 greenhouse gas emissions (tCO_2e) directly emitted through our operations and includes emissions from our power stations, vehicles and the use of SF_6.

	Emissions (tCO_2e)		Thermal Generation Emission Intensity (tCO_2e per MWh)		Total Generation Emission Intensity (tCO_2e per MWh)	
	FY19	**FY18**	**FY19**	**FY18**	**FY19**	**FY18**
Fuel used for thermal generation	782,123	960,926				
Fuel used for geothermal generation	207,436	213,772				
Total fuel used for generation	**989,559**	**1,174.698**[1]	**0.550**	**0.534**	**0.111**	**0.137**
Fuel used in vehicles	880	1,072				
Fugitive emissions – SF_6[3]	122[4]	2				
Total	**990,561**	**1,175,772**[2]				

1. FY18 figure updated due to finalised data becoming available (estimates were used previously).
2. FY18 figure updated due to finalised data becoming available (estimates were used previously).
3. SF_6 is used to insulate high voltage switchgear. The gas is vacuum sealed inside the switchgear and the pressure levels inside are monitored so that leaks can be detected and rectified.
4. FY19 emissions from SF_6 are significantly higher than previous years due to the failure of two circuit breakers.

Scope 2 and 3 emissions

Scope	Category	FY19 tCO_2e	FY18 tCO_2e
Indirect Emissions (Scope 2) (Audited)	Electricity Consumption	1,360	1,397[1]
Indirect Emissions (Scope 3) (Unaudited)	Purchased Goods and Services	35,267	47,507
	Capital Goods	6,536	13,899
	Fuel & Energy	175,811	77,049
	Upstream Transportation	628	116
	Waste	148	134
	Business Travel	1,256	1,182
	Employee Commuting	2	2
	Use of Sold Products	301,640	370,168[2]
	Downstream Leased Assets	445	586
	Franchises	2,069	4,536
	Subtotal	**523,802**	**515,146**
Total (Scope 1, 2 and 3)		**1,534,506**	**1,701,939**

1. FY18 Scope 2 figure restated due to additional data set being identified.
2. FY18 use of products sold figure restated due to additional data set being identified.

Climate related risks

This table presents an overview of Contact's most material climate-related risks and opportunities in the short, medium and long term. We have rated these as low, medium or high, based on the likelihood, time-horizon and potential impact/size of the opportunity or risk.

We use our existing risk management systems to capture, monitor and report on climate-related risks. Risks rated high are also monitored by Senior Management and the Audit and Risk Committee.

Time frame	Short term (now-2021)	Medium term (2021-2035)	Long term (2035-onwards)
	These may impact near-term financial results, including those that may materialise within the current reporting cycle.	May materially impact financial results over the longer term and may require us to adjust our strategy.	Risks that could fundamentally impact the long term strategy and business model.
	Market transition risks and opportunities		
Contact's emissions profile	• Reputational impact of continued use of high emissions generation. • Heightened scrutiny from investors on environmental, social, governance (ESG) performance of businesses.	• National imperative to reduce carbon emissions through policy and other means. • Rising gas and carbon costs.	• Stakeholder rejection of fossil fuels including natural gas.
Leading the market to decarbonise	• Rising stakeholder expectations increase the pace of change in which businesses must adapt/respond to climate-related issues. • New opportunities and markets developed to support low-carbon transition activities. • Opportunity to deepen relationships with customers who are looking to decarbonise.	• Transition to lower carbon economy creates more demand for electricity. • Opportunities for innovative customer and technology solutions. • Increased opportunity for renewable developments.	• Increased electricity demand. • Wider options for new generation development.
Thermal transition	• Opportunity for renewable generation to displace thermal. • Potential for high-emissions industries to favour gas as a transition fuel, resulting in increased gas use and emissions in the short term.	• Opportunity for renewable generation to displace thermal. • Continued requirement for thermal peaking plant in New Zealand to ensure affordable security of supply.	• Potential for renewable overbuild, and massive distributed generation.
New technology	• Customer adoption of new technologies and/or energy efficient solutions impacts on demand for grid connected electricity.	• Distributed technologies increase competition for the development of new generation.	• New technology makes current generation redundant and/or impacts demand significantly.
Regulation	• Changes to regulation impacts on costs of business and/or licence to operate.	• New regulation requires Contact to reduce emissions faster than planned.	• New Zealand's costs become higher relative to globe which results in production moving offshore and reduced demand.
	Physical risks and opportunities		
Temperature increases		• Changes to electricity demand as temperatures change. • Health, safety and wellbeing impacts on people working in warmer conditions. • Impacts on the efficiency and availability of generation plants. • Implications on resource consent requirements, which may increase costs and/or impact on licence to operate.	• Impacts on operational plant may require change in design.
Access to natural resources	• Changes to hydro inflows impact on our renewable generation. • Drilling programme requires access to significant volumes of water.	• Changes to hydro inflows impact on our renewable generation. • Increased demand and competition for natural resources, including fresh water, impacts on access to natural resources for generation. • Consent renewal required for Wairakei in 2026. Changes in regulation may impact on access to water, consent conditions and/or costs.	• Water storage requirements change. • Increased hydro inflows create opportunities to increase generation output, but may also increase flood risk and require spilling at hydro.
Intensity of storms	• Increased potential for erosion issues. • Disruption to physical works during storms.	• Stormwater systems require redesign and/or replacement to meet changing capacity requirements. • Potential for increased power outages due to transmission failure caused by storms.	• Increased flood risk around rivers and lakes impacts on generation operations.

Green Borrowing Programme

In line with our commitment to a low carbon economy, Contact has a Green Borrowing Programme to finance Contact's past and future renewable energy generation investments. This is a progressive approach to financing and provides investors and lenders with an opportunity to access a broad range of accredited green debt instruments where proceeds have been applied to eligible green assets.

The Green Borrowing Programme is described in Contact's Green Bond Framework ('Framework'), which aligns with the Green Bond Principles and is certified by the Climate Bonds Initiative (CBI) under Climate Bond Standard V2.1 with assurance from EY.

The Framework, CBI certification and EY's latest annual assurance statement are available on our *website*. The Framework articulates which of Contact's debt instruments and assets qualify as green, and provides for a comprehensive compliance and disclosure regime to ensure the Climate Bonds Standard V2.1 is always met, in turn ensuring that the existing CBI certification remains in place. A key compliance metric is the Green Ratio whereby the total green asset value must be at least equal to total green debt instruments (i.e. a ratio of 1.0 minimum). This indicator is reported on a half yearly basis.

The following table sets out the total green asset value and total green debt instruments for the current reporting period, and confirms that the Green Ratio is met at 1.27. Contact confirms to the best of its knowledge that its Green Borrowing Programme continues to remain in compliance with the CBI certification in place, including the requirements of the Climate Bonds Standard V2.1.

Geothermal Assets data as at 30 June 2019	Book value $m	Generation (GWh)	Emissions (tCO_2e)	Emissions intensity (gCO_2e/KWh)	Compliance with CBI standards (< 100 gCO_2e/KWh)
Poihipi[1]	156	388	14,076	36	Yes
Tauhara[1]	98	-	-	N/A	Yes
Te Mihi[1]	526	1,382	61,752	45	Yes
Te Huka[1]	106	186	10,257	55	Yes
Wairakei[1]	854	991	20,887	21	Yes
Tenon[1]	6	110	1,124	10	Yes
Ohaaki	113	310	108,528	350	No
Geothermal portfolio total/average	**1,859**	**3,367**[(2)]	**216,624**	**64**	Yes
Eligible green asset total/average	**1,746**	**3,057**	**108,096**	**35**	Yes
Total eligible green debt instruments (refer *note B4*)	**1,378**				
Green ratio (total eligible green assets / total green debt instruments)	**1.27**				

1. Eligible green asset in relation to Contact's Green Borrowing Programme.
2. Includes direct heat sold to Tenon.

Workforce by gender and employment type at 30 June[1]

FY19	Total headcount	Female	Male	Fixed term	Permanent	Part time	Full time
Officers[2]	6	2	4	0	6	0	6
Corporate	55	32	23	4	51	11	44
Customer	505	316	189	32	473	73	432
Generation	323	65	258	8	315	25	298
Total	**889**	**415**	**474**	**44**	**845**	**109**	**780**

FY18	Total headcount	Female	Male	Fixed term	Permanent	Part time	Full time
Officers[2]	6	2	4	0	6	0	6
Corporate	107	57	50	6	101	15	92
Customer	548	296	252	28	520	67	481
Generation	317	59	258	8	309	24	293
Total	**978**	**414**	**564**	**42**	**936**	**106**	**872**

1. Gender is recorded by self-identification.
2. 'Officers' means the CEO and members of Contact's Leadership Team.

Employee diversity at 30 June

	Gender		Age				Ethnicity[1]						
FY19	**Female**	**Male**	**<30**	**30–50**	**>50**	**Undisclosed**	**Māori**	**Pasifika**	**Asian**	**European**	**Other[2]**	**AMELA[3]**	**Undisclosed**
Officers	33%	67%	0%	67%	33%	0%	0%	17%	0%	67%	33%	0%	0%
Corporate	58%	42%	15%	60%	24%	2%	9%	2%	7%	42%	44%	0%	16%
Customer	63%	37%	34%	43%	22%	1%	10%	3%	8%	39%	26%	2%	27%
Generation	20%	80%	8%	44%	47%	1%	4%	0%	6%	40%	35%	1%	25%
Total	**47%**	**53%**	**23%**	**45%**	**31%**	**1%**	**8%**	**2%**	**7%**	**40%**	**31%**	**1%**	**26%**

	Gender		Age				Ethnicity[1]						
FY18	**Female**	**Male**	**<30**	**30–50**	**>50**	**Undisclosed**	**Māori**	**Pasifika**	**Asian**	**European**	**Other[2]**	**AMELA[3]**	**Undisclosed**
Officers	33%	67%	-	67%	33%	-	-	17%	-	67%	50%	0%	0%
Corporate	53%	47%	17%	61%	19%	3%	8%	1%	9%	40%	35%	0%	24%
Customer	54%	46%	28%	44%	25%	3%	9%	5%	5%	39%	26%	0%	30%
Generation	19%	81%	9%	39%	50%	2%	3%	-	5%	39%	34%	1%	27%
Total	**42%**	**58%**	**20%**	**44%**	**32%**	**3%**	**7%**	**3%**	**6%**	**39%**	**30%**	**1%**	**28%**

1. Ethnicity data does not equal 100% as employees may affiliate to more than one ethnicity.
2. Other includes individuals who identify as New Zealanders, not as Europeans.
3. African, Middle Eastern or Latin American.Board Diversity at 30 June 2019

