

# Origin Energy Contact Finance No.2 Limited

Annual Report

For the year ended 30 June 2009

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## **Statutory Information**

### **Principal activity**

Origin Energy Contact Finance No.2 Limited (“the Company”) was incorporated on 8 August 2007 for the purpose of offering preference shares to members of the public. The Company has a balance date of 30 June.

In accordance with the registered prospectus dated 30 August 2007, the Company issued 200,000,000 preference shares to members of the public. The funds raised by that issue of preference shares were used to subscribe for preference shares in Origin Energy Pacific Holdings Limited, the major shareholder in Contact Energy Limited. The Company is entitled to receive dividends on the preference shares issued to it by Origin Energy Pacific Holdings Limited. It uses those funds to pay the dividends due to investors holding the preference shares issued by the Company.

On the date of incorporation, 8 August 2007, the Company issued 100 fully paid ordinary shares at an issue price of \$1.00 to Origin Energy Universal Holdings Limited. On 9 October 2007 the Company issued 10,000,000 Ordinary shares to Origin Energy Universal Holdings Limited at an issue price of \$1.00 per share partly paid at \$0.65 per share.

### **Directors**

The following people held office as a Director of the Company as at 30 June 2009:

Grant King  
Owen Poole – Non-Executive Director  
Chris Bush  
William Hundy – Alternate Director for Grant King

No Directors of the Company are Independent Directors.

The Non-Executive Director received \$16,500.00 fees from the Company during the year ended 30 June 2009. No other Director received any remuneration or other benefits from the Company during the period ended 30 June 2009.

### **Interest register**

No entries were made in the Company's interests register during the year ended 30 June 2009.

### **Employees**

The Company has no employees and, accordingly, no employee was paid remuneration or other benefits exceeding a value of \$100,000 for the year ended 30 June 2009.

### **Donations**

The Company made no donations during the year ended 30 June 2009.

### **Auditors**

The remuneration of the auditors for the year ended 30 June 2009 in relation to the statutory accounts was borne by a related party.

### **Credit rating**

The Company does not have a current credit rating.

### **Net Tangible Asset per Security**

Net tangible asset per security being net assets divided by the number of securities is \$0.95 for the year ended 30 June 2009 (2008: \$0.95).

### Shareholder information

The following information is made available in accordance with the Listing Rules of the New Zealand Exchange Limited:

#### *Substantial security holders*

As at the date of this Annual Report, Origin Energy Universal Holdings Limited holds all of the 10,000,100 ordinary shares issued by the Company.

There are no “substantial security holders” of the Company (within the meaning of section 21 of the Securities Markets Act 1988) as the Company does not have any *listed* voting securities on issue.

#### *Directors’ shareholding interests*

As at 30 June 2009, no Director of the Company had a relevant interest in any share issued by the Company.

As at 30 June 2009, Origin Energy Universal Holdings Limited, an Associated Person of each of the Directors of the Company for the purposes of the Listing Rules of the New Zealand Exchange Limited, had a relevant interest (as defined in section 146 of the Companies Act 1993) in the 10,000,100 ordinary shares issued by the Company.

### Corporate governance

The Company is a wholly-owned subsidiary of Origin Energy Limited. All Directors are employees or Directors within the Origin Energy group of companies. Those companies are subject to Origin Energy Limited’s Code of Conduct and Corporate Policies, which are not materially different from the NZX Corporate Best Practice Code. Copies of Origin Energy Limited’s Code of Conduct and other Corporate Governance Policies are available at [www.originenergy.com.au/1433/Corporate-governance](http://www.originenergy.com.au/1433/Corporate-governance).

All Directors are appointed in the normal manner under the Companies Act 1993 and the constitution by the sole ordinary shareholder, Origin Energy Universal Holdings Limited, a subsidiary of Origin Energy Limited.

All Directors participate in audit matters and accordingly the Board of Directors has not constituted a separate Audit Committee.

### Waivers / Rulings

Under a ruling dated 30 August 2007 New Zealand Exchange Limited Regulation ruled that the preference shares of the Company be treated as debt securities and not equity securities with the result that the Company only needs to comply with the Listing Rules applicable to debt securities.

### 20 largest security holders as at 1 September 2009

As at 1 September 2009 the company had no quoted equity securities.

