
Origin Energy Contact Finance No.2 Limited

Half Year Report

For the period from 1 July 2010 to 31 December 2010

The Directors are pleased to present the half year report including the interim financial statements of Origin Energy Contact Finance No.2 Limited for the period from 1 July 2010 to 31 December 2010.

For and on behalf of the Board of Directors

Director



Date:

25-3-11

Director



Date:

25-3-11

Contents

- 2 Directory
- 3 Statement of comprehensive income
- 4 Statement of financial position
- 5 Statement of changes in equity
- 6 Statement of cash flows
- 7 Notes to the interim financial statements

Directory

Nature of business	Offering preference shares to the public
Registered office	Level 3, Energy House 32 Molesworth Street New Plymouth, 4310 New Zealand
Incorporation number	1973687
IRD number	97-818-673
Directors	Grant King Owen Poole Christopher Bush Derek Gardiner (appointed alternative for Grant King 30 August 2010)
Auditor	KPMG
Banker	Westpac Banking Corporation
Solicitor	Bell Gully
Business location	Wellington

Statement of comprehensive income

For the period ended 31 December 2010

in New Zealand Dollars (\$'000)

	Note	Unaudited 6 Months Ended 31 December 2010	Unaudited 6 Months Ended 31 December 2009	Audited 12 Months Ended 30 June 2010
Dividend income		3,465	5,387	8,852
Administrative expenses		(15)	(20)	(20)
Other expenses	1	(43)	(43)	(74)
Operating profit before financing income		3,407	5,324	8,758
Financing income		5	6	9
Financing expense		-	(1)	(1)
Net financing income	2	5	5	8
Profit before tax		3,412	5,329	8,766
Income tax benefit	3	16	17	14
Profit for the period		3,428	5,346	8,780
Other comprehensive income for the period, net of income tax		-	-	-
Total comprehensive income for the period		3,428	5,346	8,780

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

Statement of financial position

As at 31 December 2010

in New Zealand Dollars (\$'000)

	Note	Unaudited 31 December 2010	Unaudited 31 December 2009	Audited 30 June 2010
Assets				
Cash and cash equivalents	4	202	308	280
Total current assets		202	308	280
Investments in related Group Companies	5	200,000	200,000	200,000
Deferred tax assets	3	62	49	46
Total non-current assets		200,062	200,049	200,046
Total assets		200,264	200,357	200,326
Equity				
Share capital	6	200,368	200,368	200,368
Retained deficit		(107)	(39)	(70)
Total equity		200,261	200,329	200,298
Liabilities				
Provisions		3	3	3
Loan from related party	7	-	25	25
Total current liabilities		3	28	28
Total liabilities		3	28	28
Total equity and liabilities		200,264	200,357	200,326

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

Statement of changes in equity

For the period ended 31 December 2010

in New Zealand Dollars (\$'000)

	Note	Ordinary share capital	Preference share capital	Retained earnings	Total equity
Opening balance as at 1 July 2009		6,500	193,868	2	200,370
Total comprehensive income for the period		-	-	5,346	5,346
Transactions with owners recorded directly in equity					
Dividend paid to equity holders	6	-	-	(5,387)	(5,387)
Total transactions with owners recorded directly in equity		-	-	(5,387)	(5,387)
Unaudited closing balance as at 31 December 2009		6,500	193,868	(39)	200,329
Opening balance as at 1 January 2010		6,500	193,868	(39)	200,329
Total comprehensive income for the period		-	-	3,434	3,434
Transactions with owners recorded directly in equity					
Dividend paid to equity holders	6	-	-	(3,465)	(3,465)
Total transactions with owners recorded directly in equity		-	-	(3,465)	(3,465)
Audited closing balance as at 30 June 2010		6,500	193,868	(70)	200,298
Opening balance as at 1 July 2010		6,500	193,868	(70)	200,298
Total comprehensive income for the period		-	-	3,428	3,428
Transactions with owners recorded directly in equity					
Dividend paid to equity holders	6	-	-	(3,465)	(3,465)
Total transactions with owners recorded directly in equity		-	-	(3,465)	(3,465)
Unaudited closing balance as at 31 December 2010		6,500	193,868	(107)	200,261

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

Statement of cash flows

For the period ended 31 December 2010

in New Zealand Dollars (\$'000)

	Note	Unaudited 6 Months Ended 31 December 2010	Unaudited 6 Months Ended 31 December 2009	Audited 12 Months Ended 30 June 2010
Cash flows from operating activities				
Cash provided from (applied to):				
Dividends received		3,465	5,387	8,852
Net interest received		5	5	8
Income taxes paid		-	(35)	(35)
Other operating cashflows		(58)	(52)	(82)
Net cash flows from operating activities	12	3,412	5,305	8,743
Cash flows from investing activities				
Net cash flows from investing activities		-	-	-
Cash flows from financing activities				
Cash provided from (applied to):				
Loans (repaid to)/from related parties		(25)	25	25
Dividends paid		(3,465)	(5,387)	(8,852)
Other financing cashflows		-	1	-
Net cash flows from financing activities		(3,490)	(5,361)	(8,827)
Net decrease in cash and cash equivalents		(78)	(56)	(84)
Cash and cash equivalents at beginning of period		280	364	364
Cash and cash equivalents at end of period		202	308	280