Board diversity at 30 June 2019

	Gender			Ethnicity			Age		
	Male	**Female**	**Total**	**European/ Pākehā**	**Māori**	**Total**	**<30**	**30–50**	**>50**
Board of Directors FY19	4	3	7	7	1	7	0	3	4
	57%	43%	100%	86%	14%	100%	0	43%	57%
Board of Directors FY18	3	3	6	4	2	6	0	1	5
	50%	50%	100%	67%	33%	100%	0	17%	83%

TCFD Index

Disclosure	**Page**	**Information**
Describe the Board's oversight of climate-related risks and opportunities.	*p.31*	Environmental sustainability
Describe management's role in assessing and managing climate-related risks and opportunities.	*p.42*	Risk management and assurance, Governance Matters
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	*p.56*	*Climate related risks*, Other disclosures
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	*p.25*	Ensuring reliable renewable energy, Reliability
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 degree or lower scenario.	*p.25*	Ensuring reliable renewable energy, Reliability
Describe the organisation's processes for identifying and assessing climate-related risks.	*p.33*	*Modelling climate change scenarios*, Environmental sustainability
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	*p.42*	Risk management and assurance, Governance Matters
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	*p.33*	*Modelling climate change scenarios*, Environmental sustainability
Disclose Scope 1, 2 and if appropriate 3 greenhouse gas (GHG) emissions, and the related risks.	*p.34* *p.55*	*Tracking emissions from generation* Scope 1, 2, 3 emissions data
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	*p.34*	*Emission targets*

GRI INDEX

General Standard Disclosures

	Description	Page	Information
Strategy and analysis			
102-14	Statement from the most senior decision maker	p.6-8	This year in review
Organisational profile			
102-1	Name of the organisation		Contact Energy Limited
102-2	Brands, products, and/or services	p.9	Who we are
102-3	Headquarter location	p.12	Contact at a glance, Who we are
102-4	Locations of operations	p.12	Contact operates only in New Zealand
102-5	Ownership and legal form		Listed New Zealand Limited Liability Company
102-6	Markets served	p.13	Contact at a glance, Who we are
102-7	Scale of the organisation	p.57 p.12 p.65 p.13 p.65 p.13	Total employees, contractor workforce data not available. Number of operations Net revenue GWh sold Total capitalisation broken down by debt and equity Quantity of products and services provided
102-8	Employee statistics	p.57 p.58	*Workforce by gender and employment type*, Other disclosures *Employee Diversity*, Other disclosures
102-41	Employees covered by collective bargaining agreements		11% of total Contact employees were covered by collective bargaining agreements as at 30 June 2019. Contractor data not collected.
102-9	Organisation's supply chain	p.14–15	Our value creation, Who we are
102-10	Significant changes regarding size, structure, or ownership		The sale of Rockgas Limited was completed in FY19.
102-11	Precautionary approach		Not specifically addressed. Potential adverse environmental impacts are addressed through adaptive management including official (often publicly notified) resource consent assessments
102-12	External charters, principles, or other initiatives		ISO14001
102-13	Memberships in associations and advocacy organisations	p.54	*Memberships of associations or advocacy organisations*, Other disclosures
EU1	Installed capacity	p.13	Contact at a glance, Who we are
EU2	Net energy output broken down by primary energy source and by region	p.13	Contact at a glance, Who we are
EU3	Number of customer accounts	p.13	Contact at a glance, Who we are
EU4	Length of transmission and distribution lines by region		Not applicable
EU5	Allocation of CO_2 emissions permits		Zero allocations
Identified material aspects and boundaries			
102-45	Entities included in the organisation's consolidated financial statements	p.63	Financial statements
102-46	Process for defining the report content	p.17	Focusing on what matters most, Who we are
102-47	Material aspects identified	p.17	Focusing on what matters most, Who we are
102-47	Aspect boundaries within the organisation		For the majority of our material topics, the impacts occur within our operational boundary. For some topics, Biodiversity, Water, Climate Change and Access to Energy, impacts can be felt downstream of our operational boundary, or we are contributing to a larger issue. Health and safety impacts are also created by companies in our supply chain. In all cases, our focus is on areas which we can control or influence.
102-47	Aspect boundaries outside the organisation		
102-48	Restatements of information	p.55	FY18 emissions data
102-49	Significant changes of aspect boundaries compared to previous years		No significant changes

Stakeholder engagement			
102-40	Stakeholder groups	*p.17*	Focusing on what matters most, Who we are
102-42	Stakeholder identification and selection	*p.17*	Focusing on what matters most, Who we are
102-43	Approaches to stakeholder engagement	*p.17*	Focusing on what matters most, Who we are
102-44	Key topics and concerns raised by stakeholders	*p.17*	Focusing on what matters most, Who we are
Report profile			
102-50	Reporting period		Financial year
102-51	Date of most recent previous report		The previous report was dated 13 August 2018
102-52	Reporting cycle		Annual
102-53	Contact point for questions	*p.91*	Corporate directory
102-54	Chosen 'In accordance' option, GRI index		This report has been developed in accordance with the core GRI 2018 guidelines.
102-56	External assurance for the report		Annual Report 2019 was not externally assured.
Governance			
102-18	Governance structure. Committee responsible for decision making on economic, environmental and social topics.	*p.40*	Governance Matters
Ethics and integrity			
102-16	Organisation's values, principles, standards and norms of behaviour, and codes of ethics	*p.16*	Ngā Tikanga, Who we are

Specific Standard Disclosures

Material Aspect	Description	Page	Omissions and explanations
DMA	Water	*p.32*	
EU DMA plus	Report collaborative approaches to managing watersheds and reservoirs for multiple users		Contact works proactively with interested stakeholders to advance collaborative approaches such as through submissions on environmental legislation and enhancement and protection programmes.
303-3	Total water withdrawal by source	*p.32*	
303-4	Total water discharge by destination	*p.32*	
303-5	Total water consumption	*p.32*	
303-1	Overall water usage for processing, cooling and consumption in thermal power plants	*p.32*	
DMA	Biodiversity	*p.35*	
304-3	Habitats protected or restored	*p.36*	
304-3	Describe what partnerships exist with third parties	*p.35-36*	
DMA	Emissions	*p.33*	
305-1	Direct (Scope 1) greenhouse gas emissions	*p.55*	
305-2	Gross location based Scope 2 emissions	*p.55*	
305-3	Gross Scope 3 emissions	*p.55*	
305-4	GHG emissions intensity	*p.55*	
305-5	Reduction of GHG emissions	*p.34*	
Category: social			
DMA	Occupational health and safety	*p.29*	
403-2	Workplace injuries	*p.30*	Contractor data not available for absentee rate, occupational disease rate and fatalities.
Self-selected	TISR	*p.30*	
Self-selected	Process safety data	*p.30*	
DMA	Diversity and equal opportunity	*p.27*	
405-1	Gender, age and ethnicity statistics	*p.28*	
405-2	Ratio of the basic salary and rem of women to men for each employee category	*p.48*	*Pay equity*
Self-selected	Staff engagement	*p.28*	
DMA	Local communities	*p.37*	
413-1	Community engagement and development		We have community engagement plans for 50% of our sites by region.
DMA	Customer experience	*p.21*	
Self-selected	Reputation and trust	*p.21*	
Own measure	Customer satisfaction (Net Promoter Score)	*p.21*	
DMA	Access (sector specific) – socio-economic	*p.20*	
Own measure	Reduction of customer debt expressed as a percentage	*p.20*	

FINANCIAL STATEMENTS

About these Financial Statements

For the year ended 30 June 2019

These financial statements are for the Contact Group, a group made up of Contact Energy Limited, the entities over which it has control or joint control and its associate.

Contact Energy Limited is registered in New Zealand under the Companies Act 1993. It is listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX) and has bonds listed on the NZX debt market. Contact is an FMC reporting entity under the Financial Markets Conduct Act 2013.

Contact's financial statements are prepared:

- in accordance with New Zealand generally accepted accounting practice (GAAP) and comply with New Zealand equivalents to International Financial Reporting Standards (IFRS) and IFRS as appropriate for profit-oriented entities
- in millions of New Zealand dollars (NZD) unless otherwise noted
- on an historical cost basis except for derivatives held at fair value, and assets and liabilities held for sale reported at fair value less costs to sell
- using the same accounting policies for all reporting periods presented, except for those changed with Contact adopting NZ IFRS 9 *Financial Instruments*. The effect of these changes in accounting policies are shown in *note D1*
- with certain comparative amounts reclassified to conform to the current year's presentation.

Estimates and judgements are made in applying Contact's accounting policies. Areas that involve a higher level of estimation or judgement are:

- useful lives of property, plant and equipment and intangible assets (*note C1*)
- impairment testing of cash-generating units (CGUs) and future generation development capital work in progress (*note C2*)
- fair value measurement of financial instruments (notes *D2* and *E8*)
- unbilled retail electricity and gas revenue (*note E4*)
- provision for future restoration and rehabilitation obligations (*note E5*).

The financial statements were authorised on behalf of Contact's Board of Directors on 9 August 2019.

Robert McDonald
Chair

Dame Therese Walsh
Chair, Audit Committee

Statement of Comprehensive Income

For the year ended 30 June 2019

$m	Note	2019	2018
Revenue and other income	*A2*	2,460	2,152
Operating expenses	*A2*	(1,955)	(1,703)
Significant items	*A2*	9	3
Depreciation and amortisation	*A2*	(205)	(215)
Net interest expense	*B5*	(70)	(84)
Profit before tax		**239**	**153**
Tax expense	*E1*	(69)	(41)
Profit from continuing operations		**170**	**112**
Discontinued operation			
Profit from discontinued operation after tax	*A2*	10	20
Gain on sale of discontinued operation	*A2*	165	-
Profit		**345**	**132**
Items that may be reclassified to profit/(loss):			
Change in cash flow hedge reserve (net of tax) – continuing operations	*E7*	(43)	11
Change in cash flow hedge reserve (net of tax) – discontinued operation	*E7*	(3)	3
Comprehensive income		**299**	**146**
Profit per share (cents) – basic and diluted	*B3*	**48.2**	**18.4**
Profit per share (cents) from continuing operations		23.7	15.6
Profit per share (cents) from discontinued operation		24.5	2.8

Statement of Cash Flows

For the year ended 30 June 2019

$m	Note	2019	2018
Receipts from customers		2,490	2,281
Payments to suppliers and employees		(1,977)	(1,791)
Tax paid		(47)	(33)
Operating cash flows	*E6*	**466**	**457**
Purchase of assets		(63)	(82)
Investments in joint venture/associate		(8)	-
Proceeds from sale of assets/operations (net of tax)		390	6
Interest received		4	1
Investing cash flows		**323**	**(75)**
Dividends paid	*B3*	(251)	(201)
Proceeds from issues of shares		-	1
Proceeds from borrowings		100	118
Repayment of borrowings		(525)	(217)
Interest paid		(69)	(79)
Gas sale and repurchase arrangement		-	(7)
Financing cash flows		**(745)**	**(385)**
Net cash flow		**44**	**(3)**
Add: cash at the beginning of the year		3	6
Cash at the end of the year	*B4*	**47**	**3**