### Distribution of security holders and security holdings as at 1 September 2009

Number of Securities	Number of Holders
1 to 4,999	3
5,000 to 9,999	1,040
10,000 to 49,999	2,913
50,000 to 99,999	540
100,000 to 999,999	320
1,000,000 +	15

# Origin Energy Contact Finance No.2 Limited

NZ IFRS Financial statements

For the year ended 30 June 2009

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The Directors are pleased to present the annual report including the financial statements of Origin Energy Contact Finance No.2 Limited for the year ended 30 June 2009.

For and on behalf of the Board of Directors

A handwritten signature in black ink that reads "Chris Bush". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Chris Bush

Date: 28 September 2009

A handwritten signature in black ink that reads "Owen Poole". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Owen Poole

Date: 28 September 2009

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## Directory

<b>Nature of business</b>	Offering preference shares to the public
<b>Registered office</b>	Level 3, Energy House 32 Molesworth Street New Plymouth, 4310 New Zealand
<b>Incorporation number</b>	1973687
<b>IRD number</b>	97-818-673
<b>Directors</b>	Grant King Owen Poole Christopher Bush William Hundy (appointed alternative for Grant King)
<b>Auditor</b>	KPMG
<b>Banker</b>	Westpac Banking Corporation
<b>Solicitor</b>	Bell Gully
<b>Business location</b>	Wellington





## Income statement

For the period ended 30 June

in New Zealand Dollars (\$'000)

		Year ended 30 June 2009	11 months ended 30 June 2008
Dividend income		12,241	7,079
Administrative expenses		(13)	(1)
Other expenses	1	(84)	(24)
<b>Operating profit before financing income</b>		<b>12,144</b>	<b>7,054</b>
Financial income		22	107
<b>Net financing income</b>	2	<b>22</b>	<b>107</b>
<b>Profit before tax</b>		<b>12,166</b>	<b>7,161</b>
Income tax benefit / (expense)	3	22	(27)
<b>Profit after tax for the period</b>	6	<b>12,188</b>	<b>7,134</b>

## Statement of recognised income and expenses

For the period ended 30 June

in New Zealand Dollars (\$'000)

	Note	Year ended 30 June 2009	11 months ended 30 June 2008
<b>Profit for the period</b>		<b>12,188</b>	<b>7,134</b>
<b>Total recognised income and expense for the period</b>	6	<b>12,188</b>	<b>7,134</b>

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

<b>Balance sheet</b>	<b>Note</b>		
<b>As at 30 June</b>			
in New Zealand Dollars (\$'000)		<b>2009</b>	<b>2008</b>
<b>Assets</b>			
Cash and cash equivalents	<b>4</b>	364	439
Other current assets		11	11
<b>Total current assets</b>		<b>375</b>	<b>450</b>
<b>Investments in related Group Companies</b>			
	<b>5</b>	200,000	200,000
<b>Total non-current assets</b>		<b>200,000</b>	<b>200,000</b>
<b>Total assets</b>		<b>200,375</b>	<b>200,450</b>
<b>Equity</b>			
Share capital	<b>6</b>	200,368	200,368
Retained earnings	<b>6</b>	2	55
<b>Total equity</b>		<b>200,370</b>	<b>200,423</b>
<b>Liabilities</b>			
Current tax liability		4	27
Provisions		1	-
<b>Total current liabilities</b>		<b>5</b>	<b>27</b>
<b>Total liabilities</b>		<b>5</b>	<b>27</b>
<b>Total equity and liabilities</b>		<b>200,375</b>	<b>200,450</b>

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

## Statement of cash flows

For the period ended 30 June

in New Zealand Dollars (\$'000)

	Note	Year ended 30 June 2009	11 months ended 30 June 2008
<b>Cash flows from operating activities</b>			
Dividends received		12,241	7,079
Gross interest received		22	107
Other operating cash flows		(97)	(36)
<b>Net cash flows from operating activities</b>	<b>11</b>	<b>12,166</b>	<b>7,150</b>
<b>Cash flows from investing activities</b>			
Cash paid for purchases of equity investments in related Group Companies		-	(200,000)
<b>Net cash flows from investing activities</b>		<b>-</b>	<b>(200,000)</b>
<b>Cash flows from financing activities</b>			
Cash proceeds from issue of Ordinary Shares		-	6,500
Cash proceeds from issue of Preference Shares		-	200,000
Preference Shares issuance costs		-	(6,132)
Dividends paid		(12,241)	(7,079)
<b>Net cash flows from financing activities</b>		<b>(12,241)</b>	<b>193,289</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(75)</b>	<b>439</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>439</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>		<b>364</b>	<b>439</b>