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

Notes to the interim 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 interim financial statements of the Company are for the period ended 31 December 2010. In this report the "Period" includes the results for the period from 1 July 2010 to 31 December 2010. Comparative figures are from 1 July 2009 to 31 December 2009 unless otherwise stated.

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

Statement of compliance and basis of preparation

The interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), and should be read in conjunction with the 30 June 2010 Annual Report. They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards. The interim financial statements comply with International Financial Reporting Standards.

The interim financial statements have been approved by the Board of Directors on 25 March 2011.

The interim 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 interim 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 the period presented in these interim financial statements.

Investments

Investments held by the Company are classified as available-for-sale and are stated at fair value.

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.

Revenue

Dividend income

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

Financing income and expenses

Financing income

Financing income is recognised in profit or loss as it accrues.

Financing expenses

Financing expenses comprise interest expenses on borrowings. All borrowing costs are recognised in profit or loss.

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 reporting date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

Notes to the interim financial statements

Significant accounting policies

Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity, or in other comprehensive income.

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

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

Use of estimates and judgements

The preparation of interim 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 interim financial statements, which have been issued but are not yet effective.

NZ IFRS 9 Financial Instruments: Recognition and Measurement - issued November 2009 and effective for reporting periods beginning on or after 1 January 2013.

NZ IAS 24 Amendment: Related Party Disclosures - amendment issued November 2009 and effective for reporting periods beginning on or after 1 January 2011.

IN IAS 34 Interim Financial Reporting - amendment issued October 2010 and effective for reporting periods beginning on or after 1 January 2011.

Notes to the interim financial statements

in New Zealand Dollars (\$'000)

	Unaudited 6 Months Ended 31 December 2010	Unaudited 6 Months Ended 31 December 2009	Audited 12 Months Ended 30 June 2010
1 Other expenses			
Directors fees	(10)	(8)	(17)
Share register audit fees	(2)	(2)	(2)
Share register maintenance fees	(31)	(33)	(55)
	(43)	(43)	(74)
Statutory audit fees for the Company are borne by a related Origin Energy Group Company			
2 Net financing income			
Interest income	5	6	9
	5	6	9
Interest expense	-	(1)	(1)
	-	(1)	(1)
Net financing income	5	5	8
3 Income tax			
Current tax benefit / (expense)			
Current period	-	-	(23)
Prior year adjustments	-	-	(9)
	-	-	(32)
Deferred tax expense			
Origination and reversal of temporary differences	16	17	49
Reduction in company tax rate	-	-	(3)
	-	-	46
Total income tax benefit	16	17	14
Reconciliation of effective tax rate			
Profit before taxation	3,412	5,329	8,766
Income tax using the company tax rate at 30%	(1,024)	(1,599)	(2,630)
Reduction in Company tax rate	-	-	(3)
Tax effect of imputation credits	1,485	2,412	3,897
Gross up of imputed dividend income	(445)	(796)	(1,241)
Prior year adjustments	-	-	(9)
	16	17	14

Notes to the interim financial statements

in New Zealand Dollars (\$'000)

	Unaudited 6 Months Ended 31 December 2010	Unaudited 6 Months Ended 31 December 2009	Audited 12 Months Ended 30 June 2010
3 Income tax (continued)			
Deferred tax (asset) / liability			
Opening balance	(46)	-	-
Recognised in income	(16)	(49)	(46)
Closing balance	(62)	(49)	(46)
Reconciliation of deferred tax (asset) / liability			
Assets			
Tax losses	(62)	(49)	(46)
Closing balance	(62)	(49)	(46)
Imputation credit balance			
Opening balance	35	-	-
Imputation credits attached to dividends received during the period	1,485	2,653	4,138
Imputation credits attached to dividends paid during the period	(1,485)	(2,653)	(4,138)
Income tax payments net of refunds	-	35	35
Closing balance	35	35	35
4 Cash and cash equivalents			
Cash at bank	202	308	280
	202	308	280

5 Investments in related Group Companies

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.

The fair value of the preference shares in Origin Energy Pacific Holdings Limited equal the notional value of shares, being the maximum amount receivable on redemption in accordance with the terms of these preference shares.