Statement of Financial Position

At 30 June 2019

$m	Note	2019	2018
Cash and cash equivalents	B4	47	3
Trade and other receivables	E4	196	175
Inventories	E3	28	35
Intangible assets	C1	14	10
Derivative financial instruments	D2	13	14
Assets held for sale	C4	-	299
Total current assets		**298**	**536**
Inventories	E3	14	23
Property, plant and equipment	C1	4,126	4,253
Intangible assets	C1	246	262
Goodwill	C2	179	179
Investments in joint venture/associate	C3	11	-
Derivative financial instruments	D2	80	51
Other non-current assets		-	7
Total non-current assets		**4,656**	**4,775**
Total assets		**4,954**	**5,311**
Trade and other payables		185	172
Tax payable		34	7
Borrowings	B4	127	513
Derivative financial instruments	D2	40	17
Provisions	E5	8	11
Liabilities held for sale	C4	-	42
Total current liabilities		**394**	**762**
Borrowings	B4	969	972
Derivative financial instruments	D2	73	44
Provisions	E5	51	48
Deferred tax	E1	676	751
Other non-current liabilities		9	7
Total non-current liabilities		**1,778**	**1,822**
Total liabilities		**2,172**	**2,584**
Net assets		**2,782**	**2,727**
Share capital	B2	1,523	1,520
Retained earnings		1,288	1,194
Hedge reserves	E7	(39)	7
Share-based compensation reserve		10	6
Shareholders' equity		**2,782**	**2,727**

Statement of Changes in Equity

For the year ended 30 June 2019

$m	Note	Share capital	Retained earnings	Other reserves	Shareholders' equity
Balance at 1 July 2017		**1,515**	**1,263**	**-**	**2,778**
Profit		-	132	-	132
Change in hedge reserve (net of tax)	*E7*	-	-	14	14
Change in share-based compensation reserve	*E10*	-	-	(1)	(1)
Change in share capital		5	-	-	5
Dividends paid	*B3*	-	(201)	-	(201)
Balance at 30 June 2018		**1,520**	**1,194**	**13**	**2,727**
Profit		-	345	-	345
Change in hedge reserve (net of tax)	*E7*	-	-	(46)	(46)
Change in share-based compensation reserve	*E10*	-	-	4	4
Change in share capital	*B2*	3	-	-	3
Dividends paid	*B3*	-	(251)	-	(251)
Balance at 30 June 2019		**1,523**	**1,288**	**(29)**	**2,782**

A. Our Performance

A1. Segments

Contact changed its operating segments and now reports under the two operating segments. The new operating segments provide a clearer view of profitability in the operating businesses, as the segments exclude indirect corporate costs. All comparative information has been restated.

The Wholesale segment includes revenue from the sale of electricity to the wholesale electricity market, to Commercial & Industrial (C&I) customers and to the Customer segment, less the cost to generate and/or purchase the electricity and costs to serve and distribute electricity to C&I customers.

The Customer segment includes revenue from delivering electricity, natural gas and other products and services to customers less the cost of purchasing those products and services, and the costs to serve customers. The Customer segment excludes Rockgas Limited (Rockgas), the discontinued operation – refer *note C4*.

Unallocated includes corporate functions not directly allocated to the operating segments.

The Customer segment purchases electricity from the Wholesale segment at a price fixed in a manner similar to transactions with third parties.

A2. Earnings

The tables on the next two pages provide a breakdown of Contact's earnings before interest, tax, depreciation and amortisation, and significant items (EBITDAF) by segment, and a reconciliation from EBITDAF and underlying profit to profit reported under NZ GAAP.

- EBITDAF is profit/(loss) before tax excluding interest, depreciation, amortisation and significant items.
- Underlying profit excludes the effect of significant items from reported profit.

EBITDAF and underlying profit are used to monitor performance and are non-GAAP profit measures. Significant items are excluded from EBITDAF and underlying profit when they meet criteria approved by the Board of Directors. Transactions considered for classification as significant items include change in fair value of financial instruments; impairment or reversal of impairment of assets; significant business integration, restructure, acquisition and disposal costs; and transactions or events outside of Contact's ongoing operations that have a significant impact on reported profit.

The revenue and operating expense categories include the below line items:

- **Wholesale electricity, net of hedging**
  Revenue received from electricity generated and sold through the wholesale market, the net settlement of electricity hedges sold on the electricity futures markets and to generators, other retailers and industrial customers.
- **Electricity purchases, net of hedging**
  The cost of electricity purchased from the wholesale market to supply customers and the net settlement of buy-side electricity hedges. Revenue received to manage location risk, including Financial Transmission Rights is also included.
- **Electricity-related services revenue**
  Revenue from the sale of complementary products and services to the wholesale market for the provision of instantaneous reserves, frequency keeping and other ancillary services.
- **Electricity-related services cost**
  This includes reserve costs, constrained on costs, frequency keeping and other ancillary service costs.
- **Electricity and gas revenue**
  Electricity and gas revenue is recognised when energy is supplied for customer consumption. Revenue is initially recognised net of prompt payment discounts.

The significant items in this reporting period are:

- **Change in fair value of financial instruments**
  Movements in the valuation of electricity price derivatives that are not accounted for as hedges, hedge accounting ineffectiveness and the effect of credit risk on the valuation of hedged debt and derivatives. Refer notes *D2*, *E7* and *E8*.
- **Gain on sale of Rockgas**
  Rockgas was sold to Gas Services NZ Midco Limited on 30 November 2018. Refer *note C4*.
- **Gain on sale of Ahuroa Gas Storage (AGS) Facility**
  The sale of the AGS Facility to GSNZ SPV1 Limited (GSNZ) was completed on 1 October 2018. Cash proceeds from sale received to date are $190 million resulting in a gain on sale of $5 million before tax after deducting net assets of $185 million. Consideration of up to $10 million remains unrecognised as it is contingent on GSNZ obtaining a favourable binding ruling as to the tax treatment of the main assets it acquired.
- **Remediation for Holidays Act non-compliance**
  $1 million has been incurred in order to resolve non-compliance with aspects of the Holidays Act 2003. The provision has been reduced by $2 million as a result of ongoing reassessment. Refer *note E5*.

2019 $m	Wholesale	Customer	Unallocated	Eliminations	Total continuing operations	Discontinued operation	Total
Mass market electricity	-	863	-	(1)	862	-	862
C&I electricity - Fixed Price	388	-	-	-	388	-	388
C&I electricity - Spot	31	-	-	-	31	-	31
Wholesale electricity, net of hedging	1,044	-	-	-	1,044	-	1,044
Electricity related services revenue	10	-	-	-	10	-	10
Inter-segment electricity sales	314	-	-	(314)	-	-	-
Gas	3	73	-	-	76	-	76
LPG	-	-	-	-	-	58	58
Steam	27	-	-	-	27	-	27
Broadband	-	7	-	-	7	-	7
Total revenue	**1,817**	**943**	**-**	**(315)**	**2,445**	**58**	**2,503**
Other income	10	5	-	-	15	1	16
Total revenue and other income	**1,827**	**948**	**-**	**(315)**	**2,460**	**59**	**2,519**
Electricity purchases, net of hedging	(901)	-	-	-	(901)	-	(901)
Electricity purchases - Spot	(27)	-	-	-	(27)	-	(27)
Electricity related services cost	(10)	-	-	-	(10)	-	(10)
Inter-segment electricity purchases	-	(314)	-	314	-	-	-
Gas and diesel purchases	(98)	(18)	-	-	(116)	-	(116)
Gas storage costs	(17)	-	-	-	(17)	-	(17)
Carbon emissions	(21)	(3)	-	-	(24)	(2)	(26)
LPG purchases	-	-	-	-	-	(37)	(37)
Generation transmission & reserve costs	(40)	-	-	-	(40)	-	(40)
Electricity networks, levies & meter costs - Fixed Price	(139)	(421)	-	-	(560)	-	(560)
Electricity networks, levies & meter costs - Spot	(3)	-	-	-	(3)	-	(3)
Gas networks, transmission & meter costs	(8)	(38)	-	-	(46)	-	(46)
Broadband	-	(6)	-	-	(6)	-	(6)
Other operating expenses	(99)	(81)	(26)	1	(205)	(7)	(212)
Total operating expenses	**(1,363)**	**(881)**	**(26)**	**315**	**(1,955)**	**(46)**	**(2,001)**
EBITDAF	**464**	**67**	**(26)**	**-**	**505**	**13**	**518**
Depreciation and amortisation					(205)	-	(205)
Net interest expense					(70)	-	(70)
Tax on underlying profit					(64)	(3)	(67)
Underlying profit					**166**	**10**	**176**
Significant items							
Change in fair value of financial instruments					2	-	2
Gain on sale of Rockgas					-	165	165
Gain on sale of AGS Facility					5	-	5
Remediation for Holidays Act non-compliance					2	-	2
Tax on significant items					(5)	-	(5)
Profit					**170**	**175**	**345**
Underlying profit per share (cents)					**23.2**	**1.4**	**24.6**