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

## Notes to the financial statements

### Significant accounting policies

Origin Energy Contact Finance No.2 Limited (the “Company”) is a company incorporated and domiciled in New Zealand. The Company is an issuer in terms of the Financial Reporting Act 1993.

The financial statements of the Company are for the year ended 30 June 2009. Comparative figures are from date of incorporation, 8 August 2007 to 30 June 2008.

The core business of the Company is offering preference shares to the public.

### Statement of compliance and basis of preparation

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

The financial statements have been approved by the Board of Directors on 28 September 2009.

The financial statements have been prepared on the historical cost basis (going concern) except equity investments classified as available-for-sale which are measured as stated below.

The financial statements are presented in New Zealand Dollars (NZD), the Company’s functional currency, and rounded to the nearest thousand dollars, unless otherwise stated.

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

### Investments

Investments held by the Company are classified as available-for-sale and are stated at fair value. Unquoted equity investments are stated at cost because their fair value cannot be measured reliably.

### Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses. Bad debts are written off during the period in which they are identified.

### Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

### Trade and other payables

Trade and other payables are stated at cost.

### Revenue

#### Dividend income

Dividend income is recognised on the date that the Company’s right to receive payment is established.

#### Net financing income

Interest income is recognised in the income statement as it accrues, using the effective interest method.

### Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

### Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

## Notes to the financial statements

### Significant accounting policies

#### Income tax (continued)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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

#### Goods and Services Tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

#### Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

#### New standards adopted and interpretations not yet adopted

The Company has elected not to early adopt the following standards considered relevant to the financial statements, which have been issued but are not yet effective.

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

*NZIFRS 8 Operating Segments* – approved December 2006 and effective for annual reporting periods beginning on or after 1 January 2009.

*NZIAS 1 Presentation of Financial Statements* – revisions approved September 2007 and effective for annual reporting periods beginning on or after 1 January 2009.

*NZIFRS 3 Business Combinations* – revisions approved June 2007 and effective for annual reporting periods beginning on or after 1 July 2009.

*NZIAS 23 Borrowing Costs* – approved July 2007 and effective for annual reporting periods beginning on or after 1 January 2009.

## Notes to the financial statements

in New Zealand Dollars (\$'000)

	Year ended 30 June 2009	11 months ended 30 June 2008
<b>1 Other expenses</b>		
Directors' fees	(17)	-
Share register audit fees	(3)	-
Share register maintenance fees	(64)	(24)
	<b>(84)</b>	<b>(24)</b>
Statutory audit fees for the Company are borne by a related Origin Energy Group Company		
<b>2 Net financing income</b>		
Interest income	22	107
Net financing income	<b>22</b>	<b>107</b>
<b>3 Income tax benefit / (expense)</b>		
Current tax benefit / (expense)		
Current year	22	(27)
Total income tax benefit / (expense) in the income statement	<b>22</b>	<b>(27)</b>
Reconciliation of effective tax rate		
Profit before tax	12,166	7,161
Income tax using the company tax rate (2009: 30%, 2008: 33%)	(3,650)	(2,363)
Tax exempt revenues	3,672	2,336
	<b>22</b>	<b>(27)</b>
<b>Imputation credit balance</b>		
Opening balance	-	-
Imputation credits attached to dividends received during the year	6,029	3,487
Imputation credits attached to dividends paid during the year	(6,029)	(3,487)
Closing balance	-	-
<b>4 Cash and cash equivalents</b>	<b>2009</b>	<b>2008</b>
Cash at bank	<b>364</b>	<b>439</b>
<b>5 Investments in related Group Companies</b>		

The Company holds preference shares in Origin Energy Pacific Holdings Limited, a related Group Company. The rights attached to the preference shares are equal and opposite to the listed preference shares issued by the Company.