Notes to the interim financial statements

in New Zealand Dollars (\$'000)

6 Capital and reserves

Share capital (number of shares)	Ordinary shares ⁽ⁱ⁾	Preference shares ⁽ⁱⁱ⁾
On issue at 1 July and 31 December 2010	10,000,100	200,000,000
Share capital (number of shares)	Ordinary shares	Preference shares
On issue at 1 July and 31 December 2009	10,000,100	200,000,000

⁽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.

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

- 15 October 2010 - \$3,465,000.00 (for the period 16/04/2010 to 15/10/2010) at \$0.01733 per Preference Share

Dividends paid on the listed preference shares for the year ended 30 June 2010 were:

- 15 October 2009 - \$5,386,800.00 (for the period 16/04/2009 to 15/10/2009) at \$0.02693 per Preference Share
 - 15 April 2010 - \$3,465,000.00 (for the period 16/10/2009 to 15/4/2010) at \$0.01733 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.

	Note	Unaudited 6 Months Ended 31 December 2010	Unaudited 6 Months Ended 31 December 2009	Audited 12 Months Ended 30 June 2010
7 Loan from related party				
Current				
Unsecured related party loans	13	-	25	25
		-	25	25

Notes to the interim financial statements

in New Zealand Dollars (\$'000)

8 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 risk management 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 reporting 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 statement of financial position.

Interest rate risk

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 from its operating activities to meet its obligations arising from its financial liabilities.

Repricing analysis

In respect of income earning financial assets and interest bearing financial liabilities, the following table indicates the periods in which they mature or, if earlier, reprice.

		Unaudited as at 31 December 2010		
			6 months	
	Note	Total	or less	1-2 years
Cash and cash equivalents	4	202	202	-
Balance at 31 December 2010		202	202	-
		Unaudited as at 31 December 2009		
			6 months	
		Total	or less	1-2 years
Cash and cash equivalents	4	308	308	-
Balance at 31 December 2009		308	308	-
		Audited as at 30 June 2010		
			6 months	
		Total	or less	1-2 years
Cash and cash equivalents	4	280	280	-
Balance at 30 June 2010		280	280	-

Sensitivity analysis

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

Capital management

The Company's capital includes share capital and redeemable preference shares.

The Company's policies in respect of capital management and allocations are reviewed regularly by the Board of Directors.

Notes to the interim financial statements

in New Zealand Dollars (\$'000)

8 Financial instruments (continued)

Fair values

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

31 December 2010	Note	Loans and receivables	Other Amortised costs	Available-for-sale	Carrying amount	Fair value
Cash and cash equivalents	4	202	-	-	202	202
Investments in related Group Company	5	-	-	200,000	200,000	200,000
Total financial assets		202	-	200,000	200,202	200,202

31 December 2009	Note	Loans and receivables	Other amortised costs	Available-for-sale	Carrying amount	Fair value
Cash and cash equivalents	4	308	-	-	308	308
Investments in related Group Company	5	-	-	200,000	200,000	200,000
Total financial assets		308	-	200,000	200,308	200,308
Loans from related parties	7	25	-	-	25	25
Total financial liabilities		25	-	-	25	25

30 June 2010	Note	Loans and receivables	Other amortised costs	Available-or-sale	Carrying amount	Fair value
Cash and cash equivalents	4	280	-	-	280	280
Investments in related Group Company	5	-	-	200,000	200,000	200,000
Total financial assets		280	-	200,000	200,280	200,280
Loans from related parties	7	25	-	-	25	25
Total financial liabilities		25	-	-	25	25

9 Commitments

As at the reporting date the Company has no commitments.

10 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 reporting date no other significant contingencies exist.

11 Segment reporting

The Company operates in a single segment in the finance industry. All the dividend income is derived from one New Zealand entity in relation to held preference shares.

Notes to the interim financial statements

in New Zealand Dollars (\$'000)

12 Reconciliation of the profit for the period with net cash from operating activities

	Unaudited 6 Months ended 31 December 2010	Unaudited 6 Months Ended 31 December 2009	Audited 12 Months Ended 30 June 2010
Profit for the period	3,428	5,346	8,780
Increase in provisions	-	1	2
Increase in current tax payable	-	(4)	(4)
Increase in deferred tax asset	(16)	(49)	(46)
Decrease in other current assets	-	11	11
Net cash inflows from operating activities	3,412	5,305	8,743

13 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 period ended 31 December 2010. No other Director received any remuneration or other benefits from the Company during the period ended 31 December 2010.

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. No Guarantees are given or received.

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	Non-interest bearing loan provided by Origin Energy New Zealand Limited. Origin Energy New Zealand Limited pays audit fees (for audit of financial statements) on behalf of the Company.

	Note	Unaudited 6 months Ended 31 December 2010	Unaudited 6 months Ended 31 December 2009	Audited 12 months Ended 30 June 2010
Outstanding balances to related parties				
Origin Energy New Zealand Limited		-	25	25
			25	25
Comprising				
Loan from related party	7	-	25	25
			25	25