2018 $m	Wholesale	Customer	Unallocated	Eliminations	Total continuing operations	Discontinued operation	Total
Mass market electricity	-	884	-	(1)	883	-	883
C&I electricity - Fixed Price	432	-	-	-	432	-	432
C&I electricity - Spot	20	-	-	-	20	-	20
Wholesale electricity, net of hedging	705	-	-	-	705	-	705
Electricity related services revenue	7	-	-	-	7	-	7
Inter-segment electricity sales	314	-	-	(314)	-	-	-
Gas	4	71	-	-	75	-	75
LPG	-	-	-	-	-	121	121
Steam	25	-	-	-	25	-	25
Broadband	-	1	-	-	1	-	1
Total revenue	**1,507**	**956**	**-**	**(315)**	**2,148**	**121**	**2,269**
Other income	-	4	-	-	4	2	6
Total revenue and other income	**1,507**	**960**	**-**	**(315)**	**2,152**	**123**	**2,275**
Electricity purchases, net of hedging	(657)	-	-	-	(657)	-	(657)
Electricity purchases - Spot	(17)	-	-	-	(17)	-	(17)
Electricity related services cost	(7)	-	-	-	(7)	-	(7)
Inter-segment electricity purchases	-	(314)	-	314	-	-	-
Gas and diesel purchases	(107)	(16)	-	-	(123)	-	(123)
Gas storage costs	(1)	-	-	-	(1)	-	(1)
Carbon emissions	(15)	(2)	-	-	(17)	(3)	(20)
LPG purchases	-	-	-	-	-	(73)	(73)
Generation transmission & reserve costs	(39)	-	-	-	(39)	-	(39)
Electricity networks, levies & meter costs - Fixed Price	(152)	(432)	-	-	(584)	-	(584)
Electricity networks, levies & meter costs - Spot	(3)	-	-	-	(3)	-	(3)
Gas networks, transmission & meter costs	(9)	(37)	-	-	(46)	-	(46)
Broadband	-	(1)	-	-	(1)	-	(1)
Other operating expenses	(103)	(82)	(24)	1	(208)	(15)	(223)
Total operating expenses	**(1,110)**	**(884)**	**(24)**	**315**	**(1,703)**	**(91)**	**(1,794)**
EBITDAF	**397**	**76**	**(24)**	**-**	**449**	**32**	**481**
Depreciation and amortisation					(215)	(5)	(220)
Net interest expense					(84)	-	(84)
Tax on underlying profit					(40)	(7)	(47)
Underlying profit					**110**	**20**	**130**
Significant items							
Change in fair value of financial instruments					3	-	3
Gain on sale of Rockgas					-	-	-
Gain on sale of AGS Facility					-	-	-
Remediation for Holidays Act non-compliance					-	-	-
Tax on significant items					(1)	-	(1)
Profit					**112**	**20**	**132**
Underlying profit per share (cents)					**15.4**	**2.7**	**18.1**

A3. Free cash flow

Free cash flow is a non-GAAP cash measure that shows the amount of cash Contact has available to distribute to shareholders, reduce debt or reinvest in growing the business. A reconciliation from EBITDAF to NZ GAAP operating cash flows and to free cash flow is provided below.

$m	Note	2019	2018
EBITDAF	*A2*	**518**	**481**
Tax paid		(47)	(33)
Change in working capital net of investing and financing activities		(7)	7
Non-cash share-based compensation		4	3
Significant items, net of non-cash amounts		(2)	(1)
Operating cash flows	*E6*	**466**	**457**
Net interest paid		(65)	(78)
Stay in business capital expenditure		(60)	(78)
Operating free cash flow		**341**	**301**
Proceeds from sale of assets/operations (net of tax)		390	6
Free cash flow		**731**	**307**
Operating free cash flow per share (cents)	*B3*	**47.5**	**42.0**

Proceeds from sale of assets/operations include tax paid of $52 million in relation to the sale of AGS assets and the operations of Rockgas.

Stay in business capital expenditure is required to maintain our business operations and includes major plant inspections and replacements of existing assets.

B. Our Funding

B1. Capital structure

Contact's capital includes equity and net debt. Our objectives when managing capital are to ensure Contact can pay its debts when they are due and to optimise the cost of our capital.

To manage the capital structure, the Board of Directors may adjust the amount and nature of distributions to shareholders, issue new shares and increase or repay debt.

Contact manages its capital structure to support a BBB credit rating and a gearing ratio suitable to the nature of our business.

$m	Note	2019	2018
Borrowings	*B4*	1,096	1,494
Shareholders' equity		2,782	2,727
Total capital funding		**3,878**	**4,221**
Gearing ratio		**28.3%**	**35.4%**

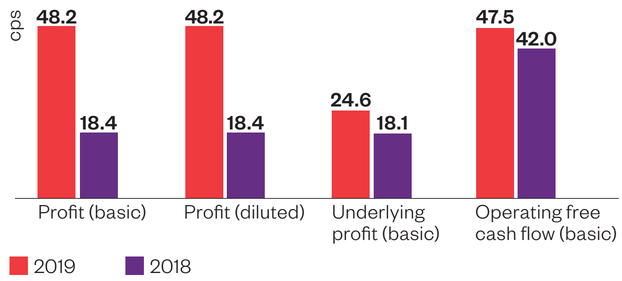
B2. Share capital

Share capital is comprised of ordinary shares listed on the NZX and ASX. Certain ordinary shares are held in trust on behalf of employees under the Contact Share scheme (*note E10*). All shareholders are entitled to receive distributions and to make one vote per share.

	Note	Number	$m
Balance at 30 June 2018		**716,286,570**	**1,520**
Balance at 1 July 2018		716,286,570	1,520
Share capital issued		488,212	3
Balance at 30 June 2019		**716,774,782**	**1,523**
Comprised of:			
Ordinary shares		716,454,941	1,524
Contact Share	*E10*	319,841	(1)

B3. Distributions

Earnings and operating free cash flow per share



Weighted average	2019	2018
Number of shares (basic)	716,623,167	716,075,154
Number of shares (diluted)	716,715,206	716,154,227

The basic earnings per share calculations use the weighted average number of shares on issue over the period.

The diluted weighted average number of shares takes into account the number of share options, Performance Share Rights and Deferred Share Rights that are currently exercisable or will become exercisable because vesting depends only on an employee staying with Contact or it is likely vesting conditions will be met.

Dividends

Paid during the year ended	Cents per share	$m
2017 final	15.0	107
2018 interim	13.0	93
30 June 2018		**201**
2018 final	19.0	136
2019 interim	16.0	115
30 June 2019		**251**

On 9 August 2019, the Board resolved to pay a 65% imputed final dividend of 23 cents per share on 17 September 2019. On 9 August 2019, Contact had $16 million of imputation credits available for use in future periods.

B4. Borrowings

Borrowings are recognised initially at fair value less financing costs and subsequently at amortised cost using the effective interest rate method. Some borrowings are designated in fair value hedge relationships, which means that any changes in market interest and foreign exchange rates result in a change in the fair value adjustment on that debt (*note E8*).

Borrowings denoted with an asterisk (*) are Green Debt Instruments under Contact's Green Borrowing Programme, which has been certified by the Climate Bonds Initiative. At 30 June 2019 Contact remains compliant with the requirements of the programme. Further information is available on the *Sustainability section* on our website.

$m	Maturity	Coupon	2019	2018
Bank overdraft	< 3 months	Floating	6	2
* Commercial paper	< 3 months	Floating	60	140
* Bank facilities	Various	Floating	16	231
Lease obligations	Various	Various	25	38
* Retail bonds – CEN020	May 2019	5.80%	-	222
* Wholesale bonds	May 2020	5.28%	50	50
* USPP notes – US$56m	Dec 2020	3.46%	70	70
* Retail bonds – CEN030	Nov 2021	4.40%	150	150
* Retail bonds – CEN040	Nov 2022	4.63%	100	100
* USPP notes – US$22m	Dec 2023	4.19%	28	28
* USPP notes – US$51m	Dec 2023	4.09%	64	64
* USPP notes – US$42m	Dec 2023	3.63%	61	61
* Retail bonds – CEN050	Aug 2024	3.55%	100	–
* USPP notes – US$58m	Dec 2025	4.33%	73	73
* USPP notes – US$43m	Dec 2025	3.85%	62	62
* Export credit agency facility	Nov 2027	Floating	61	68
* USPP notes – US$15m	Dec 2027	3.95%	22	22
* USPP notes – US$23m	Dec 2028	4.44%	29	29
* USPP notes – US$30m	Dec 2028	4.51%	38	38
Total borrowings at face value			**1,015**	**1,448**
Deferred financing costs			(5)	(6)
Total borrowings at amortised cost			**1,010**	**1,442**
Fair value adjustment on hedged borrowings			86	52
Carrying value of borrowings			**1,096**	**1,494**
Current			127	513
Non-current			969	972
Liabilities held for sale – lease obligations			-	9

A summary of the changes in Contact's borrowings is provided below:

$m	2019	2018
Borrowings at the start of the year	1,494	1,549
Net cash borrowed/(repaid)	(425)	(99)
Non-cash change in lease obligations	(8)	3
Non-cash change in deferred financing costs	1	1
Non-cash change in fair value adjustment	34	40
Borrowings at the end of the year	**1,096**	**1,494**

Short term funding

Contact uses bank facilities for general corporate purposes including to manage its liquidity risk (*note D3*). While drawings under our bank facilities are typically for periods of three months or less, the amounts drawn down can be rolled for the term of the facility. Drawn facilities are classified as current when the facility will expire within one year of the reporting period end.

Contact's total bank facilities (including undrawn facilities of $394 million at 30 June 2019) have a range of maturities:

Maturity $m	2019	2018
Less than 1 year	-	160
Between 1 and 2 years	165	160
Between 2 and 3 years	120	175
More than 3 years	125	100
	410	**595**

These bank facilities form part of Contact's Green Borrowing Programme.

Lease obligations

Contact's leases are mostly for property and connections to the national electricity grid. These assets are included in the carrying value of property, plant and equipment (*note C1*).

Security

Contact's Deed of Negative Pledge and Guarantee and its United States Private Placement (USPP) note agreements restrict Contact from granting security interest over its assets, subject to certain permitted exceptions. Because of these restrictions Contact's borrowings are all unsecured, except for lease obligations secured over the leased assets. The Deed of Negative Pledge and Guarantee and the USPP note agreements contain various debt covenants, all of which Contact complied with during the reporting period.

Cash and cash equivalents

Cash and cash equivalents exclude bank overdrafts which are included within borrowings. Contact trades electricity price derivatives on the ASX market using a broker that holds collateral on deposit for margin calls. At 30 June 2019, this collateral was $17 million (2018: $3 million) and is included within cash.

B5. Net interest expense

Interest expense on borrowings is made up of interest on drawn debt and interest rate swaps, and the unwind of deferred financing costs.

$m	Note	2019	2018
Interest expense on borrowings		(69)	(80)
Unwind of discount on provisions	*E5*	(5)	(5)
Interest income		4	1
Net interest expense		**(70)**	**(84)**

C. Our Assets

C1. Property, plant and equipment and intangible assets

Contact's property, plant and equipment (PP&E) and intangible assets include:

- generation plant and equipment: hydro, geothermal and thermal power stations, and geothermal wells and pipelines
- computer software: our SAP system that is used for customer service and billing, finance functions and generation asset management, which has a value of $216 million (2018: $239 million) and a remaining life of 10 years.