## Notes to the financial statements

in New Zealand Dollars (\$'000)

### 6 Capital and reserves

#### Reconciliation of movement in share capital and reserves

	Ordinary Share Capital (i)	Preference Share Capital (ii)	Retained earnings	Total equity
Balance at 1 July 2008	6,500	193,868	55	200,423
Total recognised income & expenses for the period	-	-	12,188	12,188
Dividend paid	-	-	(12,241)	(12,241)
<b>Balance at 30 June 2009</b>	<b>6,500</b>	<b>193,868</b>	<b>2</b>	<b>200,370</b>

Share capital (number of shares)	Ordinary Shares	Preference Shares
Balance at 1 July 2008	10,000,100	200,000,000
<b>On issue at 30 June 2009</b>	<b>10,000,100</b>	<b>200,000,000</b>

	Ordinary Share Capital (i)	Preference Share Capital (ii)	Retained earnings	Total equity
Balance at 8 August 2007	-	-	-	-
Issued during the period	6,500	193,868	-	200,368
Total recognised income & expenses for the period	-	-	7,134	7,134
Dividend paid	-	-	(7,079)	(7,079)
<b>Balance at 30 June 2008</b>	<b>6,500</b>	<b>193,868</b>	<b>55</b>	<b>200,423</b>

Share capital (number of shares)	Ordinary Shares	Preference Shares
Balance at 8 August 2007	-	-
Issued during period	10,000,100	200,000,000
<b>On issue at 30 June 2008</b>	<b>10,000,100</b>	<b>200,000,000</b>

(i) All ordinary shares are owned by Origin Energy Universal Holdings Limited a related Group Company. The Company has issued 100 fully paid ordinary shares at a price of \$1.00 and a further 10,000,000 ordinary shares at a price of \$1.00 per share, partly paid at \$0.65 per share.

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. No dividends were declared in relation to ordinary shares.

(ii) The Preference Shares carry a dividend payable semi-annually in arrears. The Dividend Rate is reset each year on 15 October (or the next Business Day) based on the Benchmark Rate determined on the Dividend Reset Date plus the Margin of 1.50% per annum. Dividends are calculated by multiplying the Dividend Rate by the issue price of the Preference Shares. The dividends may consist of a combination of cash payments and imputation credits. If not cancelled, dividends are paid semi-annually on 15 October and 15 April of each year (or the next Business Day). The Preference Shares have no fixed term. The Preference Shares can be redeemed at the discretion of the Company (or purchased by Origin Energy Limited or a subsidiary of Origin Energy Limited) in certain circumstances.

Details and the Terms of the Preference Shares are contained in the Investment Statement and Prospectus dated 30 August 2007.

## Notes to the financial statements

in New Zealand Dollars (\$'000)

### 6 Capital and reserves (continued)

Dividends paid on the listed preference shares during the year were:

- 15 October 2008 - \$6,854,100.00 (for the period 16/04/2008 to 15/10/2008) at \$0.03427 per Preference Share
- 15 April 2009 - \$5,386,800.00 (for the period 16/10/2008 to 15/04/2009) at \$0.02693 per Preference Share

Dividends paid on the listed preference shares during the comparative period were:

- 15 October 2007 - \$225,340.00 (for the period 9/10/2007 to 15/10/2007)
- 15 April 2008 - \$6,854,100.00 (for the period 16/10/2007 to 15/04/2008)
- Total Dividends paid during the comparative year - \$7,079,440.00 at \$0.0354 per Preference Share

The Preference Shares rank after all creditors of, and in priority to ordinary shareholders of, the Company. The Preference Shares do not carry the right to vote except for matters which change the terms of the Preference Shares or the Deed Poll.

Funding for the Preference Shares issued to the public was within New Zealand and within the commercial and financial sector.

### 7 Financial instruments

Exposures to credit and interest rate risks arise in the normal course of the Company's business. No hedging is undertaken.

#### Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Company. Transactions involving derivative financial instruments are with counterparties with whom the Company has a signed netting agreement as well as sound credit ratings.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

#### Interest rate risk

The Company's investments in fixed rate debt securities and its borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Company's investments in variable rate debt securities and its variable borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not exposed to interest rate risk.

#### Liquidity risk

Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis. In general, the Company generates sufficient cash flows to meet its obligations arising from its financial liabilities.

#### Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest bearing financial liabilities, the following table indicates their average effective interest rates at the reporting date and the periods in which they mature or, if earlier, reprice.

	Note	Average effective interest rate	Total	6 months or less	1-2 years
<b>2009</b>					
<b>Fixed rate instruments</b>					
Cash and cash equivalents	4	5.50%	364	364	-
<b>Balance at 30 June 2009</b>			<b>364</b>	<b>364</b>	<b>-</b>
<b>2008</b>					
<b>Fixed rate instruments</b>					
Cash and cash equivalents	4	7.75%	439	439	-
<b>Balance at 30 June 2008</b>			<b>439</b>	<b>439</b>	<b>-</b>

## Notes to the financial statements

in New Zealand Dollars (\$'000)

### 7 Financial instruments (continued)

#### Sensitivity analysis

In managing interest rate risks, the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. At balance date there is no material exposure to interest rate risk.

#### Capital management

The Company's capital includes share capital, redeemable preference shares and retained earnings. The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

#### Fair values

The fair values of financial assets and liabilities, together with the carrying amounts as shown in the balance sheet, are as follows:

	Note	Loans and receivables	Other amortised costs	Available-for-sale	Carrying amount 2009	Fair value 2009
<b>2009</b>						
Cash and cash equivalents	4	364	-	-	364	364
Other current assets		11	-	-	11	11
Total current assets		<b>375</b>	<b>-</b>	<b>-</b>	<b>375</b>	<b>375</b>
Investments in related Group Companies	5	-	-	200,000	200,000	200,000
Total non-current assets		<b>-</b>	<b>-</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>
Total Assets		<b>375</b>	<b>-</b>	<b>200,000</b>	<b>200,375</b>	<b>200,375</b>

	Note	Loans and receivables	Other amortised costs	Available-for-sale	Carrying amount 2008	Fair value 2008
<b>2008</b>						
Cash and cash equivalents	4	439	-	-	439	439
Other current assets		11	-	-	11	11
Total current assets		<b>450</b>	<b>-</b>	<b>-</b>	<b>450</b>	<b>450</b>
Investments in related Group Companies	5	-	-	200,000	200,000	200,000
Total non-current assets		<b>-</b>	<b>-</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>
Total Assets		<b>450</b>	<b>-</b>	<b>200,000</b>	<b>200,450</b>	<b>200,450</b>

### 8 Commitments

As at the balance date the Company has no commitments.

### 9 Contingencies

The Company has issued a bond in favour of the New Zealand Stock Exchange (\$75,000.00) to cover listing and other regulatory costs. As at the Balance Sheet date no other significant contingencies exist.

### 10 Segment reporting

The Company operates in one geographic segment (New Zealand) in the finance industry.

## Notes to the financial statements

in New Zealand Dollars (\$'000)

	Year ended 30 June 2009	11 months ended 30 June 2008
<b>11 Reconciliation of the profit for the period with net cash from operating activities</b>		
Profit for the period	12,188	7,134
(Decrease) / increase in current tax payable	(23)	27
Increase in other current assets	-	(11)
Increase in provisions	1	-
Net cash inflows from operating activities	<b>12,166</b>	<b>7,150</b>

## 12 Related parties

### Identity of related parties

The Company is a subsidiary company of Origin Energy Universal Holdings Limited (an entity incorporated in New Zealand). The ultimate parent company is Origin Energy Limited, domiciled in Australia.

The Non-Executive Director received fees from the Company during the year ended 30 June 2009.

No other Director received any remuneration or other benefits from the Company during the period ended 30 June 2009.

Transactions between the Company and its related parties are outlined below. All transactions are conducted on an arms-length basis (except secretarial services, which are provided at no charge) and are settled in cash.

Related Party	Relationship	Service Provided / Received
Origin Energy Pacific Holdings Limited	Common parent company	Preference shares issued by Origin Energy Pacific Holdings Limited to the Company
Origin Energy Universal Holdings Limited	Parent company	Origin Energy Universal Holdings Limited holds Ordinary Shares in the Company
Origin Energy New Zealand Limited	Parent company of Origin Energy Universal Holdings Limited	Origin Energy New Zealand Limited pays audit fees (for audit of financial statements) on behalf of the Company

No Guarantees are given or received.