All assets are recognised at cost less accumulated depreciation or amortisation and impairments. Generation plant and equipment acquired before 1 October 2004 is recognised at deemed historical cost, which is the fair value of those assets at 1 October 2004, less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment **$m**	**Generation plant and equipment**	**Other land, buildings, plant & equipment**	**Capital work in progress**	**Leased assets**	**Total**
Cost					
Balance at 1 July 2017	5,708	270	221	75	6,274
Additions	25	5	28	3	61
Transfers from capital work in progress	90	2	(92)	-	-
Transfers to assets held for sale	(180)	(165)	(6)	(18)	(369)
Disposals	(50)	(4)	-	-	(54)
Balance at 30 June 2018	**5,593**	**108**	**151**	**60**	**5,912**
Balance at 1 July 2018	5,593	108	151	60	5,912
Additions	14	1	27	1	43
Transfers from capital work in progress	20	2	(22)	-	-
Disposals	-	-	-	(1)	(1)
Balance at 30 June 2019	**5,627**	**111**	**156**	**60**	**5,954**
Depreciation and impairment					
Balance at 1 July 2017	(1,451)	(179)	(1)	(32)	(1,663)
Depreciation charge	(167)	(10)	-	(5)	(182)
Transfer to assets held for sale	30	93	-	9	132
Disposals	50	4	-	-	54
Balance at 30 June 2018	**(1,538)**	**(92)**	**(1)**	**(28)**	**(1,659)**
Balance at 1 July 2018	(1,538)	(92)	(1)	(28)	(1,659)
Depreciation charge	(160)	(6)	-	(3)	(169)
Balance at 30 June 2019	**(1,698)**	**(98)**	**(1)**	**(31)**	**(1,828)**
Carrying value					
At 30 June 2018	4,055	16	150	32	4,253
At 30 June 2019	**3,929**	**13**	**155**	**29**	**4,126**

Intangible assets $m	Computer software and capital work in progress	Gas storage rights	Carbon emission units	Total
Cost				
Balance at 1 July 2017	442	35	11	488
Additions	8	-	15	23
Transfer to assets held for sale	(2)	(35)	-	(37)
Disposals	(1)	-	(16)	(17)
Balance at 30 June 2018	**447**	**-**	**10**	**457**
Balance at 1 July 2018	447	-	10	457
Additions	20	-	32	52
Disposals	-	-	(28)	(28)
Balance at 30 June 2019	**467**	**-**	**14**	**481**
Amortisation				
Balance at 1 July 2017	(150)	(6)	-	(156)
Amortisation charge	(37)	(1)	-	(38)
Disposals	2	7	-	9
Balance at 30 June 2018	**(185)**	**-**	**-**	**(185)**
Balance at 1 July 2018	(185)	-	-	(185)
Amortisation charge	(36)	-	-	(36)
Balance at 30 June 2019	**(221)**	**-**	**-**	**(221)**
Carrying value				
At 30 June 2018	262	-	10	272
At 30 June 2019	**246**	**-**	**14**	**260**
Current	-	-	14	14
Non-current	246	-	-	246

Capital commitments

At 30 June 2019, Contact was committed to $22 million of capital expenditure (2018: $6 million) and $38 million of carbon forward contracts (2018: $27 million), of which $29 million is due within one year of the reporting period end and $31 million is due between one to two years of the reporting period end.

Cost

Contact capitalises the costs to purchase and bring assets into service. When Contact develops an asset, employee time and other directly attributable costs are capitalised and held as capital work in progress until the asset is commissioned.

Contact capitalises costs to obtain resource consents and to drill geothermal exploration wells. These costs are expensed if the existing area of operations that they relate to is unsuccessful or abandoned. All other geothermal exploration costs are expensed.

Carbon emission units are purchased to offset our emissions under the New Zealand Emissions Trading Scheme (ETS). The units are measured at weighted average cost. They are classified as current assets when they will be used to offset our ETS obligations at balance date or obligations expected to be incurred within one year of balance date.

Depreciation and amortisation

The cost of Contact's assets is spread evenly over their useful lives (straight line method) or, for certain thermal assets, over the equivalent operating hours (EOH) those assets are expected to be of benefit to Contact.

Management estimates an asset's useful life or EOH and this is reviewed annually. The useful life changes identified in the current reporting period did not result in a material change in depreciation.

Land, capital work in progress and carbon emission units are not depreciated or amortised. The depreciation and amortisation rates for all other assets are:

Asset	Rate/hours
Generation plant and equipment:	
- Straight line	1 - 33%
- Equivalent operating hours	8,000 - 100,000
Other buildings, plant and equipment	2 - 33%
Computer software	5 - 33%

C2. Goodwill and asset impairment testing

Contact has two cash-generating units (CGUs): Wholesale and Customer. The Customer CGU includes goodwill of $179 million, which is unchanged from the prior reporting period. Capital work in progress (CWIP) includes $98 million (2018: $95 million) related to future generation developments not allocated to a CGU.

Every reporting period, management estimates the value in use expected to be recovered from Contact's CGUs and future generation development in CWIP. An impairment is recognised when the recoverable amount or fair value less costs to sell is lower than the carrying value.

Determining value in use involves estimating future cash flows for each CGU. The cash flows are adjusted for future growth based on historical inflation and discounted at a post-tax discount rate between 6.5% and 7.5% to arrive at the present value, or recoverable amount, of each CGU. The future generation development valuations use the same key inputs as the Wholesale CGU plus an estimate of plant commissioning costs.

No impairments were recognised in the current or prior period.

The key inputs to CGU and future generation development cash flows are:

Customer CGU		Wholesale CGU and future generation development	
Customer numbers and churn	Actual customer numbers adjusted for historical churn data and expected market trends.	Generation volume and mix	Generation strategy based on expected demand, hydro volumes and expected market pricing.
Margin per customer	Actual margin per customer adjusted for expected market changes.	Amount received for generated electricity	ASX future electricity prices adjusted for location and seasonal shape for periods quoted on the ASX market, or prices estimated based on an analysis of expected demand and cost of new supply for periods not quoted on the ASX market.
Cost of purchased energy	ASX future electricity prices adjusted for location and seasonal shape.	Gas price	Contracted gas prices otherwise Contact's best estimate of future prices.

The calculation of value in use of the CGU is sensitive to the inputs used in the discounted cash flow valuation model. A change in future wholesale electricity prices used to determine Wholesale CGU cash flows could affect the amount Contact receives for its generated electricity. A systemic reduction in wholesale electricity prices may result in an impairment of the Wholesale CGU.

Wholesale electricity prices are influenced by a number of factors that are difficult to predict, in particular weather, which can impact short term prices. Wholesale electricity prices may also be adversely affected by a reduction in demand, the availability of fuel and generation capacity in the wholesale electricity market, competitor and transmission system availability. This could affect both the volume of energy Contact can generate as well as the price it receives for generation. Whether Contact is adversely affected will depend on the specific circumstances and how those circumstances impact Contact's portfolio.

The discount rate is an estimate of Contact's weighted average cost of capital and is influenced by a number of external factors such as the risk-free rate and inflation. A significant increase in the discount rate may result in an impairment of the Wholesale CGU.

C3. Investments in joint venture and associate

Contact applies the equity method of accounting for its investments in Simply Energy Limited, a joint venture, and Drylandcarbon One Limited Partnership, an associate. The initial investments are recognised at cost and are subsequently adjusted for Contact's share of the entities' profits or losses.

Simply Energy Limited

On 28 June 2019, Contact acquired a 49.9% share of Simply Energy Limited (Simply) for $11 million, of which $3 million is to be paid over the next two years. Simply is based in Wellington, New Zealand and provides energy solutions to independent generators, retailers and commercial energy users. The transaction includes an option for Contact to acquire the remaining shares in Simply to take full ownership after two years. The purchase price for the remaining shares will be based on the performance of Simply, with a minimum purchase price of $7 million.

Drylandcarbon One Limited Partnership

On 20 March 2019, Contact acquired 16.5% of Drylandcarbon One Limited Partnership (Drylandcarbon) by committing to invest up to $20 million over the next five years. Drylandcarbon is based in Wellington, New Zealand and is focused on long term carbon farming and afforestation in New Zealand, which will offset some of Contact's carbon obligations. Drylandcarbon is accounted for as an associate, as Contact has significant influence through its participation in Drylandcarbon's financial and operating policy decisions being equivalent to the other three foundational investors.

C4. Discontinued operation

The sale of Rockgas to Gas Services NZ Midco Limited completed on 30 November 2018. The results for the period up to 30 November 2018 and the gain on sale have been presented as a discontinued operation in the Statement of Comprehensive Income, with a breakdown in *note A2*.

Gain on sale of Rockgas

$m	**2019**
Sales price	260
Working capital and net debt adjustments	(1)
Settlement of carbon and income tax liabilities	(12)
Carrying value of assets disposed	(77)
Costs to sell	(5)
Gain on sale	**165**

Net cash flows of the discontinued operation

The Statement of Cash Flows, free cash flow (*note A3*) and the reconciliation of profit to operating cash flows (*note E6*) include the cash flows for the discontinued operation.

The cash flows for the discontinued operation up to the date of disposal are presented separately below.

$m	**2019**	**2018**
Net operating cash flows	9	35
Net investing cash flows	241	(6)
Net cash flows	**250**	**29**

Net investing cash flows include the cash proceeds from the sale of Rockgas being the sales price less the working capital and net debt adjustments, settlement of carbon and income tax liabilities and costs to sell incurred in the current financial period.

Operating free cash flow from the discontinued operation is $7 million (2018: $29 million) and free cash flow is $250 million (2018: $29 million).

Financial position of discontinued operation

The carrying amounts of assets and liabilities as at the date of sale were:

$m	**30 Nov 2018**
Cash and cash equivalents	1
Trade and other receivables	23
Inventories	4
Property, plant and equipment and intangible assets	84
Goodwill	3
Other non-current assets	3
Assets	**118**
Trade and other payables	14
Tax payable	8
Borrowings (lease obligations)	9
Provisions	2
Deferred tax	8
Liabilities	**41**
Carrying value of assets disposed	**77**

D. Our Financial Risks

Contact's financial risk management system mitigates the exposure to market, liquidity and credit risks by ensuring that material risks are identified, the financial impact is understood, and tools and limits are in place to manage exposures. Written policies provide the framework for Contact's financial risk management system.

D1. Transition to NZ IFRS 9 *Financial Instruments*

NZ IFRS 9 *Financial Instruments* (NZ IFRS 9) replaces NZ IAS 39 *Financial Instruments: Recognition and Measurement* (NZ IAS 39). Contact transitioned to NZ IFRS 9 with an initial date of application of 1 July 2018. NZ IFRS 9 addresses the classification and measurement of financial assets and financial liabilities, the impairment of financial assets and hedge accounting. The transition has resulted in two key changes, being the recognition of a cost of hedging reserve and the application of hedge accounting to interest rate swaps (IRS) that were not previously hedge accounted.

Contact now recognises a cost of hedging reserve to record the change in the fair value of the cost to convert foreign currency cash flows under Cross Currency Interest Rate Swaps (CCIRS) into New Zealand dollars. Under NZ IAS 39 this was included in the cash flow hedge reserve (CFHR).

Contact has elected to apply NZ IFRS 9 on a retrospective basis, however has not restated comparative information. Instead the impact of adopting the new standard is reflected in opening equity on 1 July 2018. This resulted in an increase in the cost of hedging reserve of $1 million, offset by a decrease in the cash flow hedge reserve of $1 million. These reserves are presented together in the Statement of Financial Position as 'Hedge reserves'.

The new hedge accounting requirements allow for all IRS to be designated into hedging relationships, which aligns more closely with Contact's interest rate risk management activity. This has resulted in IRS not previously designated in hedge relationships being hedge accounted from 1 July 2018 as cash flow hedges.

D2. Market risk

Interest rate risk

Contact has fixed and floating rate debt and is exposed to movements in interest rates. For fixed rate debt the exposure is to falling interest rates as Contact could have secured that debt at lower rates, while for floating rate debt there is uncertainty of future cash interest payments.

Contact manages these risks through the use of IRS and CCIRS to ensure that the total debt portfolio has an appropriate amount of fixed and floating rate exposure. The risk is monitored by assessing the notional amount of debt on a fixed and floating basis and ensuring this is in accordance with set policies.

Foreign exchange risk

Contact is exposed to movements in foreign exchange rates through its commitments to pay certain suppliers and USPP note holders.

To mitigate this risk, forward foreign exchange contracts are used to fix future cash flows in NZD terms. Foreign debt is hedged through the use of CCIRS, which converts foreign currency principal and interest payments to NZD at a fixed exchange rate.

Commodity price risk

Contact is exposed to electricity price risk through the sale and purchase of electricity on the wholesale electricity market. Contact's integrated wholesale and customer businesses provide a natural hedge for most of this exposure. Derivatives may be used to fix the price at which Contact buys or sells any residual exposure to electricity price risks. In addition, Contact is party to fixed price, variable volume electricity price derivatives to provide cover in extreme price situations.

Contact is also exposed to natural gas price risk on purchases of natural gas. Short and long term gas purchase contracts are used to fix the price of gas. These are not derivative financial instruments.

Summary of derivative financial instruments

A summary of the exposures from derivatives and the impact on Contact's financial position is provided below grouped by type of hedge relationship.

At 30 June 2019	Fair value hedge	Cash flow and fair value hedge	Cash flow hedge[1]		No hedge relationship	
$m	IRS	CCIRS	IRS	Electricity price derivatives	Electricity price derivatives[2]	Total
Notional amount of derivatives	238	447	620	3,024 GWh	428 GWh	
Maturity years	2020 - 2024	2020 - 2028	2020 - 2026	2019 - 2022	2019 - 2023	
Average rate / price[3]	3.1%	3.7%/0.76USD	4.3%	$67/MWh	$93/MWh	
Carrying value of derivatives - asset	8	78	-	1	6	**93**
Carrying value of derivatives - liability	-	(4)[4]	(77)	(29)	(3)	**(113)**
Carrying value of hedged borrowings	245	524	-	-	-	**769**
Fair value hedge adjustments to borrowings	(8)	(78)	-	-	-	**(86)**

1. In addition to the derivatives disclosed, Contact had foreign exchange derivatives at 30 June 2019 with a notional value of $4 million and a carrying value of nil.
2. Notionals, maturities and average prices for electricity price hedges not in hedge relationships do not include fixed price, variable volume contracts and options not yet called.
3. Average interest rates for IRS and CCIRS are based on their pay legs. For pay-float swaps (CCIRS and IRS in fair value hedges), the rate comprises the floating base rate plus the margin.
4. The CCIRS liability arises from the cash flow hedge component.

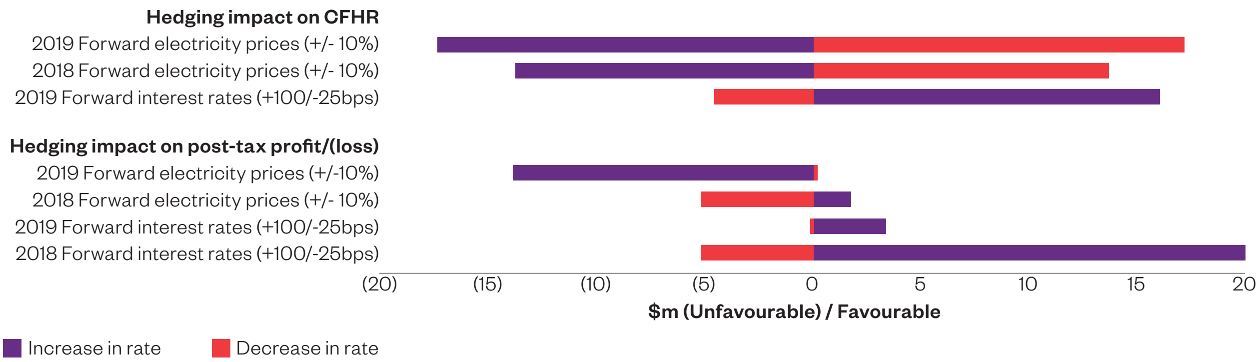
The change in fair value of derivatives recognised in the Statement of Comprehensive Income, within significant items and within other comprehensive income (OCI), is provided below grouped by type of hedge relationship. The fair value movement includes the discontinued operation.

For the year ended 30 June 2019	Fair value hedge	Cash flow and fair value hedge	Cash flow hedge		No hedge relationship	
$m	IRS	CCIRS	IRS	Electricity price derivatives	Electricity price derivatives	Total
Change in fair value recognised in significant items						
- Hedge ineffectiveness	-	-	-	-	-	**-**
- Hedge effectiveness	2	32	-	-	-	**34**
- Non-hedge movements	-	-	-	-	2	**2**
- Fair value adjustments to hedged borrowings	(2)	(32)	-	-	-	**(34)**
Total change in fair value in significant items	**-**	**-**	**-**	**-**	**2**	**2**
Hedge effectiveness recognised in OCI	**-**	**(2)**	**(23)**	**(31)**	**-**	**(56)**

Further information on hedging activities and fair value of derivatives is provided in notes *E7* and *E8*.

Sensitivities

The graph below summarises the impact on derivative valuations of possible changes in forward wholesale electricity prices and forward interest rates. The analysis assumes that all variables were held constant except for the relevant market risk factor.



D3. Liquidity risk

To manage liquidity risk, Contact maintains a diverse portfolio of funding, debt maturities are spread over a number of years and any new financing or refinancing requirements are addressed with an appropriate lead time. Contact maintains a buffer of undrawn bank facilities over its forecast funding requirements to enable it to meet any unforeseen cash flows.

Management monitors the available liquidity buffer by comparing forecast cash flows to available facilities to ensure sufficient liquidity is maintained in accordance with internal limits.

Information on contracted cash flows in the table below is presented on an undiscounted basis and excludes held for sale assets and liabilities for the prior reporting period.

CCIRS cash flows are included within Borrowings in the table below. US dollar inflows on the CCIRS offset the US dollar outflows on the USPP notes.

2019 **$m**	**Total contractual cash flows**	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Trade and other payables	(159)	(159)	-	-	-
Borrowings	(1,229)	(186)	(121)	(518)	(404)
Electricity price derivatives - net settled	(26)	(18)	(6)	(3)	-
IRS - net settled	(33)	(10)	(8)	(14)	(1)
Foreign exchange derivatives - inflow	4	4	-	-	-
Foreign exchange derivatives - outflow	(4)	(4)	-	-	-
	(1,447)	**(373)**	**(135)**	**(535)**	**(405)**
2018					
Trade and other payables	(147)	(147)	-	-	-
Borrowings	(1,689)	(559)	(129)	(516)	(485)
Electricity price derivatives - net settled	7	6	-	1	-
IRS - net settled	(37)	(10)	(10)	(15)	(2)
Foreign exchange derivatives - inflow	4	4	-	-	-
Foreign exchange derivatives - outflow	(4)	(4)	-	-	-
	(1,866)	**(710)**	**(139)**	**(530)**	**(487)**

D4. Credit risk

Total credit risk exposure, is measured by the financial instruments in an asset position of $316 million (2018: $227 million). To minimise credit risk exposure, Contact has a policy to only transact with credit worthy counterparties and do not exceed internally imposed exposure limits to any one counterparty. Where appropriate, collateral is obtained. Further information on customer related credit risk is provided in *note E4*.

E. Other Disclosures

E1. Tax

Tax expense is made up of current tax expense and deferred tax expense. Current tax expense relates to the current financial reporting period while deferred tax will be payable in future periods.

Tax is recognised in profit, except when it relates to items recognised directly in OCI.

$m	2019	2018
Profit before tax - continuing operations	239	153
Tax at 28%	(67)	(43)
Tax effect of adjustments:		
- Prior period adjustments	(1)	3
- Other	(1)	(1)
Tax expense - continuing operations	**(69)**	**(41)**
Current	(125)	(36)
Deferred	56	(5)

Contact's deferred tax liability is calculated as the difference between the carrying value of assets and liabilities for financial reporting purposes and the values used for taxation purposes.

$m	PP&E and intangible assets	Derivative financial instruments	Other	Total
Balance at 1 July 2017	(783)	18	16	(749)
Recognised in profit/(loss)	(7)	-	2	(5)
Recognised in OCI	-	(5)	-	(5)
Deduct held for sale liabilities	10	1	(3)	8
Balance at 30 June 2018	**(780)**	**14**	**15**	**(751)**
Recognised in profit/(loss)	52	(1)	5	56
Recognised in OCI	-	17	-	17
Recognised in other reserves	-	-	2	2
Balance at 30 June 2019	**(728)**	**30**	**22**	**(676)**

E2. Operating expenses

Other operating expenses for continuing operations (*note A2*) include total labour costs of $99 million (2018: $96 million). Labour costs include contributions to KiwiSaver of $3 million (2018: $3 million).

Audit fees paid to Contact's auditors (KPMG) of $509,000 for review of the interim, and audit of the year end, financial statements (2018: $516,500), $2,500 for scrutineering at the Annual meeting (2018: $2,500) and $3,500 for supervisor reporting (2018: $3,500).

E3. Inventory

Contact's inventories are comprised of gas in storage for use in thermal generation, consumables and spare parts for power stations, and diesel fuel for use in the Whirinaki power plant. All inventories are stated at cost. Inventory gas is split between current and non-current based on expected gas usage.

$m	2019	2018
Inventory gas	28	46
Consumables and spare parts	10	9
Diesel fuel	4	3
	42	**58**
Current	28	35
Non-current	14	23

E4. Trade and other receivables

$m	2019	2018
Trade receivables	85	65
Unbilled receivables	93	96
Provision for impairment	(2)	(2)
Net trade receivables	**176**	**159**
Contract assets	16	13
Prepayments	4	3
	196	**175**

Trade and unbilled receivables are recognised net of discounts based on past experience of the amount of discounts taken up by customers. Unbilled receivables represent Contact's best estimate of retail sales for unread electricity and gas meters at the end of the reporting period. The estimate uses the consumption history of customer meters to determine the relevant unbilled amount for the period.

Ageing of trade receivables past due but not impaired are:

$m	2019	2018
Less than one month	13	15
Greater than one month	5	3
	18	**18**

When Contact has been unable to collect amounts due from customers those debts are written off. Trade receivables, net of recoveries, of $2 million (2018: $6 million) were written off during the reporting period.

Contract assets

Contact capitalises the incremental costs incurred to acquire new customers and amortises these costs to operating expenses over the expected life of the customer relationship. Incentives given to customers are also capitalised as a contract asset and amortised to revenue over a period of one to three years.

$m	2019	2018
Opening balance	13	12
Additions	12	9
Amortised to revenue	(6)	(5)
Amortised to operating expenses	(3)	(3)
Closing balance	**16**	**13**

Of the total contract assets balance, $8 million (2018: $7 million) is expected to be amortised within one year of the reporting period and the remainder between one to three years of the reporting period end.

E5. Provisions

Contact has restoration and environmental rehabilitation provisions that represent the expected costs to abandon and restore geothermal wells and generation sites and to remove asbestos from properties.

The other provision includes $1 million (2018: $4 million) for remediation of the Holidays Act non-compliance.

$m	Restoration/ environmental rehabilitation	Other	Total
Balance at 1 July 2018	(50)	(9)	(59)
Released	-	2	2
Utilised	-	3	3
Unwind of discount	(5)	-	(5)
Balance at 30 June 2019	**(55)**	**(4)**	**(59)**
Current	(7)	(1)	(8)
Non-current	(48)	(3)	(51)

These provisions are based on estimates of future cash flows to make good the affected sites at the end of the assets' useful lives. The expected future cash flows are discounted to their present value using a pre-tax discount rate equivalent to a post-tax rate of between 6.5% and 7.5%.

E6. Profit to operating cash flows

A reconciliation of profit to operating cash flows is provided below. Refer to *note C4* for the operating cash flows for the discontinued operation.

$m	2019	2018
Profit	**345**	**132**
Depreciation and amortisation	205	220
Amortisation of contract assets	9	8
Change in fair value of financial instruments	(2)	(3)
Movement in provisions	(2)	-
Net interest expense	70	84
Bad debt expense	5	7
Share-based compensation	4	3
Significant items (net of tax)	(171)	(2)
Changes in assets and liabilities, net of non-cash, investing and financing activities		
Trade and other receivables	(40)	(16)
Inventories and intangible assets	12	9
Trade and other payables	8	-
Tax payable	36	10
Deferred tax	(13)	5
Operating cash flows	**466**	**457**

E7. Hedging activities

Contact has designated derivatives used to manage market risks into fair value and cash flow hedge relationships. A hedge ratio of 1:1 is applied for all hedge relationships, as the notional value of the derivative matches the notional value of the hedged item.

Fair value hedges

Interest rate risk

The derivatives (IRS) Contact uses to manage its interest rate risk meet the criteria for hedge accounting where they directly relate to issued debt. The hedge is against future fair value movements in the debt and can be for a portion of the debt. Contact has designated its wholesale bond and $188 million of retail bonds into fair value hedge relationships with receive-fixed, pay-floating IRS. The fixed interest rates and other terms match the relevant bond to create an economic relationship.

The bonds are recognised at amortised cost. Both the hedged risk and the hedging instrument (IRS) are recognised at fair value. The change in the fair value of both items is recognised in profit/(loss) and will offset to the extent the hedging relationship is effective. There are no material sources of ineffectiveness.

Cash flow hedges

The derivatives Contact uses to manage exposure to wholesale electricity prices, floating interest rate risk and foreign exchanges rates usually qualify for cash flow hedge accounting. For cash flow hedges, only the derivative is recognised at fair value with the effective portion of all changes in fair value recognised in the cash flow hedge reserve. Any ineffective portion is recognised immediately in profit/(loss). Amounts recognised in the cash flow hedge reserve are reclassified to profit/(loss) or the Statement of Financial Position according to the nature of the hedged item.

The movement in hedge reserves of $46 million (continuing operations: $43 million, discontinued operation: $3 million) is reconciled below. The discontinued operation movement is from the change in fair value of LPG price derivatives and foreign exchange contracts.

$m	Note	2019	2018
Opening balance		7	(8)
Effective portion of cash flow hedges	*D2*	(56)	15
Transferred to revenue		(7)	5
Transferred to deferred tax		17	(5)
Closing balance		**(39)**	**7**

Included in the closing balance at 30 June 2019 is $2 million relating to the cost of hedging reserve (2018: nil).

Commodity price risk

Contact designates forecast electricity sales and purchases into cash flow hedges with electricity price derivatives. Volumes are matched to create an economic relationship. There are no material sources of ineffectiveness.

Interest rate risk

Contact designates a certain level of its floating rate exposure into cash flow hedges with receive-floating, pay-fixed IRS in line with set internal policies.

An economic relationship exists between the floating rate exposure and the IRS based on the reference interest rate. Ineffectiveness arises due to IRS that have been designated into hedge relationships part way through their term. These IRS were designated on 1 July 2018 on adoption of NZ IFRS 9.

Combined fair value and cash flow hedges

Contact has designated all its USPP notes into both fair value and cash flow hedge relationships with CCIRS, depending on the component of the USPP note being hedged:

- For the fair value hedges the change in fair value of the USPP note is recognised in profit/(loss) to offset the change in fair value of the relevant CCIRS component.
- For the cash flow hedges the change in fair value of the CCIRS component is recognised in the cash flow hedge reserve.
- The cost to convert foreign currency cash flows under CCIRS is excluded from the hedge relationship and recognised in the cost of hedging reserve.

An economic relationship exists based on the reference interest rates, exchange rate and other terms. There are no material sources of ineffectiveness.

Derivatives not in hedge relationships

These are electricity price derivatives purchased as part of a requirement to participate in the ASX futures electricity market, financial transmission rights and electricity price options. All changes in fair value of these derivatives are recognised directly in profit/(loss).

E8. Financial instruments at fair value

All derivatives are shown gross by instrument in the Statement of Financial Position (and in *note D2*) because Contact does not have a legally enforceable right to set off its assets and liabilities with the same counterparty, except in the event of default. The fair values of derivatives netted by counterparty, excluding held for sale derivatives for the prior reporting period, are:

$m	2019 Asset	2019 Liability	2018 Asset	2018 Liability
CCIRS	74	-	43	-
Interest rate swaps	-	(69)	-	(47)
Electricity price derivatives	4	(29)	8	-
	78	**(98)**	**51**	**(47)**

Fair value

Contact uses discounted cash flow valuations with market observable data, to the extent that it is available, in estimating the fair value of all derivatives and borrowings. The key variables used in these valuations are forward prices (for the relevant underlying interest rates, foreign exchange rates and wholesale electricity prices) and discount rates (based on the forward IRS curve adjusted for counterparty risk).

All inputs are sourced or derived from market information except for forward wholesale electricity prices which are:

- derived from ASX market quoted prices adjusted for Contact's estimate of the effect of location and seasonality, or
- when quoted prices are not available or relevant (i.e. long dated and large contracts), Contact's best estimate of the cost of new supply is used. This is derived using key unobservable inputs, relevant wholesale market factors and management judgement.

Additional key inputs and assumptions used to determine the fair value of electricity derivatives include Contact's best estimate of volumes called over the life of electricity options, forward quoted commodity prices (e.g. adjustments as a consequence of initial recognition differences).

The following table provides a breakdown of the fair value of derivatives, excluding held for sale derivatives in the prior period, by the source of key valuation inputs:

$m	2019	2018
Sourced from market data	(6)	-
Derived from market data	9	(2)
Electricity price estimates	(23)	6
	(20)	**4**

The electricity price derivatives most affected by estimates are reconciled below:

$m	2019	2018
Opening balance	6	(8)
Gain/(loss) in profit/(loss):		
- wholesale electricity revenue	(4)	1
- change in fair value of financial instruments	-	2
Gain/(loss) in OCI	(25)	6
Instruments issued	-	5
Closing balance	**(23)**	**6**

For these derivatives a 10% increase in the electricity price would result in an unfavourable change in fair value of $40 million (2018: $21 million) and a 10% decrease would result in a favourable change in fair value of $20 million (2018: $21 million).

Initial recognition difference

Contact has two agreements in place with Meridian Energy Limited for the supply of 80MW and 18.75MW of electricity, which form part of the electricity required by New Zealand Aluminium Smelters Limited to operate its Tiwai smelter. The 80MW supply agreement has a remaining term of up to 11 years and the 18.75MW supply agreement runs until December 2022. These supply agreements are recognised as electricity price derivatives at fair value.

An initial recognition difference arises when the fair value of the derivative differs from its transaction price. The difference is accounted for by recalibrating the fair value by a fixed percentage to arrive at a value at inception equal to the transaction price.

The calibration adjustment is applied to future valuations and reflects the estimated future gains or losses yet to be recognised in the Statement of Comprehensive Income over the remaining life of the agreement. The change in calibration adjustment is provided in the table below:

$m	2019	2018
Opening difference	1	(33)
Initial differences in new hedges	-	3
Volumes expired and amortised	1	8
Changes for future prices and time	(3)	23
Closing difference	**(1)**	**1**

E9. Financial instruments at amortised cost

The value of financial instruments carried at amortised cost, excluding held for sale assets and liabilities in the prior reporting period, is provided in the table below.

$m	2019	2018
Cash and cash equivalents	47	3
Trade and other receivables	176	159
Trade and other payables	(159)	(147)
Borrowings	(1,010)	(1,432)

The fair value of borrowings is $1,115 million (2018: $1,503 million). This fair value is derived from market data.

E10. Share-based compensation

Equity scheme

Contact provides an equity award to certain eligible employees made up of options, performance share rights (PSRs) and deferred share rights (DSRs). If performance hurdles are met, or there is a company change in control, the awards vest and become exercisable. On exercise, PSRs and DSRs convert to ordinary shares at no cost to the employee and options convert on payment of the agreed exercise price or by utilising the option of a facility which cancels the options in return for an equivalent value in issued shares. There are no loans available. There are no holding/retention periods or ownership requirements for employees who exercise equity. The awards lapse if the performance hurdles are not met, if they are not exercised by the lapse date or if an employee voluntarily leaves Contact. The scheme continues on redundancy but the entitlements are adjusted.

The table below provides a reconciliation of the number of outstanding options and their weighted average exercise price.

	Options	
	Number outstanding	**Price**
Balance at 1 July 2017	9,646,661	$5.28
Granted	1,148,119	$5.54
Exercised	(4,318,578)	$5.24
Lapsed	(330,834)	$5.30
Balance at 30 June 2018	**6,145,368**	**$5.36**
Exercised	(2,929,087)	$5.54
Lapsed	(596,100)	$5.32
Balance at 30 June 2019	**2,620,181**	**$5.17**

At 30 June 2019, no share options were exercisable.

The table below provides a reconciliation for the number of outstanding PSRs and DSRs. The exercise price of these awards is nil.

Number outstanding	PSRs	DSRs
Balance at 1 July 2017	536,303	595,236
Granted	274,347	309,212
Exercised	-	(276,784)
Lapsed	(43,085)	(39,452)
Balance at 30 June 2018	**767,565**	**588,212**
Granted	124,751	859,458
Exercised	-	(271,932)
Lapsed	(100,475)	(144,840)
Balance at 30 June 2019	**791,841**	**1,030,898**

Share options had a weighted average remaining life of one year and nine months (2018: one year, 10 months), PSRs had two years (2018: two years, nine months) and DSRs had 11 months (2018: 11 months).

Contact Share

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

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

Number outstanding	Contact Share
Balance at 1 July 2017	403,373
Shares purchased and issued	105,471
Transferred to employees	(121,199)
Balance at 30 June 2018	**387,645**
Shares purchased and issued	103,086
Transferred to employees	(170,890)
Balance at 30 June 2019	**319,841**

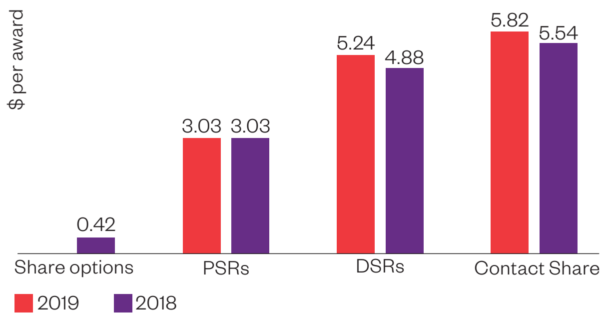
These shares have a weighted average remaining life of one year and three months (2018: one year, three months).

Share-based compensation reserve

The increase in the share-based compensation reserve of $4 million is reconciled below:

$m	Note	2019	2018
Opening balance		6	8
Exercised share scheme awards		(2)	(4)
Share-based compensation expense		4	3
Deferred tax on share schemes	*E1*	2	-
Closing balance		**10**	**6**

The share-based compensation expense is based on the fair value of the awards granted adjusted to reflect the number of awards expected to vest. The fair values of awards granted during the reporting period are:



Key inputs in determining the fair values are:

$m	2019	2018
Risk-free interest rate	2%	2%
Expected dividend yield	7%	6%
Expected share price volatility	17%	20%

E11. Related parties

Contact's related parties include Directors, the Leadership Team (LT), Simply and Drylandcarbon. Contact sold its 50% interest in Rockgas Timaru Limited on 30 November 2018. Transactions with Rockgas Timaru Limited up to that point and all other related party transactions are disclosed below.

Received/(paid) $m	2019	2018
Rockgas Timaru Limited		
Sale of LPG	1	2
Key management personnel		
Directors' fees	(1)	(1)
LT - salary and other short term benefits	(5)	(5)
LT - share-based compensation expense	(2)	(1)
Balances payable at end of the year		
Key management personnel	(1)	(1)

Members of the Leadership Team and Directors purchase goods and services from Contact for domestic purposes on normal commercial terms and conditions. For members of the Leadership Team this includes staff discount available to all eligible employees.

E12. New accounting standards

There are no new accounting standards issued but not yet effective which materially impact Contact.

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

In our opinion, the consolidated financial statements of Contact Energy Limited (the 'company'), the entities over which it has control or joint control and its investments in associates (the 'group') on pages 63 to 86:

i. present fairly in all material respects the Group's financial position as at 30 June 2019 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2019;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to trustee reporting and annual meeting scrutineering. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Scoping

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the financial reporting systems, processes and controls, and the industry in which it operates.

The context for our audit is set by the group's major activities in the financial year ended 30 June 2019. The group continued to focus on delivery of its operational efficiency programme in the Customer business to reduce the cost to serve while improving the customer experience. The Wholesale business is working with customers, partners and suppliers to decarbonise New Zealand's energy sector by evaluating options to economically develop their consented Tauhara geothermal resource.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $10 million determined with reference to a benchmark of group profit before tax from continuing operations. We chose the benchmark because, in our view, this is a key measure of the group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

Key audit matter: Carrying value of cash-generating units

Notes C1 and C2 of the financial statements

The Group separates its business into two cash-generating units (CGUs) for the purpose of asset impairment testing. The value of each CGU, including any allocated goodwill, is supported by a discounted cash flow model which is inherently subjective.

We focused primarily on the generation assets due to the significance of the assets relative to the Group's financial position, the impact changes in underlying assumptions may have and the sensitivity of the generation portfolio to developments and changes in the electricity generation sector as a whole.

The significant assumptions in the generation model are forward electricity prices, future generation volumes, forecast operating and asset costs, the terminal growth rate and the discount rate applied to the future cash flows. All these assumptions involve judgement.

How the matter was addressed in our audit

Our work to assess whether the Group should recognise any impairment to the CGUs included ensuring the methodology adopted in the model is consistent with accepted valuation approaches. We also assessed whether the modelled cash flows appropriately reflect the Group's strategy and budget.

We tested the significant judgements in the modelled cash flows by comparing forward electricity prices to external market projections, comparing future generation volumes to historical volumes, comparing operating costs and asset renewal costs to historical levels and budgets and assessing any impact in changes in the cost structure of generation sites. We also compared the model's terminal growth and discount rates to our own independently determined rates.

We challenged the assumptions by performing a sensitivity analysis, considering a range of likely outcomes based on various scenarios.

We are satisfied that the forward electricity prices, future generation volumes, forecast operating and asset renewal costs, terminal growth rate and discount rate assumptions used by Management were within acceptable ranges and in line with the current market view.

As an overall test we compared the Group's net assets at 30 June 2019 of $2.8 billion to its market capitalisation of $5.7 billion and noted an implied headroom of $2.9 billion.

Key audit matter: Future generation development — capital work in progress

Notes C1 and C2 of the financial statements

We considered the recoverability of capital work in progress, with a particular focus on the Tauhara geothermal project that is held for future development.

We consider this a key audit matter due to the recoverability assessment being based on Management's intention for continued investment in the project; the impact of future developments in the electricity generation sector and the level of judgement involved in the assumptions modelled to determine future economic feasibility of this project.

How the matter was addressed in our audit

We satisfied ourselves that the recoverability of generation projects held in capital work in progress for future development were supported by appropriate development plans and modelled cash flows.

We considered known third party future generation developments and the potential impact of these on the Tauhara geothermal project as well as the wholesale generation market as a whole.

We tested the significant judgements in the Tauhara project modelled cash flows by comparing:

- forward electricity prices to external market projections;
- future generation volumes, operating costs and asset renewal costs to budgets; and
- the model's discount rates to our own independently determined rates.

We challenged the assumptions by performing a sensitivity analysis, considering a range of likely outcomes based on various scenarios.

The announcement by Contact and predicted electricity market capacity demonstrates continued support for the future development of the generation projects held in work in progress.

Key audit matter: Valuation of derivative financial instruments and adoption of NZ IFRS 9 *Financial Instruments*

As explained in note D, the Group's activities expose it to electricity wholesale price, currency and interest rate risks which are managed using derivative financial instruments. These instruments are carried at their fair value as at 30 June 2019.

There is complexity and judgement involved in determining the appropriate valuation and accounting treatment, including consideration of transition and disclosure impacts for the adoption of NZ IFRS 9 Financial Instruments.

How the matter was addressed in our audit

Our audit procedures to assess the valuation and accounting treatment for the Group's derivatives included:

- Challenging key assumptions applied by management and agreeing underlying data to the contract terms. We have independently recalculated the fair value of electricity price derivatives.
- Our financial instrument specialists re-valuing all interest rate derivatives using specialist treasury management software.
- Our financial instrument specialists reviewing, upon adoption, the introduction of the cost of hedging reserve and impact on the cash flow hedge reserve, and new disclosure requirements following transition to NZ IFRS 9.
- Evaluating the hedge effectiveness of the interest rate derivatives. Our financial instrument specialists assessed the effectiveness of these hedges, following NZ IFRS 9 requirements, by independently modelling the future changes in the value of these instruments to assess whether the underlying derivatives were effective.

Other information

The Directors, on behalf of the company, are responsible for the other information included in the Annual Report. Other information includes the Chair's and Chief Executive Officer's reviews, statutory information, sustainability reporting and five year summary and statistics. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is David Gates

For and on behalf of

KPMG

David Gates
KPMG
Wellington
9 August 2019

CORPORATE DIRECTORY

Board of Directors

Robert McDonald (Chair)
Victoria Crone
Whaimutu Dewes
Jon Macdonald
David Smol
Elena Trout
Dame Therese Walsh

Leadership Team

Dennis Barnes
Chief Executive Officer

Venasio-Lorenzo Crawley
Chief Customer Officer

Dorian Devers
Chief Financial Officer

James Kilty
Chief Generation and Development Officer

Catherine Thompson
General Manager, External Relations and General Counsel

Megan Curry
Acting Chief People Officer

Registered office

Contact Energy Limited
Harbour City Tower
29 Brandon Street
Wellington 6011
New Zealand

Phone: +64 4 499 4001
Fax: +64 4 499 4003

Find us on *Facebook*, *Twitter*, *LinkedIn* and *YouTube* by searching for Contact Energy.

Company numbers

NZ Incorporation 660760
ABN 68 080 480 477

Auditor

KPMG
PO Box 996
Wellington 6140

Registry

Change of address, payment instructions and investment portfolios can be viewed and updated online:

investorcentre.linkmarketservices.co.nz
investorcentre.linkmarketservices.com.au

New Zealand Registry

Link Market Services Limited, PO Box 91976, Auckland 1142
Level 11, Deloitte Centre, 80 Queen Street, Auckland 1010

contactenergy@linkmarketservices.co.nz
Phone: + 64 9 375 5998
Fax: +64 9 375 5990

Australian Registry

Link Market Services Limited, Locked Bag A14, Sydney South, NSW 1235
680 George Street, Sydney, NSW 2000

contactenergy@linkmarketservices.com.au
Phone:+61 2 8280 7111
Fax: + 61 2 9287 0303

Investor relations enquiries

Matthew Forbes
Investor Relations Manager
investor.centre@contactenergy.co.nz
Phone: +64 4 462 1323

Sustainability enquiries

Genelle Palmer
Sustainability Manager
genelle.palmer@contactenergy.co.nz


contact™